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Yungtay Engineering Co., Ltd.
2018 Annual Report

(Translation)

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Overseas Securities Exchange
None

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2018 Business Report

Dear Shareholdings,

In 2018, the Company's consolidated revenue was NT$14,859,000,000, a decrease of 11.3% compared to the previous year; the profit attributable to owners of parent was about NT$675,000,000 and the earnings per share was NT$1.65.

In terms of research and development, the cost of research and development in 2018 was about NT$468,000,000, a decrease of 3.05% compared to the previous year. We have committed ourselves to the research and development including high-speed elevators, heavy-load room less elevator development, traction machine for replacement and renovation, and control panel system. This year, we will continue to develop elevator control systems and component integration, to develop permanent magnet hosts designed for high-speed elevators, to do the green energy design for elevator, to develop IoT, and to develop elevator intelligent function, etc.

The market trend of 2019 is affected by international economic and trade conflicts. With the worldwide economic growth slowing down, various international financial institutions are making downward adjustments on global economic growth projection, suggesting risks of global economic downturn. Along with uncertainties of the US-China trade war, real property market, which is the leading force of the Chinese capital market, will subject to greater risks of downturn. However, the Chinese government will strive to stabilize the real property market, hence the real property market and elevator market in China should not vary much comparing to the previous year. It is expected that Yungtay China's sales number of elevators would be about 10,500 units in 2019. Yungtay (Taiwan) has experienced an overall real property market trend of stable pricing and rising quantity. Developers had stronger confidence in initiating projects, number of construction permits and area of new construction both showed an increase in percentage nationwide, along with the adoption of Urban Renewal Act amendments. But with the unsold real property stock in Taiwan, it is expected that the real property market is still in a correction. Yungtay (Taiwan) expects the sales number of elevators would be about 3,160 units in 2019.

We still keep on adhering to the business philosophy that Technology is NO.1, Quality is NO.1 and Service is NO.1, as well as devoting ourselves to the implementation of green energy technology for the purpose of creating a new generation of environmental protection. We also sustain to be on duty for the whole year to handle the condition of elevator all day long, provide the best repair and maintenance service with smart mobile device, strive to develop replacement market for old elevators and further maximize profits for all shareholders. Lastly, may I extend our most heartfelt thanks to each shareholder and may you continue to spur us on.

Wishing you all the best of health and success in your endeavors.

Chairman : Ray Chun Su   President : Fong Chieh Tsai   Chief Accountant : Chun Hsu Chen

(I) 2018 Business Results

(1) Business Plan Implementation Results

The consolidated operating revenue for 2018 was NT$14.859 billion, which was a decrease of approximately NT$1.893 billion compared to NT$16.752 billion in 2017. The profit attributable to owners of parent in 2018 was NT$675 million, which decrease by approximately NT$453 million compared to NT$1.128 billion in 2017.

(2) Implementation Status

Unit: NT$ million

Items	2017 Performance	2018 Performance	Rate of Growth
Operating Revenues	16,752	14,859	-11.30%
Operating Income	1,479	976	-34.01%
Profits Attributable to Owners of Parent	1,128	675	-40.16%

(3) Financial Revenue/Expenditure and Profitability Analysis

1. Financial Revenue and Expenditure
   (1) 2018 Financial Revenue: NT$63,635 thousand.
   (2) 2018 Financial Expenditure: NT$105 thousand.

2. Profitability Analysis

Items	2017	2018
Return on Total Assets (%)	4.47%	3.21%
Return on Equity (%)	9.78%	6.30%
Net Margin (%)	6.91%	4.92%
Earnings Per Share (NTD)	2.76	1.65

(4) R&D Status

1. The annual R&D expenditure for 2018 was NT$468,184 thousand; which was 3% lower than that of 2017 years and accounted for 3% of the revenue.
2. See “Technology and R&D Status” in Pages 63~66.

(II) 2019 Business Plan Summary

(1) Operating Strategy

1. Strengthen innovation and increase added-value.
2. Practice performance management, create a "proactive" and "sustainable management" corporate culture.
3. Strengthen the customer-oriented market orientation to ensure market maintenance.
4. Actively promote the throttling program and strive to reduce operating costs.
5. Exert the team spirit, be bold in trying, accept changes, and increase the competitiveness.
6. The Mainland China division has participated more actively in strategic procurement tender of major developers to rapidly respond to the tendering needs of major customers.
7. The Mainland China division has adjusted its marketing organization by canceling the section units to respond to customers' needs quickly. Meanwhile, business divisions have further divided the regional market according to their differences for more accurate, in-depth and solid operation.
8. The whole of Mainland China division has adopted “safety,” “quality,” and “service” as the core brand values, which serve as a part of Yungtay's integral safety system.
9. The launch of new agency rewarding system and new bonus mechanism can boost agencies' incentive in promoting Yungtay's products.

(2) Expected Sales and Rationales

Items	Expected Sales Volume	Basis
Elevators (Escalators)	13,660 units	The sales volume is estimated based on the existing installation contracts in 2019 that has not yet been shipped, the business climate, the market competition status, and the historical sales records.

(3) Important Production and Sales Policies

1. Streamline the processes, increase efficiencies, and reduce production costs.
2. Improve R&D and design capabilities, shorten development time, and master the market opportunities.
3. Expand the sales of new products such as machine-room-less, high-efficiency, and energy saving small machine-room elevators as well as new and high speed escalators.
4. Open up the old elevator dismantling market to improve its operating income.
5. The smart maintenance tools are adopted to improve the elevator operation quality and increase repair revenues.
6. The Mainland China division has clearly differentiated residential and business premise elevators, and has upgraded its craftsmanship and configurations to create more competitive products.
7. The Mainland China division has developed elevator products that suit old buildings better, and such products are favorable to exploring keys to sales growth.
8. The Mainland China division will be upgrading commercial escalators and developing heavy-load escalators for traffic systems.
9. The Mainland China division will include remote monitoring system as a standard configuration to facilitate the transition from a “regular maintenance” model to a “on-demand maintenance” model for elevators.
10. The Mainland China division has launched a 10-year warranty policy for traction machines.

(4) Future Company Development Strategy

1. Implement innovation, quality, technology, and quality services to enhance customer satisfaction.
2. Master core technologies, create differentiated products, and ensure price and quality competitiveness.
3. Increase the number of the national sales staffs and expand market coverage in China.
4. Proactively explore large developers in Mainland China to seek strategic partnerships.
5. Strengthen the expansion of commercial escalators and government bidding projects in China.

(5) Impacts from the External Competition, Legal Environment, and Overall Business Environment

1. The impact of external competitive environment: During the second half of 2018, despite the rising trade conflict between China and the United States and the fluctuation of the international financial market causing a downward trend of Taiwan's overall economic growth, along with the effects of the 9-in-1 election on the housing market, trade volume of the housing market has continued its recovering trend since the previous year (2017), the relevant data indicators showed that developers are regaining proactiveness in initiating projects, and various elevator manufacturers have actively vied for market shares. To ensure profitability, Yungtay will continue to develop high quality products and promote expenditure rationalization. As for Mainland China, its economic growth has slightly slowed down in 2019, hence "stability" has been adopted as the theme of real property regulation and control policies in 2019. Trade volume of the real property market has shrunk dramatically, and the rapid decline in prices has been unfavorable to a stable development of the real property market. Therefore fine-tuning of regional real property market policies will be widely adopted. Growth rate of real property development investment of 2018 had shown a downward sloping trend, with higher rates at first then dropping afterwards. Such changes reduced developers' willingness to invest in lands. In 2019, the Mainland China division will carry on its mission to work on social security housing and improvement projects on settlements. These projects can satisfy basic living needs of the residents, while maintaining a certain investment volume which can prevent a rapid drop in investment growth rate. Improvement projects on old buildings and settlements can also bring about demands to maintain market demands. It is anticipated that major cities which will remain strictly regulated may have their renewal progress speed up in response to the cool down of real property market. Yungtay (China), at the moment, is devoted to ensuring stability in the quality of its products while at the same time improving its competitive advantages on the market with more competitive prices. In terms of business layout, Yungtay will continue to adjust the business locations based on the comprehensive assessment of the number of local government procurement and real estate trends in order to plan the business strategy according to the market demands and face the new market patterns.
2. Regulatory environment impacts: The Amendment Draft to the Urban Renewal Act had passed its Third Reading at the end of last year (2018). This amendment mainly

focused on clarification of floor area ratio bonus, simplification of urban renewal application, and the addition of the 3+1 process for residents opposing urban renewal projects (urban planning review, hearing, strengthened urban renewal review, and the negotiation platform as the last resort), which facilitate a smoother execution of urban renewal policies. In addition, the Ministry of the Interior has set out goals for this year (2019). which is the Urban Renewal Year, aiming at completing reviews for 100 urban renewal projects, and completing almost 300 dangerous and old building improvement projects, which is a double of that of last year (2018), amounting to almost 400 projects. Together with loosened regulations on reconstructing dangerous and old building in certain counties and cities, it is anticipated that the upsurge of urban renewal and housing improvement projects will be beneficial to demands of the elevator (replacement and renovation) market. In 2018, Mainland China issued policies such as “GB/T37217-2018 Specification for Discard of the Main Parts of Escalators and Moving Walks”; “GB/T35850.1-2018 Programmable Electronic Systems in Safety-related Applications for Lifts (Elevators), Escalators, and Moving Walks--Part 1”; and “GB/T 35857-2018 Safety Rules for the Construction and Installation of Electric Lifts with Inclined Path”, while the elevator industry remained relatively quiet. The elevator industry is undergoing transformation in 2019, and the Administration for Market Regulation has drafted regulations for special equipment safety technology, namely the “Regulation for production unit licensing of special equip,ent (Draft for Comment),” which is now in the stage of public consultation. The Rules provided many new provisions on the licensing conditions for elevator manufacturers. Yungtay (China) will be actively responding to the changes by improving product structure, making its products more competitive, and enhance the overall strength of Yungtay (China).

3. Impact to the overall business environment: Directorate General of Budget, Accounting and Statistics of Executive Yuan predicted that Taiwan will show an economic growth of 2.27% this year (2019), which is 0.36% lower than that of last year (2018). Although a slowing down overall domestic economic growth is expected in 2019, the source of economic growth momentum will still be shifted from external demand to domestic demand. The government, in particular, intends to improve the investment environment through “The Forward-looking Infrastructure Development Program”, which increases public expenditure on construction. Moreover, in response to Taishang returning to the domestic investment market due to the US-China trade war, the government has also launched the "Welcoming the Return of Taiwanese Investment Initiative Act" to encourage and assist Taishang in moving their production line back to Taiwan, in the hope of boosting demand for commercial, residential, and industrial lands. The real property market will be positively affect to a certain extent, while the demand for elevators should experience a slight growth. As for the Mainland China market, the Academy of Mathematics and Systems Science of CAS estimated a stable growth of its economy for 2019, with a GDP growth rate of 6.3%, which is 0.3% lower than that of 2018. Moreover, the economic growth of Mainland China is expected to decrease at first and remain stable afterwards with a certain extent of increase. While the GDP has hit a new low, the proportion in which real property is accounted for in GDP continues to rise. This shows that the economy

is still heavily relying on the real property market, and the real property market has become the key to economic stability in Mainland China. In conclusion, the elevator market growth will be slowing down in 2019, showing little increase.

II. Company Profile

(1) Date established: July 9, 1966

(2) Company History:

1966
- On July 9 the Company was established at No. 169, Sec. 2 Nanjing East Road, Taipei City under the name of “Yungtay Engineering Co., Ltd.”, with a capital size of NT$6 million.
- Main cope of operation: Distribution of HITACHI elevators.

1968
- The company accepted the investment of NT$ 2 million from Hitachi, Ltd. in November and the capital size was changed to NT$10 million.
- The factory in Xinzhuang was established in September and the company became the first to take care of design, manufacturing, installation, and care in the domestic elevator sector.

1970
- The Company was relocated to No. 165-3, Sec. 2 Nanjing East Road in September.

1972
- Efforts were devoted to developing overseas markets for elevators; exportations began in March to Hong Kong and in June to Japan.
- To address the sudden increase in the production demand, the Taoyuan Plant was set up on Chunri Road in December and all the production of elevators was relocated to this new factory.

1973
- The capital size was changed to NT$ 20 million in June.

1976
- Partnership with Hitachi, Ltd. began in April on joint development of elevators for national housing projects.

1977
- The capital size was increased to NT$ 25 million in June.

1978
- Technical collaboration with Japan NIHON RADIATOR CO., LTD. began in January on the production and manufacturing of air-conditioners for automobiles.
- The capital size was increased to NT$40 million in July.
- Exportation of elevators to Singapore began in December.

1979
- The capital size was increased to NT$50 million in May and various types of machinery and equipment were added for the processing of elevator guideways.

1980
- Exportation of elevator guideways to Singapore began in April.
- The capital size was increased to NT$70 million in May and exportation to elevator servers to the Singapore bureau on national housing began in May.
- The Company became the only elevator business recognized by the Ministry of Economic Affairs in December as one of the “92 machinery processing plants of scale.”

1981
- The capital size was increased to NT$105 million in August.

1982
- The capital size was increased to NT$147 million in September.
- The Zhongli factory was established in Guanyin Township of Taoyuan in October to produce automobile air-conditioners and their parts.
- The capital size was increased to NT$197 million in November and industrial robotic arms and powered cranes were added as part of the scope of operation.

1983
- The Company signed a contract with the Industrial Technology Research Institute under the Ministry of Economic Affairs in January to become one of the five manufacturers undertaking its technical transfer of robotic arms in the nation.

	● The capital size was increased to NT$236.4 million in November and initial public offering was approved.
1983	● The capital size was increased to NT$ 283.68 million in September.
	● The Engineering Department was relocated to the new building on Dunhua Road in order to enhance quality of after-sales service.
1985	● The first elevator research tower in Taiwan was completed in the Taoyuan Plant in March.
	● The capital size was increased to NT$ 340.416 thousand in December.
1986	● The main office was relocated to the new office building on Fuxing Road in May.
	● The capital size was increased to NT$ 374,457,600 in October.
1987	● The original plant in Zhongli was sold in July and a joint venture under the name of Taiwan Calsonic Co., Ltd. was established with Japan NIHON RADIATOR CO., LTD.
	● The capital size was increased to NT$ 411,903,360 in October.
1988	● The capital size was increased to NT$ 500 million in December.
1989	● The number of elevators ordered broke the threshold of 10,000 units in June.
	● The capital size was increased to NT$ 600 million in September and the Company was approved to be publicly traded by the FSC under the Ministry of Finance.
1990	● Land with an area of more than 5,000 pings (1 ping = 3.305785 m2) was purchased in August for expanding the existing Taoyuan Plant in August in order to enhance the throughput of elevators and to produce parking tower equipment.
	● The capital size was increased to NT$ 1 billion in September.
1991	● It was approved through the shareholders' meeting in April that the registered capital size of the Company would be NT$2 billion.
	● The capital size was increased in September, with the paid-in capital stock being NT$1,309 million.
1982	● The capital size was increased in July, with the paid-in capital stock being NT$1.72billion.
1993	● The capital size was increased to NT$2,163.7 million in June.
	● The investment in Mainland China through Hong Kong was approved in July by the Investment Review Committee under the Ministry of Economic Affairs.
	● Shanghai Yungtay Engineering Co., Ltd. was established and acquired its business operation license in September.
	● ISO9001 certification for quality assurance was approved in November.
1994	● The capital size was approved to be increased to NT$2,655.7 million in July.
1995	● It was approved through the shareholders' meeting in May that the registered capital size of the Company would be NT$4 billion.
	● The capital size was increased in July, with the paid-in capital stock being NT$3,071.5 million.
1996	● The capital size was increased in July, with the paid-in capital stock being NT$3,386.8 million
1997	● The capital size was increased in July, with the paid-in capital stock being NT$3.73 billion
1998	● The capital size was increased in July, with the paid-in capital stock being

NT$4,108.2 million.

- Yungtay-Hitachi Construction Machinery Co., Ltd. was established in September jointly with Hitachi Construction Machinery Co., Ltd.

1999
- YK Engineering Co., Ltd. was established in February.
- ISO14001 certification for environmental management was approved in March.
- Evest Corporation was established in August.

2001
- OHSAS18001 certification for environmental management was approved in December.

2003
- The name of Shanghai Yungtay Engineering Co., Ltd. was changed in November to Shanghai Yungtay Elevator Equipment Co., Ltd.

2004
- The name of YK Engineering Co., Ltd. was changed in June to GIO Automation Technology Co., Ltd.

2005
- The re-invested Shanghai Yungtay Gie EM Co., Ltd. through the subsidiary Yung Shin Investment Ltd. was established in December.

2006
- The capital size of Shanghai Yungtay Gie EM Co., Ltd. was increased in February, with the paid-in capital stock being US$3,750 thousand.

2007
- Shanghai Yungtay Elevator Equipment Co., Ltd. transferred its earnings to capital increase in October; the paid-in capital stock was US$56 million.
- The capital size of Shanghai Yungtay Gie EM Co., Ltd. was increased in October, with the paid-in capital stock being US$10million.

2008
- Investment in Shang Ying Investment Co., Ltd. began in March and 20% of shares held in Yung Hung Ltd. by Hitachi, Ltd. were bought back.
- Yung Hung Ltd. bought back 6% of shares in Yung Hung Ltd. held by Hitachi Building Systems Co., Ltd. (HBS) in March and organized capital decrease.
- Shanghai Yungtay established its subsidiary Tianjin Yungtay Elevator Equipment Co., Ltd. in April.
- Shanghai Yungtay established its subsidiary Shanghai Yungtay Elevator Installation & Maintenance Co., Ltd. in July.

2009
- Shanghai Yungtay increased the capital size of Shanghai Yungtay Elevator Installation & Maintenance Co., Ltd. in June, with the paid-in capital stock being RMB20 million.
- Shanghai Yungtay increased the capital size of Tianjin Yungtay Elevator Equipment Co., Ltd. in December, with the paid-in capital stock being RMB 150 million.

2010
- Shanghai Yungtay invested in Vietnam Yungtay Elevator Co., Ltd. in April.
- Shanghai Yungtay increased the capital size of Shanghai Yungtay Gie EM Co., Ltd. in November, with the paid-in capital stock being US$12.5 million
- The name of Shanghai Yungtay Gie EM Co., Ltd. was changed to Shanghai Gie EM Co., Ltd. in December.

2011
- Tianjin Yungtay established its subsidiary Tianjin Yungtay Elevator Installation & Maintenance Co., Ltd. in March.
- Shanghai Yungtay increased the capital size of Shanghai Gie EM Co., Ltd. in May, with the paid-in capital stock being US$15 million.

2012
- Expansion of the manufacturing facilities of Shanghai Gie EM Co., Ltd. was

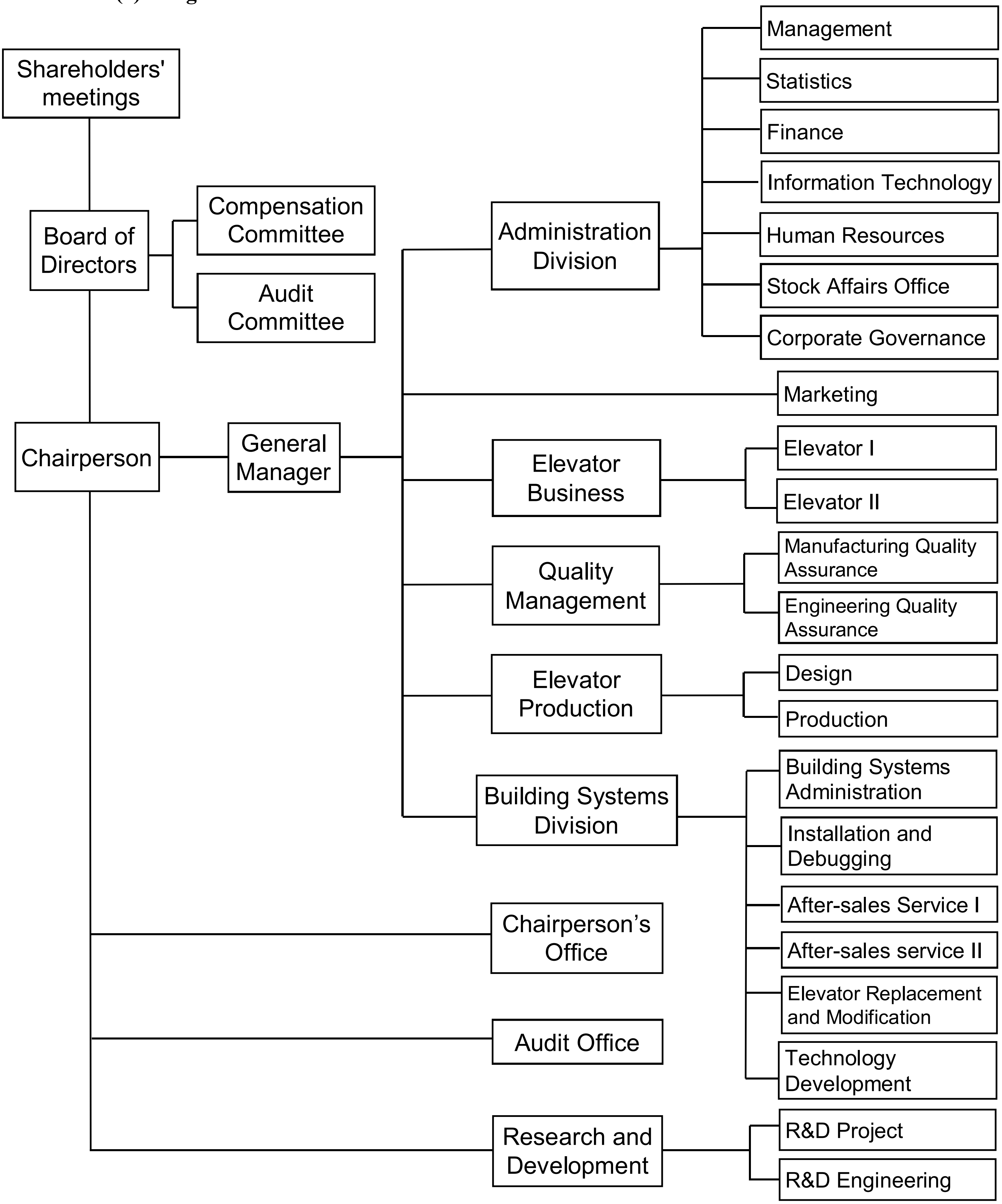
completed in June.

	● Shanghai Yungtay established its subsidiary Chengdu Yungtay Elevator Equipment Co., Ltd. in June.
2013	● The name of Yung Hung Ltd. was changed to Yungtay Engineering Ltd. in March.
	● Shanghai Yungtay increased the capital size of Tianjin Yungtay Elevator Equipment Co., Ltd. in March, with the paid-in capital stock being RMB 200 million.
	● The name of Shanghai Yungtay Elevator Equipment Co., Ltd. was changed in June to Yungtay Elevator Equipment (China) Co., Ltd.
	● Yungtay Elevator Equipment (China) established its subsidiary Sichuan Yungtay Elevator Equipment Co., Ltd. in June.
	● Yung Shin Investment Ltd sold all shares it held in Shanghai Gie EM Co., Ltd. in September to Yungtay Elevator Equipment (China) Co., Ltd. and was dismissed and liquidated accordingly.
2014	● Sichuan Yungtay acquired Chengdu Yungtay in December, with the paid-in capital stock being RMB 152 million.
2015	● Construction of the Sichuan Plant of Yungtay Elevator Equipment (China) began in March.
	● The showroom of Yungtay Elevator Equipment (China) was completed and commissioned in December.
2016	● The Sichuan Plant of Yungtay Elevator Equipment (China) was completed in August.
2017	● Yungtay Elevator Equipment (China) was consolidated with its subsidiary Shanghai Gie EM Co., Ltd. in December.
2018	● Hitachi Group intends to publicly acquire the common shares of the Company in October.

III. Corporate Governance Report

(I) Organizational System

(1) Organizational Structure



(2) Major Departments and Their Scope of Operation

Title	Name	Main experience/education
Chairperson	Tso Ming Hsu	General Manager of Yungtay (China) Department of Water Resources, Tamkang University
General Manager	Shang Yu Tsai	Special assistant of General Manager of Yungtay (China) Master of Management, Shanghai Jiao Tong University

Department	Main responsibilities
Remuneration Committee	Defines and regularly reviews policies, systems, standards, and structures related to the performance evaluation and compensation of directors, supervisors, and managers.
Audit Committee	Assists the Board of Directors in fulfilling its oversight of the quality and integrity of the accounting, auditing, reporting, and financial control practices of the Company.
Administration Division	Takes care of general affairs, finance, accounting, personnel, stock affairs, corporate governance and IT management, among others.
Marketing	Is responsible for imports and exports as well as developing exportation markets of the Company.
Elevator Business	Is responsible for the elevator business and market development.
Quality Management	Is responsible for manufacturing, installing, and modifying elevators, among other quality-assurance-related matters.
Elevator Production	Is responsible for designing and manufacturing elevators.
Building System Branch	Is responsible for installing, caring, repairing, and modifying elevators.
Chairperson's Office	1. Evaluates new businesses and investments and developments. 2. Helps with business development of Yungtay and associated enterprises.
Audit Office	Is responsible for auditing operations of the Company and ensuring that the internal control system is effectively enforced.
Research and Development	Is responsible for researching and developing elevators and qualifying new products.

(II) Background Information of Directors, General Managers, Vice General Managers, Assistant Managers, and Heads of Various Departments and Branches

(1) Director Information (1)

April 20, 2019

Title	Nationality or registered domicile	Name	Gender	Date of inauguration Date	Tenure	Initial date of inauguration	Shares held upon inauguration		Shares currently held		Shares currently held by spouse and minor child(ren)		Shares held in someone else's name		Main experience/ education	Positions served at the Company and other companies at present	Other supervisors, directors, or supervisors that are a spouse or within two degrees of kinship		
							Quantity	Ratio	Quantity	Ratio	Quantity	Ratio	Quantity	Ratio			Title	Name	Relationship
Chairperson	ROC	Tso Ming Hsu	M	2019.4	3 years	2006.6	2,159,888	0.53%	2,159,888	0.53%	0	0%	0	0%	Department of Water Resources, Tamkang University General Manager of Yungtay (china) General Manager of Yungtay Engineering Co., Ltd.	(Note 2)	None	None	None
Director	United States	Ray Chun Su	M	2019.4	3 years	2012.6	0	0%	0	0%	0	0%	0	0%	Department of Mechanical Engineering, US San Jose State University Chairperson of Yungtay (China) Chairperson of Yungtay Engineering Co., Ltd.		None	None	None
Director	Japan	Hitachi, Ltd.		2019.4	3 years	1968.11	31,817,168	7.74%	31,817,168	7.74%	-	-	0	0%	School of Political Science and Economics, Japan Waseda University Special Assistant of CEO of Hitachi Building Systems Co., Ltd.		None	None	None
	Japan	Representative Makoto Nagashima	M			2017.4	0	0%	0	0%	0	0%	0	0%					
Director	ROC	Fong Chieh Tsai	M	2019.4	3 years	2006.6	114,232	0.03%	114,232	0.03%	0	0%	0	0%	Master of Accounting, National Chengchi University General Manager of Yungtay Engineering Co., Ltd. Chairperson of Yungtay-Hitachi Construction		None	None	None
Director	ROC	Chao Ching Hsu	M	2019.4	3 years	2019.4	0	0%	0	0%	0	0%	0	0%	Doctor of Law, Zhongzheng University Master of Laws, US Univerity of California, Berkeley Judge of Chiayi District Court, Taiwan Partner of Baker & McKenzie Visiting Scholar of US Duke University School of law		None	None	None

Title	Nationality or registered domicile	Name	Gender	Date of inauguration Date	Tenure	Initial date of inauguration	Shares held upon inauguration		Shares currently held		Shares currently held by spouse and minor child(ren)		Shares held in someone else's name		Main experience/ education	Positions served at the Company and other companies at present	Other supervisors, directors, or supervisors that are a spouse or within two degrees of kinship		
							Quantity	Ratio	Quantity	Ratio	Quantity	Ratio	Quantity	Ratio			Title	Name	Relationship
Director	United States	UT Park View, Inc. (HSBC bank trust account)		2019.4	3 years	2018.6	24,932,000	6.07%	24,932,000	6.07%	-	-	0	0%	Department of Mechanical Engineering, The University of Hong Kong Former President of Otis Taiwan Former President of Xizi Otis Former Senior Vice President of Otis China	(Note 2)	None	None	None
	United Kingdom	Representative Wei Tsung Chang	M				0	0%	0	0%	0	0%	0	0%					
Independent director	ROC	Fu Hsiung Huang	M	2019.4	3 years	2019.4	0	0%	0	0%	0	0%	0	0%	Department of Law, College of Law National Taiwan University Attorney of Johnson and Partners		None	None	None
Independent director	ROC	Shih Yang Chen	M	2019.4	3 years	2018.6	0	0%	0	0%	0	0%	0	0%	Accounting Bachelor, Soochow University Principal of Chung Sun Certified Public Accountants Taipei Office The 10th director of National Federation, ROC Certificated Accountant Association		None	None	None
Independent director	ROC	Li Hsiu Chen	F	2019.4	3 years	2019.4	0	0%	0	0%	0	0%	0	0%	MBA (Accounting), National Chengchi University College of Commerce Chairperson of WEALTH & Co., CPAs Committee Member of Taipei City Government Clean Government Committee Director and Secretary General of Association of Certified Fraud Examiners Taiwan Chapter		None	None	None

Note 1: Directors with prior service in the accounting firm in charge of the current audit or its associated enterprises : None.

Note 2 : Positions served at the Company and other companies of respective directors :

Name	Position at the Company	Current position(s) at other companies
Tso Ming Hsu	Chairperson	Chairperson : Tianjin Yungtay, Sichuan Yungtay General manager : Yungtay (China)
Ray Chun Su	None	Chairperson : Yungtay (China) Representative of juristic-person director : Yungtay Engineering Ltd., Yungtay-Hitachi Construction Machinery
Hitachi, Ltd. Representative Makoto Nagashima	None	Special Assistant of CEO : Hitachi Building Systems
Fong Chieh Tsai	None	Representative of juristic-person director : Yungtay Engineering Ltd., Yungtay (China)
Chao Ching Hsu	None	Director : Lex Pro Attorneys at Law
UT Park View, Inc. (HSBC bank trust account) Representative Wei Tsung Chang	None	None
Fu Hsiung Huang	None	Attorney : Johnson and Partners
Shih Yang Chen	None	Principal : Chung Sun Certified Public Accountants Taipei Office Director : Hsin Kuang Steel, Optivision Technology Supervisor : Taiwan Chinsan Electronic
Li Hsiu Chen	None	Chairman : WEALTH & Co., CPAs

Major shareholders of institutional shareholders

December 31, 2018

Name of institutional shareholder	Major shareholders of institutional shareholders	Shareholding ratio
Hitachi, Ltd.	The Master Trust Bank of Japan, Ltd.(Trust Account)	6.75%
	Japan Trustee Services Bank, Ltd.(Trust Account)	6.28%
	Hitachi Employees' Shareholding Association	2.09%
	Nippon Life Insurance Company	1.93%
	Japan Trustee Services Bank, Ltd.(Trust Account 5)	1.88%
	STATE STREET BANK WEST CLIENT-TREATY 505234	1.70%
	STATE STREET BANK AND TRUST COMPANY 505001	1.62%
	Japan Trustee Services Bank, Ltd.(Trust Account 9)	1.60%
	Japan Trustee Services Bank, Ltd.(Trust Account 7)	1.49%
	The Dai-ichi Life Insurance Company, Limited	1.48%

Name of institutional shareholder	Major shareholders of institutional shareholders	Shareholding ratio
UT Park View, Inc. (HSBC bank trust account)	Latin American Holding, Inc.	100%

Director Information (2)

Qualification / Name	More than five (5) years of work experience and the following professional eligibility			Compliance with the independence requirement (Note)										Number of other public offering companies where the position of part-time independent director is held
	Lecturer or higher ranking at the business, legal affairs, financial affairs, or accounting department, or other departments relating to corporate operation of public and private colleges and universities	Judge, prosecutor, lawyer, CPA, or other professionals and technicians that have taken and been approved in national exams required for corporate operation	Work experience required for business, legal affairs, financial affairs, accounting, or corporate operation	1	2	3	4	5	6	7	8	9	10	
Tso Ming Hsu			✓				✓	✓	✓	✓	✓	✓	✓	0
Ray Chun Su			✓			✓		✓	✓	✓		✓	✓	0
Hitachi Ltd. Representative Makoto Nagashima			✓		✓	✓	✓		✓	✓	✓	✓		0
Fong Chieh Tsai		✓	✓			✓	✓	✓	✓	✓	✓	✓	✓	0
Chao Ching Hsu		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
UT Park View, Inc. (HSBC bank trust account) Representative Wei Tsung Chang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Fu Hsiung Huang		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Shih Yang Chen		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Li Hsiu Chen		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note : When any of the following conditions is met for each director or supervisor during the two (2) years prior to and during their tenure, check "✓" in the box underneath each conditional code.

(1) Not an employee of the Company or its associated enterprise.

(2) Not a director or supervisor of the Company's associated enterprise (The same does not apply, however, if the independent director is set up by the Company, its parent company, or any subsidiary according to the Act or the local laws and regulations.)

(3) Not a natural person shareholder that holds by himself/herself or by his/her spouse or minor child in someone else's name more than 1% of all circulating shares of the Company or is on the Top 10 shareholding list.

(4) Not the spouse, a relative within the second degree of kinship, or a direct blood relative within the third degree of kinship of the said people indicated in the foregoing three subparagraphs.

(5) Not a director, supervisor, or employee of an institutional shareholder directly holding more than 5% of all circulating shares of the Company or a director, supervisor, or employee of an institutional shareholder on the Top 5 shareholding list.

(6) Not a director, supervisor, manager, or a shareholder holding more than 5% of shares of a specific company or institution with financial or business activities with the Company.

(7) Not a professional providing services or consultations on business, legal affairs, financial affairs, and accounting at the Company or its associated enterprise or the owner, partner, director, supervisor, manager, and his/her spouse of a sole proprietorship or collaborative company or institution This does not include members of the Remuneration Committee who exercise power in accordance with Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Compensation Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.

(8) Not the spouse or a relative within the second degree of kinship to any other director of the Company.

(9) None of the conditions indicated under Article 30 of the Company Act.

(10) Not a government agency, juristic person, or its representative set forth in Article 27 of the Company Act.

(2) Background Information of General Managers, Vice General Managers, Assistant Managers, and Heads of Various Departments and Branches

April 30, 2018

Title	Nationality	Name	Gender	Date of Inauguration	Shares held		Shares held by spouse and minor child(ren)		Shares held in someone else's name		Main experience/ education	Current positions at other companies	Managers who are the spouse or a relative within the second degree of kinship		
					Quantity	Ratio	Quantity	Ratio	Quantity	Ratio			Title	Name	Relationship
General Manager	ROC	Shang Yu Tsai	M	2019.5	5,000	0%	705	0%	0	0%	Shanghai Jiao Tong University Master of Management	(Note 2)	None	None	None
Building System Vice General Manager	ROC	Chung Wen Wang	M	2018.3	20,035	0%	0	0%	0	0%	National Chung Tsing University Department of Statistics	None	None	None	None
Administration Division Assistant Manager	ROC	Tung Sheng Lin	M	2007.9	22,131	0%	0	0%	0	0%	National Cheng Kung University Master of Industrial Management	(Note 2)	None	None	None
Elevator Business Assistant Manager	ROC	Chieh Jen Chang	M	2017.3	2,486	0%	0	0%	0	0%	Ming Chi University of Technology Department of Mechanical Engineering	None	None	None	None
Quality Assurance and Management Assistant Manager	ROC	Tsun Yao Wu	M	2015.10	19,853	0%	0	0%	0	0%	National Taiwan University of Science and Technology Department of Mechanical Technology	None	None	None	None
Elevator Production Assistant Manager	ROC	Chen Kuan Chiang	M	2015.8	2,084	0%	210	0%	0	0%	Yuan Ze University Master of Management	None	None	None	None
Research and Development Assistant Manager	ROC	Ming Chu Chen	M	2015.10	10,152	0%	0	0%	0	0%	National Taipei University of Technology Department of Electrical and Mechanical Engineering	None	None	None	None
Accounting Manager	ROC	Wei Chuan Wang	M	2019.4	0	0%	0	0%	0	0%	National Chengchi University Department of Business Administration	None	None	None	None
Financial Manager	ROC	Jui Hsun Chang	F	2015.8	827	0%	0	0%	0	0%	Providence University Department of Information Management	None	None	None	None

Note 1 : Managers with prior service in the accounting firm in charge of the current audit or its associated enterprises : None.

Note 2 : Managers holding positions at other companies：

Name	Current position(s) at other companies
Shang Yu Tsai	Special assistant of general manager : Yungtay Elevator Equipment(China) Co., Ltd.
Tung Sheng Lin	Representative of juristic-person director : Yungchun Capital, Inc. Supervisor : Yungtay-Hitachi Construction Machinery Co., Ltd. Representative of juristic-person supervisor : Yungtay Elevator Equipment(China) Co., Ltd., Evest Corporation, Taiwan Calsonic Co., Ltd.

(3) Remunerations paid to directors (including independent directors), supervisors, general managers, and vice general managers

1. Remunerations paid to directors (including independent directors)

2018; unit: NTD thousand

<table>
<tr><th rowspan="4">Title</th><th rowspan="4">Name</th><th colspan="8">Remunerations for directors</th><th colspan="2" rowspan="2">Ratio of the sum of A, B, C, and D to after-tax earnings</th><th colspan="10">Related remunerations to those who are also employees</th><th colspan="2" rowspan="2">Ratio of the sum of A, B, C, D, E, F, and G to after-tax earnings</th><th rowspan="4">Claim of remunerations from re-invested businesses other than subsidiaries</th></tr>
<tr><th colspan="2">Reward (A)</th><th colspan="2">Retirement and pension (B)</th><th colspan="2">Remunerations for directors (C)</th><th colspan="2">Operational expenditure (D)</th><th colspan="2">Bonus and Special expenditure (E)</th><th colspan="2">Retirement and pension (F)</th><th colspan="4">Employee remuneration (G)</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">All companies included in the financial statement</th><th rowspan="2">The Company</th><th rowspan="2">All companies included in the financial statement</th><th rowspan="2">The Company</th><th rowspan="2">All companies included in the financial statement</th><th rowspan="2">The Company</th><th rowspan="2">All companies included in the financial statement</th><th rowspan="2">The Company</th><th rowspan="2">All companies included in the financial statement</th><th rowspan="2">The Company</th><th rowspan="2">All companies included in the financial statement</th><th rowspan="2">The Company</th><th rowspan="2">All companies included in the financial statement</th><th colspan="2">The Company</th><th colspan="2">All companies included in the financial statement</th><th rowspan="2">The Company</th><th rowspan="2">All companies included in the financial statement</th></tr>
<tr><th>Cash value</th><th>Stock value</th><th>Cash value</th><th>Stock value</th></tr>
<tr><td>Chairperson</td><td>Ray Chun Su</td><td rowspan="16">2160</td><td rowspan="16">2520</td><td rowspan="16">-</td><td rowspan="16">-</td><td rowspan="16">4250</td><td rowspan="16">4250</td><td rowspan="16">2160</td><td rowspan="16">2520</td><td rowspan="16">2.37%</td><td rowspan="16">2.44%</td><td rowspan="16">19086</td><td rowspan="16">36726</td><td rowspan="16">-</td><td rowspan="16">-</td><td rowspan="16">120</td><td rowspan="16">0</td><td rowspan="16">120</td><td rowspan="16">0</td><td rowspan="16">5.22%</td><td rowspan="16">7.90%</td><td rowspan="16">0</td></tr>
<tr><td>Director</td><td>Hitachi Ltd. Representative Makoto Nagashima</td></tr>
<tr><td>Director</td><td>Fong Chieh Tsai</td></tr>
<tr><td>Director</td><td>Ever Link co., Ltd. Representative Wann Lai Cheng</td></tr>
<tr><td>Director</td><td>Orchid Ventures Limited (Citibank trust account) Representative Chao Ching Hsu</td></tr>
<tr><td>Director</td><td>UT Park View, Inc. (HSBC bank trust account) Representative Wei Tsung Chang</td></tr>
<tr><td>Independent Director</td><td>Ching Yu Liao</td></tr>
<tr><td>Independent Director</td><td>Yung Ming Hsieh</td></tr>
<tr><td>Independent Director</td><td>Shih Yang Chen</td></tr>
<tr><td>Chairperson</td><td>Tso Li Hsu (Note 2)</td></tr>
<tr><td>Director</td><td>Tso Ming Hsu (Note 2)</td></tr>
<tr><td>Director</td><td>Feng Ming Wu (Note 2)</td></tr>
<tr><td>Director</td><td>Yu Hsin Hsu (Note 2)</td></tr>
<tr><td>Director</td><td>Tien Po Tsao (Note 2)</td></tr>
<tr><td>Independent Director</td><td>Hsien Cheng Hsu (Note 2)</td></tr>
<tr><td>Independent Director</td><td>Kung Hsiao Chang (Note 2)</td></tr>
<tr><td colspan="23">* Besides those disclosed in the above table, remunerations paid to directors in the most recent year for having provided services to all companies covered in the financial statement (such as working as a consultant who is not an employee) : $60 thousand</td></tr>
</table>

Note 1 : For directors who are also employees, the Company (all companies included in the financial statement) sets aside $214 thousand as the pension fund.

Note 2 : The Company completed the re-election of the 18th directors in the general shareholders' meeting on June 28, 2018. The term of office is from June 28, 2018 to June 27, 2021, and the director Ray Chun Su is elected as the chairperson. The 17th Board of Directors' Chairman Tso Li Hsu, Director Tso Ming Hsu, Director Feng Ming Wu, Director Yu Hsin Hsu, Director Tien Po Tsao, Independent Director Hsien Cheng Hsu, and Independent Director Kung Hsiao Chang were dismissed after the general shareholders' meeting on June 28, 2018.

Note 3 : The re-election of the 19th directors has been completed in advance in the first extraordinary shareholders' meeting on April 18, 2019, and the term of office is from April 18, 2019 to April 17, 2022.

Bracket by which remunerations are paid to individual directors of the company	Name of director			
	Sum of the said four types of remunerations (A+B+C+D)		Sum of the said seven types of remunerations (A+B+C+D+E+F+G)	
	The Company	All companies included in the financial statement	The Company	All companies included in the financial statement
Below $2,000,000	Ray Chun Su, Tso Li Hsu, Hitachi Fong Chieh Tsai, Wann Lai Cheng, Chao Ching Hsu Wei Tsung Chang, Tso Ming Hsu, Tien Po Tsao Feng Ming Wu, Yu Hsin Hsu, Ching Yu Liao Yung Ming Hsieh, Shih Yang Chen, Hsien Cheng Hsu Kung Hsiao Chang	Tso Li Hsu, Hitachi, Fong Chieh Tsai Wann Lai Cheng, Chao Ching Hsu, Wei Tsung Chang Tso Ming Hsu, Tien Po Tsao, Feng Ming Wu Yu Hsin Hsu, Ching Yu Liao, Yung Ming Hsieh Shih Yang Chen, Hsien Cheng Hsu, Kung Hsiao Chang	Hitachi, Wann Lai Cheng, Chao Ching Hsu Wei Tsung Chang, Tso Ming Hsu, Tien Po Tsao Feng Ming Wu, Yu Hsin Hsu, Ching Yu Liao Yung Ming Hsieh, Shih Yang Chen, Hsien Cheng Hsu Kung Hsiao Chang	Hitachi, Wann Lai Cheng, Chao Ching Hsu Wei Tsung Chang, Tso Ming Hsu, Tien Po Tsao Feng Ming Wu, Yu Hsin Hsu, Ching Yu Liao Yung Ming Hsieh, Shih Yang Chen, Hsien Cheng Hsu Kung Hsiao Chang
$2,000,000 (inclusive) ～ $5,000,000 (exclusive)	—	Ray Chun Su	Tso Li Hsu	—
$5,000,000 (inclusive) ～ $10,000,000 (exclusive)	—	—	Fong Chieh Tsai	Fong Chieh Tsai
$10,000,000 (inclusive) ～ $15,000,000 (exclusive)	—	—	Ray Chun Su	Tso Li Hsu
$15,000,000 (inclusive) ～ $30,000,000 (exclusive)	—	—	—	Ray Chun Su
$30,000,000 (inclusive) ～ $50,000,000 (exclusive)	—	—	—	—
Total	15,995	16,475	35,201	53,321

Note : The remunerations paid to drivers in 2018 totaled $1,704,752.

2. Remunerations for supervisors (The Company has established the Audit Committee to replace the supervisors in June 2018)

2018; Unit: NTD thousand

Title	Name	Remunerations for supervisors						Ratio of the sum of A, B and C to after-tax earnings		Claim of remunerations from re-invested businesses other than subsidiaries
		Reward (A)		Remunerations (B)		Operational expenditure (C)				
		The Company	All companies included in the financial statement	The Company	All companies included in the financial statement	The Company	All companies included in the financial statement	The Company	All companies included in the financial statement	
Supervisor	Kuang Ming Chang	–	–	–	–	360	360	0.05%	0.05%	4,232
Supervisor	Wann Lai Cheng									
Supervisor	Representative of Chi Shen Investment Co., Ltd. Yu Min Liang									

Remuneration bracket table

Bracket by which remunerations are paid to individual supervisors of the company	Name of supervisor	
	Sum of the first three types of remunerations (A+B+C)	
	The Company	All re-invested businesses
Below $2,000,000	Kuang Ming Chang, Wann Lai Cheng Yu Min Liang	Kuang Ming Chang, Yu Min Liang
$2,000,000 (inclusive) ～ $5,000,000 (exclusive)	–	Wann Lai Cheng
$5,000,000 (inclusive) ～ $10,000,000 (exclusive)	–	–
Total	360	4,592

3. Remunerations for general managers and vice general managers

2018; Unit: NTD thousand

Title	Name	Salary (A)		Retirement and pension (B)		Bonus and special expenditure (C)		Employee remunerations (D)				Ratio of the sum of A, B, C, and D to after-tax earnings (%)		Claim of remunerations from re-invested businesses other than subsidiaries
		The Company	All companies included in the financial statement	The Company	All companies included in the financial statement	The Company	All companies included in the financial statement	The Company		All companies included in the financial statement		The Company	All companies included in the financial statement	
								Cash value	Stock value	Cash value	Stock value			
General Manager	Fong Chieh Tsai	5,350	5,350	—	—	3,409	3,409	51	0	51	0	1.31%	1.31%	0
Vice General Manager	Chung Wen Wang													

Note : The Company (all companies included in the financial statement) sets aside $216 thousand as the pension fund.

Remuneration bracket table

Bracket by which remunerations are paid to respective general managers and vice general managers of the Company	Name of General Manager/Vice General Manager	
	The Company	All companies included in the financial statement
Below $2,000,000	—	—
$2,000,000 (inclusive) ～ $5,000,000 (exclusive)	Fong Chieh Tsai, Chung Wen Wang	Fong Chieh Tsai, Chung Wen Wang
$5,000,000 (inclusive) ～ $10,000,000 (exclusive)	—	—
$10,000,000 (inclusive) ～ $15,000,000 (exclusive)	—	—
Total	8,810	8,810

Note : The salaries paid to drivers in 2018 totaled $792,914.

4. Names of managers assigned with employee remunerations and the distribution

2018; Unit: NTD thousand

	Title	Name	Stock value	Cash value	Total	Ratio of sum to after-tax earnings (%)
Manager	General Manager	Fong Chieh Tsai	0	296	296	0.04
	Vice General Manager	Chung Wen Wang				
	Assistant Manager	Feng Ming Wu				
	Assistant Manager	Yu Hsin Hsu				
	Assistant Manager	Tung Sheng Lin				
	Assistant Manager	Chieh Jen Chang				
	Assistant Manager	Tsun Yao Wu				
	Assistant Manager	Chen Kuan Chiang				
	Assistant Manager	Ming Chu Chen				
	Accounting Manager	Chun Hsu Chen				
	Financial Manager	Jui Hsun Chang				

(4) Compare and separately describe the analysis of ratios of total remunerations paid to directors, supervisors, general managers, and vice general managers of the Company for the past two (2) years by the Company and all companies in the consolidated statement to after-tax earnings indicated in the entity or individual financial statements and describe correlation among the remuneration payment policy, standards and combination, remuneration establishment procedures, and management efficacy and risks in the future:

Unit: NTD thousand

Items / Title	2017				2018			
	The Company		All companies in the consolidated statement		The Company		All companies in the consolidated statement	
	Sum of remunerations	Ratio of sum to after-tax earnings (%)	Sum of remunerations	Ratio of sum to after-tax earnings (%)	Sum of remunerations	Ratio of sum to after-tax earnings (%)	Sum of remunerations	Ratio of sum to after-tax earnings (%)
Director	39,303	3.48%	86,556	7.67%	35,201	5.22%	53,321	7.90%
Supervisor	4,902	0.43%	4,902	0.43%	360	0.05%	360	0.05%
General Manager and Vice General Manager	12,421	1.10%	15,675	1.39%	8,810	1.31%	8,810	1.31%

The Company pays remunerations according to the salary level on the market for the position concerned and the scope of responsibility required for the position in the Company as well as the prospective contribution of the person holding the position to the Company's operation. The remuneration establishment procedure takes into consideration the overall operational performance of the Company and also the fulfillment rate of personal performance as well as the level of contribution to the Company's performance. Reasonable rewards are given accordingly. The remuneration regulations have been approved by the Company's Remuneration Committee and related payments were proposed by the Remuneration Committee and released following the approval of the Company's Board of Directors.

The remunerations paid to the Company's directors and supervisors over the past two (2) years have to do with the current operational performance; as for those paid to general managers and vice general managers, review of the fulfillment of their performance objectives did not reveal future risks for the Company as a result of fulfillment of short-term performance.

(III) Status of Corporate Governance

(1) Board of Directors

The Board of Directors met 11 times (A) in 2018. Attendance of directors and supervisors in the meetings is as follows:

Title	Name	Actual attendance (seated) frequency (B)	Attendance through proxy frequency	Actual attendance (seated) rate (%) (B/A) (Note 1)	Notes
Chairperson	Ray Chun Su	10	1	91%	Reappointment
Director	Hitachi, Ltd. Representative Makoto Nagashima	10	0	91%	
Director	Fong Chieh Tsai	6	0	100%	The 18th Board of Directors New appointment (Jane 2018)
Director	Ever Link Co., Ltd. Representative Wann Lai Cheng	4	2	67%	
Director	Orchid Ventures Limited Representative Chao Ching Hsu	6	0	100%	
Director	UT Park View, Inc Representative Wei Tsung Chang	6	0	100%	
Independent Director	Ching Yu Liao	5	1	83%	
Independent Director	Yung Ming Hsieh	5	0	83%	
Independent Director	Shih Yang Chen	6	0	100%	
Chairperson	Tso Li Hsu	2	3	40%	The 17th Board of Directors Dismissed (Jane 2018) (Note 2)
Director	Tso Ming Hsu	1	0	20%	
Director	Feng Ming Wu	5	0	100%	
Director	Yu Hsin Hsu	5	0	100%	
Director	Tien Po Tsao	4	0	80%	
Independent Director	Hsien Cheng Hsu	3	0	60%	
Independent Director	Kung Hsiao Chang	5	0	100%	
Supervisor	Kuang Ming Chang	3	0	60%	Replaced the supervisors by the Audit Committee (June 2018)
Supervisor	Wann Lai Cheng	5	0	100%	
Supervisor	Chi Shen Investment Representative Yu Min Liang	3	0	6%	

Other details to be documented:

1) When the operation of the Board of Directors is found with one of the following conditions, the date, session No., details of proposals, opinions of all independent directors and how the Company handles the opinions shall be stated:

   1. Matters listed in Article 14-3 of the Securities Exchange Act:

Date (Session No.)	Details of proposals	Opinions of all independent directors and how the Company handles the opinions
2018/3/15 (No. 17 of the 17th Board of Directors meeting)	2017 annual financial statements	All independent directors approved as proposed.
	2017 remunerations of employees, directors, and supervisors distribution proposal	
	2017 earnings distribution proposal	
2018/5/03 (No. 20 of the 17th Board of Directors meeting)	2018 first quarter financial statements	
	Amendment to Procedures for Capital Lending to Others and Endorsements & Guarantees	
	Amendment to Standards for the Internal Control Systems of Shareholder Services Units	
2018/8/09 (No. 2 of the 18th Board of Directors meeting)	2018 second quarter financial statements	
2018/9/26 (No. 3 of the 18th Board of Directors meeting)	The non-binding proposal	Independent directors Ching Yu Liao, Yung Ming Hsieh expressed assent, and the independent director Shih Yang Chen declared objection in order to conform with corporation governance. The Company published material information in accordance with regulations.
2018/10/30 (No. 4 of the 18th Board of Directors meeting)	The non-binding proposal I	Independent directors Ching Yu Liao, Shih Yang Chen expressed assent, and independent director Yung Ming Hsieh did not attend. The Company published material information in accordance with regulations.
	The non-binding proposal II	
2018/11/08 (No. 5 of the 18th Board of Directors meeting)	2018 third quarter financial statements	All independent directors approved as proposed.
	The proposals vetoed by No.4 of the 18th Board of Directors on October 30, 2018 is as follows. Is it possible to make a second proposal? Case I : "The non-binding proposal I" about due diligence proposed by stakeholders. Case II : "The non-binding proposal I" about due diligence proposed by stakeholders.	Independent director Shih Yang Chen expressed assent, Independent director Ching Yu Liao expressed objection, and independent director Yung Ming Hsieh expressed reservation. The Company published material information in accordance with regulations.
2018/12/13 (No. 6 of the 18th Board of Directors meeting)	The donations to related party in 2019	All independent directors approved as proposed.
	Amendment to the Regulations Governing Compensation for Directors, Supervisors, and Managers	

   2. Other resolutions reached in Board of Directors' meetings objected to or with reservations expressed by independent directors that are recorded or documented in written statements rectors in a written statement : None.

2) For the enforcement of recusal upon conflicts of interest among directors, the name of the director, details of the proposal, reason for the recusal, and participation in the voting process or not shall be described:

In 2018, up to the date the Annual Report was printed…

1. 2018/3/15 (No. 17 of the 17th Board of Directors Meeting) 2017 remunerations of employees, directors, and supervisors distribution proposal :
   Directors Tso Li Hsu, Feng Ming Wu, and Yu Hsin Hsu were stakeholders due to their employee status on proposals regarding the distribution of remunerations for employees, directors, and supervisors. Article 235-1 of the Company Act and Article 29 of the Company's Articles of Incorporation, however, specify the remuneration ratio. In addition, according to Article 29, Paragraph 2 of the Company's Articles of Incorporation, in case of accumulated losses, makeup for the losses shall be set aside first. Therefore, there should be no harm that could be done to the Company's interest and hence these directors did not need to recuse themselves.
2. 2018/9/26 (No. 3 of the 18th Board of Directors Meeting) The non-binding proposal :
   Due to the conflicts of interests, representative Makoto Nagashima of juristic-person director Hitachi, Ltd. needed to recuse himself.
3. 2018/10/30 (No. 4 of the 18th Board of Directors Meeting) The non-binding proposal I :
   Due to conflicts of interests, representative Wei Tsung Chang of juristic-person director UT Park View, Inc. needed to recuse himself.
4. 2018/10/30 (No. 4 of the 18th Board of Directors Meeting) The non-binding proposal II :
   Due to conflicts of interests, representative Chao Ching Hsu of juristic-person director Orchid Ventures Limited needed to recuse himself.
5. 2018/12/13 (No. 6 of the 18th Board of Directors Meeting) The donations to related party in 2019 :
   "Yung Tay Social Welfare Foundation" and "Yung Tay Culture & Education Foundation" are the donation object of the Company, and director Fong Chieh Tsai and representative Wann Lai Cheng of juristic-person director Ever Link Co., Ltd. are the director of the Foundation. Due to all directors have no objection, director Fong Chieh Tsai and representative Wann Lai Cheng of juristic-person director Ever Link Co., Ltd. did not need to recuse themselves.
6. 2019/1/29 (No. 8 of the 18th Board of Directors Meeting) Verifying the statutory matters required by Article 14 of the Regulations Governing Public Tender Offers for Securities of Public Companies according to law :
   Chairman Ray Chun Su and honorary chairman Tso Li Hsu have a relationship of first-degree direct blood relatives. Due to the honorary chairman Tso Li Hsu was participated in the tender offer, Chairman Ray Chun Su needed to recuse himself.
   Hitachi Ltd. is the same group corporation as this public tender offeror Taiwan Hitachi Elevator Co., Ltd.. Due to the conflicts of interests, representative Makoto Nagashima of juristic-person director Hitachi, Ltd. needed to recuse himself.
7. 2019/3/15 (No. 9 of the 18th Board of Directors Meeting) The remuneration of chairperson :
   Due to the proposal refer to the remuneration of the chairman's position, Chairman Ray Chun Su needed to recuse himself.
8. 2019/5/13 (No. 2 of the 19th Board of Directors Meeting) The dismissal of current general manager :
   Due to the conflicts of interests, director Fong Chieh Tsai needed to recuse himself.

3) Reinforced assessments of functional objectives of the Board of Directors and implementation status of the objectives of the immediate year and the most recent year:

1. The prepared "Behavioral Guidelines for Directors, Supervisors, and Managers" was approved by the Board of Directors in December 2014 so that directors and supervisors will follow the Company's integrity and ethical criteria and the power of the Board of Directors to exercise its functions may be strengthened.
2. The Company established its Remuneration Committee in June 2012 and the prepared "Regulations for Independent Directors to Exercise Their Duties" was approved in March 2015 in order to further perfect the operation of the Board of Directors.
3. The Company established an Audit Committee in June 2018. It is consisting of three independent directors to assist the Board of Directors in fulfilling their supervisory duties.
4. Related investor information is constantly updated and added to the Company's website in order to reinforce information disclosure and enhance information transparency.

Note 1 : The actual attendance (seated) rate (%) is calculated by the number of Board of Directors meetings held during service and the actual attendance (seated) in the meetings.

Note 2 : The Company completed the re-election of the 18th directors in the general shareholders' meeting on June 28, 2018. The term of office is from June 28, 2018 to June 27, 2021, and the director Ray Chun Su is elected as the chairperson. The 17th Board of Directors' chairman Tso Li Hsu, director Tso Ming Hsu, director Feng Ming Wu, director Yu Hsin Hsu, director Tien Po Tsao, independent director Hsien Cheng Hsu, and independent director Kung Hsiao Chang were dismissed after the general shareholders' meeting on June 28, 2018.

Note 3 : The re-election of the 19th directors has been completed in advance in the first extraordinary shareholders' meeting on April 18, 2019, and the term of office is from April 18, 2019 to April 17, 2022.

(2) Operational status of the Audit Committee and participation of supervisors in the operations of the Board of Directors

1. The Company established an Audit Committee in June 2018.
2. The Board of Directors met 11 times, the Audit Committee met 2 times (A) in 2018. Attendance of the meetings is as follows:

Title	Name	Actual seated frequency (B)	Actual seated rate (%) (B/A) (Note 1)	Notes
Chairman	Yung Ming Hsieh	2	100%	(Note 2)
Commissioner	Ching Yu Liao	2	100%	
Commissioner	Shih Yang Chen	2	100%	
Supervisor	Kuang Ming Chang	3	60%	
Supervisor	Wann Lai Cheng	5	100%	Replaced the supervisors by the Audit Committee (June 2018)
Supervisor	Chi Shen Investment Representative Yu Min Liang	3	60%	

Other details to be documented:

(I) Composition and Responsibilities of Supervisors :

1) Communication between supervisors and employees and shareholders of the Company :
To communicate with supervisors, employees and shareholders may give written documents to the Company and they will then be forwarded.

2) Communication between supervisors and internal audit head and CPAs :

(1) The audit report is to be sent to the supervisor(s) as required and audit head will be seated in Board of Directors' meetings in order to communicate face to face with the supervisor(s).

(2) The annual financial statement approved by the Board of Directors is sent to the supervisor(s) to be audited as required.

(II) If supervisors seated in Board of Directors' meetings state opinions, the date of the Board of Directors meeting, session number, details of the proposal, and decision made by the Board of Directors, and how stated opinions of the supervisors are handled by the Company shall be specified : None.

(III) Operational status of the Audit Committee :

1) Matters listed in Article 14-5 of the Securities Exchange Act:

Date (Session No.)	Details of proposals	Opinions of all independent directors and how the Company handles the opinions
2018/8/09 (No. 1 of the 1st Board of Directors meeting)	2018 second quarter financial statements	All independent directors approved as proposed.
2018/11/08 (No. 2 of the 1st Board of Directors meeting)	2018 third quarter financial statements	

2) Other resolutions which was not approved by the Audit Committee but was approved by two thirds or more of all directors : None.

(IV) The enforcement of independent directors' recusal due to conflicts of interest : None.

(V) Communication between the Audit Committee and internal audit head and CPAs :

1) The internal audit head have sent the audit reports to the members of the Audit Committee periodically, and presented the findings of all audit reports in the quarterly meetings of the Audit Committee. The internal audit head will immediately report to the members of the Audit Committee any material matters. During 2018, the audit head head did not report any such material matters. The communication channel between the Audit Committee and the internal audit head functioned well.

(2) The Company's CPAs have presented the findings of their quarterly review or audits on the Company's financial results. Under applicable laws and regulations, the CPAs are also required to

immediately communicate to the Audit Committee any material matters that they have discovered. During 2018, the Company's CPAs did not report any irregularity. The communication channel between the Audit Committee and the CPAs functioned well.

Note 1 : The actual attendance (seated) rate (%) is calculated by the number of meetings held during service and the actual attendance (seated) in the meetings.

Note 2 : The re-election of the 19th directors has been completed in advance in the first extraordinary shareholders' meeting on April 18, 2019, and the term of office is from April 18, 2019 to April 17, 2022. The 18th Board of Directors' independent director Yung Ming Hsieh and independent director Ching Yu Liao were dismissed after the first extraordinary shareholders' meeting on April 18, 2019.

(3) Corporate governance implementation status and deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons

Assessed areas	Operational status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Brief descriptions	
(I) Does the company establish and disclose its corporate governance principles in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies?	V		The Company prepared its corporate governance principles in accordance with the Corporate Governance Best Practice Principles for TWSE/TPE x Listed Companies, which were already approved by the Board of Directors in August 2017 and disclosed on the Market Observation Post System and the Company's websites.	No major deviations.
(II) Shareholding structure & shareholders' rights				
1. Does the company establish internal operating procedures for handling shareholder suggestions, questions, disputes or lawsuits and implement the procedures?	V		1. There are spokespersons, acting spokespersons, and legal affairs and stock affairs sections to address suggestions and concerns from, disputes, and lawsuits concerning shareholders.	No major deviations.
2. Does the company have a list of major shareholders that have actual control over the Company and a list of ultimate owners of those major shareholders?	V		2. The list of major shareholders is printed each year for the shareholders' meeting and upon ex-right and ex-dividend when a transfer is disallowed to help understand changes in major shareholders.	No major deviations.
3. Has the company established and implemented risk management and firewall mechanisms regarding its associated enterprises?	V		3. Associated enterprises run their own finance and accounting. There are also related procedures in place for endorsement/guarantee and lending of funds as required by law. Meanwhile, "the Regulations for the Supervision and Management of Subsidiaries" are followed. They are under the control and will be audited by the parent company.	No major deviations.
4. Has the company established internal rules against insiders trading with undisclosed information?	V		4. The Procedure for Handling Major Internal Information is in place and education is provided to related people periodically to help create a sound internal major information processing and disclosure mechanism for the Company, to avoid illegitimate disclosure of information, to prevent against insider trading, and to ensure consistency and accuracy of information released to the public.	No major deviations.

Assessed areas	Operational status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Brief descriptions	
(III) Composition and Responsibilities of the Board of Directors				
1. Has the Board of Directors developed and implemented a diversified policy for the composition of its members?	V		1. The Company has its corporate governance principles in place that specify that diversification in the composition of the Board of Directors should be taken into consideration and the knowledge, skills, and attainments required for performing duties shall be extensively covered. At present, those that serve on the Company's Board of Directors are professionals in leadership, decision-making, management, accounting, law, and industrial knowledge. They are helpful for the operation and development of the Company.	No major deviations.
2. Does the company voluntarily establish other functional committees in addition to Remuneration Committee and Audit Committee that are established as required by laws?		V	2. Besides the remuneration committee is established as required by law, the Company has set up an audit committee in June 2018. Other functional committees will be set up as needed in the future.	No major deviations.
3. Has the company established standards and method for evaluating the performance of the Board of Directors, and implemented the performance evaluation annually?		V	3. There are no regulations available for the evaluation of the performance of the Board of Directors at the moment yet. The Company will stipulate the evaluation regulations and methods if necessary.	They will be stipulated to reflect actual needs in the future.
4. Does the company regularly evaluate the independence of CPAs?	V		4. Prior to hiring a CPA, the Company will sufficiently evaluate his/her professionalism and independence and will check with the stock affairs unit in order to ensure that the CPA and his/her audit team do not hold any share in the Company and that the CPA does not hold any part-time position in the Company. Jiang Sheng & Co., CPAs. has also issued its Declaration of Representative and the Power of Attorney is signed on a yearly basis.	No major deviations.
(IV) For TWSE/GTSM listed companies, is there an exclusive (combined) unit or person for corporate governance to take charge of related matters (including without limitation providing directors and supervisors with materials required for them to carry out their tasks, organizing Board of Directors' meetings and shareholders' meetings as required by law, registering the company and changing registered information, preparing minutes of Board of Directors' meetings and shareholders' meetings)?	V		The Company has specialists in the Stock Affairs Office responsible for handling related matters such as providing directors and supervisors with materials required for them to carry out their tasks and organizing Board of Directors' meetings and shareholders' meetings, specialists in the Management Division responsible for registering the Company and changing registered information, and specialists in the Statistics Division responsible for preparing minutes of Board of Directors' meetings and shareholders' meetings.	No major deviations.

Assessed areas	Operational status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Brief descriptions	
(V) Has the company established a communication channel and build a designated section on its website for stakeholders and properly respond to corporate social responsibility issues that stakeholders are concerned about?	V		For employees, there is the labor union. For shareholders, there are the legal affairs and stock affairs units. For customers, there is complaint management. Meanwhile, spokespersons and acting spokespersons are available to facilitate communications with stakeholders. Related contact information is announced on the Company's website and its Annual Report. There is also an exclusive section for stakeholders on the Company's website to facilitate addressing issues of concern for stakeholders.	No major deviations.
(VI) Does the company designate a professional shareholder service agency to deal with affairs relating to shareholders meetings?		V	The Company handles its own stock affairs. There is the stock affairs division to take charge of shareholders' meetings.	No major deviations.
(VII) Disclosure of Information				
1. Has the company established a corporate website to disclose information regarding its financial, business and corporate governance status?	V		1. The Company has established a corporate website to disclose its financial statements and corporate governance-related information and there is a link on the website to the Market Observation Post System.	No major deviations.
2. Does the company adopt other ways of disclosing information (e.g., maintaining an English website, appointing responsible people to handle information collection and disclosure, creating a spokesperson system, webcasting investor conference on company website)?	V		2. There are specialists in the stock affairs and statistics divisions responsible for collecting and disclosing information. Meanwhile, comments made to the public are the exclusive responsibilities of spokespersons and acting spokespersons that are also available. The Company releases information on investor conferences on its website, too.	No major deviations.
(VIII) Is there any other important information available to facilitate a better understanding of the company's corporate governance operational status (including without limitation employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, continuing education of directors and supervisors, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	V		Refer to [Note 1].	No major deviations.

Assessed areas	Operational status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Brief descriptions	
(IX) Explain improvements made according to corporate governance evaluation results released in the most recent year by the corporate governance center of Taiwan Stock Exchange and provide priorities to be reinforced and measures among those pending improvement. In the 2018 Corporate Governance Evaluation, the Company ranked 51%~65%. For the item about "candidate nomination system for election of directors" that it did not score, explanations are provided below: For the purpose to improve corporate governance, facilitate shareholders to exercise shareholder rights and respond to the initiative of the competent authorities, the amendment of the Articles of Incorporation has be approved by the Board of Directors on August 9, 2018 to change the ordinary directors from non-nominating system to nomination system. The amended Articles of Incorporation will be submitted to resolve at the shareholders' meeting on June 18, 2019.				

Note 1:

(1) Employee rights, employee wellness: The Company operates in strict compliance with laws and regulations and its personnel administration meets the requirements of local laws and regulations. The Company considers employees as its most important asset and hence provides diversified communication channels so that employees can freely express their advice for the Company, which will be the basis for improving various measures. There is the Employee Welfare Committee and the Company supports establishment of various types of societies to help organize respective recreational activities, tours, and welfare events so that both employees and their dependents may enjoy the benefits provided by the Company. In addition, holiday gifts, marital and funeral subsidies, reimbursements for rewarding tours, among others, are available. Meanwhile, employee remunerations are provided so that employees can share operational fruits. The OHSAS18001 certification for occupational safety and health management systems is approved to precisely safeguard safety of employees at work. "The Company has the Work Rules" and "the Employee Code of Conduct" in place that specify in detail related rights and obligations employees are entitled to, the expected behavior from them while in service, and the ethics at work that they should follow.

(2) Investor relations, supplier relations, rights of stakeholders, continuing education of directors and supervisors, the implementation of risk management policies and risk evaluation standards: The Company releases related information to general investors both periodically and from time to time to keep them informed as required by laws and regulations. There are specific regulations governing the screening of suppliers, procurement, acceptance, and payment to facilitate mutual compliance and to help maintain a desirable relationship with suppliers. Both directors and supervisors of the Company possess enriched industrial professionalism and practical experiences in management. Most of them are able to adequately appear in the Board of Directors' meetings and strictly comply with the recusal principle in proposals concerning their personal interest. Stakeholders have no problems communicating with the Company and the legal rights they are entitled to may be protected. The Company has various internal management rules and approval powers defined for respective tasks carried out. For significant affairs, on the other hand, they are handled as an exceptional case and various types of risk assessment and control are performed.

(3) Implementation of policies to protect consumers or customers: The ISO9001 certification for quality was approved, realizing the first commitment Yungtay made to quality. There is the 24-hour toll-free hotline for customers to make a complaint and to help ensure the safety of customers while riding in our elevators. There are also the mail box and web page for filing a complaint. Complaints are handled by specialists. We obtained ISO14001 certification and we evaluate the impacts of our product design, manufacturing, and installation process flows on the environment in order to fulfill our obligation as a member of the global village. We are serving our customers on the belief of "always thinking ahead for you" and we provide customers with "humanized daily transport". Yungtay persistently "provide customers with satisfying products and services and avoid any inconvenience for them appropriately." By maintaining an optimal and steady relationship with customers, we are creating profits for the Company.

(4) Continuing education of directors and supervisors in 2018 :

Title	Name	Date of inauguration	Duration of continuing education		Organizer	Course title	Hours involved	Compliance with requirement
			Start	End				
Supervisor (Note 1)	Wann Lai Cheng (Note 2)	2015/06/16	2018/5/03	2018/5/03	Taiwan Corporate Governance Association	You are now a venture capitalist: Must-knows for new strategic start-up investors	3.0	Yes
			2018/5/03	2018/5/03	Taiwan Corporate Governance Association	Analysis and operation of corporate mergers and acquisitions from a legal perspective	3.0	
Representative of juristic-person director		2018/6/28	2018/11/13	2018/11/13	Taiwan Corporate Governance Association	Common M&A taxation disputes	3.0	
			2018/12/20	2018/12/20	Taiwan Corporate Governance Association	Analysis and operation of corporate mergers and acquisitions from a legal perspective	3.0	
Independent Director	Yung Ming Hsieh (Note 2)	2018/6/28	2018/12/20	2018/12/20	Securities and Futures Institute	Discussion on the legal responsibility of directors and supervisors regarding fraudulent financial reporting	3.0	Yes
			2018/12/20	2018/12/20	Securities and Futures Institute	Discussion on money laundering prevention and legal compliance	3.0	
Independent Director	Shih Yang Chen	2018/6/28	2018/8/07	2018/8/07	Taiwan Corporate Governance Association	Transformation of corporate leadership: professionalism, management, and leadership	3.0	Yes
			2018/11/06	2018/11/06	Taiwan Corporate Governance Association	Analysis of the latest tax reform and issues on tax issues related to corporations and major shareholders	3.0	

Note 1 : The Company has established the Audit Committee to replace the supervisors in June 2018.

Note 2 : The re-election of the 19th directors has been completed in advance in the first extraordinary shareholders' meeting on April 18, 2019, and the term of office is from April 18, 2019 to April 17, 2022. Juristic-person director's representative Wann Lai Cheng and independent director Yung Ming Hsieh of the 18th Board of Directors were dismissed after the first extraordinary shareholders' meeting on April 18, 2019.

(5) Insurance purchased by the company for directors and supervisors: In order to reinforce corporate governance, the Company has purchased liability insurance for its directors and supervisors.

(4) Composition, responsibilities, and operations of the Remuneration Committee

1. Membership of Remuneration Committee

Status distribution (Note 1)	Qualification / Name	More than five (5) years of work experience and the following professional eligibility			Compliance with the independence requirement (Note 2)								Number of other public offering companies with part-time membership in their Compensation Committee	Notes End of document.
		Lecturer or higher ranking at the business, legal affairs, financial affairs, or accounting department, or other departments relating to corporate operation of public and private colleges and universities	Judge, prosecutor, lawyer, CPA, or other professionals and technicians that have taken and been approved in national exams required for corporate operation	Work experience required for business, legal affairs, financial affairs, accounting, or corporate operation	1	2	3	4	5	6	7	8		
Independent director	Fu Hsiung Huang		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent director	Shih Yang Chen		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent director	Li Hsiu Chen		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note 1: Provide director, independent director, or other for Status.

Note 2: When any of the following conditions is met for each member during the two (2) years prior to and during their tenure, please check "✓" in the box underneath each conditional code.

(1) Not an employee of the Company or its associated enterprise.

(2) Not a director or supervisor of the Company or its associated enterprise. The same does not apply, however, if the independent director is set up by the Company, its parent company, or any subsidiary according to the Act or the local laws and regulations.

(3) Not a natural person shareholder that holds by himself/herself or by his/her spouse or minor child in someone else's name more than 1% of all circulating shares of the Company or is on the Top 10 shareholding list.

(4) Not the spouse, a relative within the second degree of kinship, or a direct blood relative within the third degree of kinship of the said people indicated in the foregoing three subparagraphs.

(5) Not a director, supervisor, or employee of an institutional shareholder directly holding more than 5% of all circulating shares of the Company or a director, supervisor, or employee of an institutional shareholder on the Top 5 shareholding list.

(6) Not a director, supervisor, manager, or a shareholder holding more than 5% of shares of a specific company or institution with financial or business activities with the Company.

(7) Not a professional providing services or consultations on business, legal affairs, financial affairs, and accounting at the Company or its associated enterprise or the owner, partner, director, supervisor, manager, and his/her spouse of a sole proprietorship or collaborative company or institution.

(8) None of the conditions indicated under Article 30 of the Company Act.

2. Information on the operational status of the Remuneration Committee

1) The Company's Remuneration Committee has 3 members in total.

2) Current members will serve from July 12, 2018 to June 27, 2021. The Compensation Committee met 4 times (A) in 2018. Qualification and attendance of members are as follows:

Title	Name	The actual frequency of attendance in the meetings (B)	Frequency of attendance through proxy	Actual attendance rate (%) (B/A) (Note 1)	Notes
Convener	Ching Yu Liao	4	0	100%	
Member	Yung Ming Hsieh	4	0	100%	
Member	Meng Ta Wu	4	0	100%	

Other details to be documented:

1. If the Board of Directors does not accept or modifies suggestions provided by the Remuneration Committee, the date of the Board of Directors meeting, the session number, contents of the proposal, decisions made by the Board of Directors, and management of opinions from the Remuneration Committee by the Company should be stated (If the compensation and rewards approved by the Board of Directors are superior to those advised by the Remuneration Committee, there should be descriptions of the differences and reasons considered) : None.

2. For decisions made by the Remuneration Committee, as long as there are members objecting or having their reservations that are recorded or stated in writing, the date of the Remuneration Committee meeting, the session number, contents of the proposal, and how opinions from all members and from opposing members are handled should be described : None.

Note 1 : The actual attendance rate (%) is calculated by the number of Remuneration Committee meetings held during service and the actual attendance frequency in the meetings.

Note 2 : The re-election of the 19th directors has been completed in advance in the first extraordinary shareholders' meeting on April 18, 2019, and the term of office is from April 18, 2019 to April 17, 2022. The 18th Board of Directors' independent director Yung Ming Hsieh and independent director Ching Yu Liao were dismissed after the first extraordinary shareholders' meeting on April 18, 2019.

Note 3 : The re-appointment of remuneration committee members has been approved by NO.2 of the 19th Board of Directors on May 13, 2019. The members of the 5th Remuneration Committee are served by independent director Fu Hsiung Huang, independent director Shih Yang Chen and independent director Li Hsiu Chen.

(5) Fulfillment of social responsibilities: systems and measures adopted by the Company for environmental protection, community involvement, giving back to society, community service, public interest, consumer rights, human rights, safety and health, and other social responsibilities-related activities and implementation status

Assessed areas	Operational status			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM listed companies and reasons
	Yes	No	Brief descriptions	
(I) Consolidation of corporate governance				
1. Does the company establish corporate social responsibility policy or system and examine its implementation results?		V	1. Although the Company has no corporate social responsibility policy or system in place yet, it will continue to fulfill our corporate social responsibilities.	They will be stipulated to reflect actual needs in the future.
2. Does the company provide educational training on corporate social responsibility on a regular basis?	V		2. The Company holds meetings or educational training for its people to continue communicating corporate management beliefs.	No major deviations.
3. Does the company have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior management as authorized by the Board of Directors and reports its progress to the Board of Directors?		V	3. There are no full-time (part-time) units devoted to promoting corporate social responsibilities yet.	They will be established to reflect actual needs in the future.
4. Has the company established a reasonable salary remuneration policy, integrated the employee performance evaluation system with its CSR policy, and established an effective reward and disciplinary system?	V		4. There are related regulations and policies in place for the salaries and remunerations paid to the Company's directors, managers, and employees to go with complete performance evaluation systems and ethical code of conduct is taken into consideration during evaluation as well. Meanwhile, the Work Rules are available where incentive and disciplinary systems are specified.	No major deviations.

Assessed areas	Operational status			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM listed companies and reasons
	Yes	No	Brief descriptions	
(II) Development of a Sustainable Environment				
1. Has the company endeavored to improve the efficiency of resource utilization and used recycled materials which have a low impact on the environment?	V		1. a. The R&D and design are headed toward developing clean processes so that generation of waste and pollution may be reduced. Energy-saving PM servers will be developed and applied. Paper reutilization and resources recycling are promoted. We are also proactively practicing energy-saving and carbon reduction in offices in order to reduce squandering of resources. b. We are promoting e-processes. At present, the electronic system for forms and tables is used to turn paperwork digitalized (e-paper) so that the amount of paper used may be minimized. The waste recycled includes used paper, used wood, used wires, and scrap.	No major deviations.
2. Has the company developed an appropriate environmental management system, given its distinctive characteristics?	V		2. We are enforcing ISO14001 and OHSAS18001 standards and have been certified accordingly. Each year, we continuously communicate our environmental safety and health policies to employees.	No major deviations.
3. Has the company monitored the impact of climate change on business operations, conducted greenhouse gas inventory and formulated strategies for energy conservation and carbon and greenhouse gas reduction?	V		3. a. The waste gas/air generated from the Company's process is discharged after it goes through the direct fired incinerator and activated carbon absorption treatment. There are also temperature control criteria for air-conditioning in offices. All are meant to accomplish the energy-saving and carbon reduction goal. b. Yungtay (China) enforces energy-saving and carbon reduction measures. Besides replacing high-performance energy-saving lights, it is encouraging turning the lights off when they are not in use whenever possible. Sub-meters are installed at electricity-saving points. For new manufacturing facilities, on the other hand, LED energy-saving systems are used. In addition, energy feedback systems are being developed for elevators, with a mean daily electricity conservation rate up to 30%.	No major deviations.

Assessed areas	Operational status			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM listed companies and reasons
	Yes	No	Brief descriptions	
(III) Protection of public interest in society				
1. Has the company developed related management policies and procedures in accordance with applicable laws and regulations and the International Bill of Human Rights?	V		1. The Company has established its human rights policy in accordance with the International Bill of Human Rights and its personnel administration complies with requirements of the Labor Standards Act. There are also related Work Rules and operating procedures in place to protect the rights and benefits of employees on preferred terms. Such information is available on the Intranet of the Company so that employees are aware of their rights and benefits.	No major deviations.
2. Does the Company have mechanisms and channels available for employees to raise complaints and properly handle employee complaints?	V		2. Employees can raise complaints through the opinion mail box or email. There are also the sexual harassment hotline and internal control audits, among other channels and mechanisms to help with complaints. Conditions reflected upon by employees will be verified and handled accordingly by related people.	No major deviations.
3. Does the company provide employees with a safe and healthy work environment as well as periodic safety and health education?	V		3. a. The Company has been certified by OHSAS18001 for its occupational safety and health management system and labor safety education and employee physical checkups are organized on a yearly basis to precisely safeguard safety and health of employees at work. b. Fire prevention drills and inspection of the healthy nature of group meals occur periodically each year. For tasks at risk of occupational hazards, for the same reason, complete protective equipment is provided.	No major deviations.
4. Does the company have mechanisms in place to facilitate periodic communications with employees and inform them in a reasonable way of operational changes that may have a significant impact on employees?	V		4. The Company's labor union communicates well with the management and has been seeking benefits that employees deserve. Therefore, employees are accustomed to expressing their opinions through the labor union. The Company also informs the labor union of major measures that it will adopt, too, if any, in order to know what they think. Management information is announced from time to time through the Intranet of the Company as well.	No major deviations.

Assessed areas	Operational status			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM listed companies and reasons
	Yes	No	Brief descriptions	
5. Has the company established an effective training program that helps employees develop skills over the course of their career?	V		5. The Company highly values talent and manpower development and by passing down experiences within the organization and the performance evaluation and rotation systems at work, it helps employees plan their personal career developments. Yungtay (China) has also developed its E-learning platform where employees have sufficient opportunities to take part in training and learning sessions inside and outside the Company.	No major deviations.
6. Has the company established any consumer right protection policies and complaint procedures regarding R&D, purchase, production, operation and service?	V		6. a. By obtaining the ISO9001 quality certification, the Company is living up to Yungtay's commitment to best quality. There is the 24-hour toll-free hotline for customers to make a complaint and to help ensure the safety of customers while riding in our elevators. There are also the mail box and web page for filing a complaint. Complaints are handled by specialists. b. Customer service management procedures and complaint-related handling guidelines are available to effectively take care of complaints raised by customers and to provide services in real-time.	No major deviations.
7. Does the company comply with laws and international standards concerning the marketing and labeling of products and services?	V		7. The Company markets and labels its products and services consistently in compliance with the government's laws and regulations and applicable industrial regulations.	No major deviations.
8. Has the company evaluated the records of suppliers' impact on the environment and society before doing business with the supplier?	V		8. The Company has related evaluation mechanisms in place when it comes to screening of suppliers. Meanwhile, their integrity and impacts on the environment and society are taken into consideration in order to determine the applicability.	No major deviations.
9. Do contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause significant impacts on the environment and society?		V	9. The contracts between the Company and its major suppliers are yet to include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause significant impacts on the environment and society but upon renewal or replacement of contracts, such clauses will be considered to be included.	They will be stipulated to reflect actual needs in the future.

Assessed areas	Operational status			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM listed companies and reasons
	Yes	No	Brief descriptions	
(IV) Reinforced Information Disclosure 1. Has the company disclosed relevant and reliable information regarding its corporate social responsibilities on its website and the MOPS?	V		1. Quality and environmental safety and health policies are already released on the Company's website and so is related information on corporate social responsibilities.	They will be taken care of on the Company's website, depending on the circumstances.
(V) If the Company has its own CSR principles established according to "the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies", please describe the differences between its implementation and the principles: The Company has not established its own CSR principles established according to "the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" at the moment.				
(VI) Other Important Information to Help Understand Utilization of Corporate Social Responsibilities: The Company is proactively devoting to doing something for the Earth. It is constantly developing energy-saving products. Besides adopting LED energy-saving lighting systems for new manufacturing facilities, it is also replacing existing lights to high performance energy-saving ones, evaluating the possibility of upgrading or replacing existing air-conditioning servers. In addition, the effort to communicate information on energy-saving and recycling of resources to employees is being reinforced so that green energy and carbon reduction can reach out to every household. For water and noise pollutions resulting from manufacturing processes, on the other hand, workplace testing and water quality inspections are performed by organizations approved by the competent authority on a yearly basis and facilities to help reinforce the control and prevention of pollution are being added each year.				
(VII) In the event that validation criteria of related verification institutions are approved in the Company's CSR Report, it shall be stated so: In order to more systematically manage its safety, health, and environmental protection-related operations, the Company has obtained ISO14001 (2015) certification for its environmental management system and OHSAS18001 (2007) certification for its environmental safety and health management system. Besides helping promote its corporate image by being approved by these third-party certification bodies for their international credibility, the Company is also implementing systems and creating sound written systems and procedures. By doing this, it helps not only pass down assets such as technical documents but also accordingly enhances management efficiency, efficacy, and quality of work in order to protect the stability and security of product output and to provide customers with steadily operative and comfortable daily riding experiences.				

(6) Status of ethical corporate management and measures adopted

Assessed areas	Operational status			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Brief descriptions	
(I) Establishment of ethical corporate management policy and proposal 1. Has the company declared its ethical corporate management policies and procedures in its rules and external documents, as well as the commitment of its Board of Directors and management to implementing the management policies?	V		1. In order to form a corporate culture featuring ethical operations and to reinforce its corporate governance, "the Company has the Behavioral Guidelines for Directors, Supervisors, and Managers", "the Employee Code of Conduct", and "the Ethical Management Principles" in place and has put its ethical management policies into force.	No major deviations.

Assessed areas	Operational status			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Brief descriptions	
2. Has the company established policies to prevent against unethical conduct and specified the operating procedures, guidelines of conduct, punishment for violation, and rules of appeal in the policies, and enforced them?	V		2. "The Ethical Management Principles" established by the Company already specify details of unethical behavior, the handling procedure, and the disciplinary and complaint-filing systems available in cases of violations. In addition, "the Employee Code of Conduct" is meant to prevent against unethical behavior and specifies that employees may not accept treatments, gifts, rebates or embezzle public funds or seek unlawful interests applying their power at work. There are also legal affairs and audit units to consolidate legitimacy of operational activities, the supervisory mechanism, and risk management in all respects.	No major deviations.
3. Has the company adopted appropriate precautionary measures for operations at a higher risk of unethical conducts indicated in Article 7 Paragraph 2 of "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" or within its scope of business?	V		3. The Company has already specified respective matters indicated in Article 7 Paragraph 2 of "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" in Article 7 of its Ethical Management Principles and has established operating procedures or adopting other measures such as daily communication and terms and conditions in contracts in order to prevent against unethical behavior in business operations at a higher risk.	They will be reinforced to reflect actual needs in the future.
(II) Consolidation of ethical corporate management				
1. Has the company evaluated the ethical records of parties it does business with and stipulated ethical conduct clauses in business contracts?	V		1. The Company conducts business activities in a fair and transparent way. Before starting a business relationship, it takes into consideration the legitimacy and history of unethical conducts of the counterpart and evaluates the counterpart on related risks according to the transaction history. The contract entered into also specifies behavioral criteria and penalties in cases of violations that shall be followed by both parties.	No major deviations.
2. Has the company established a dedicated (concurrent) unit under the Board of Directors to promote ethical corporate management and report the status of implementation to the Board of Directors periodically?	V		2. The Audit Office under the Board of Directors is responsible for inspecting if unethical management has occurred and periodically reporting to the Board of Directors on the status.	No major deviations.

Assessed areas	Operational status			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Brief descriptions	
3. Has the company established policies to prevent against conflicts of interest, provided appropriate channels for filing related complaints and implemented the policies accordingly?	V		3. The Company has a sound internal audit system, a periodic inspection system, and mechanisms for receiving stated opinions, communication, and risk management in place to maintain an effectively operative internal control system, to prevent against conflicts of interest, and to facilitate effective communications.	No major deviations.
4. Has the company created effective accounting and internal control systems to consolidate ethical corporate management and have those systems audited by either internal auditors or CPAs on a regular basis?	V		4. There are internal procedures available for handling major information. Directors, supervisors, managers, and people processing important information are asked to sign the confidentiality agreement and are included as part of the Company's internal control system to be periodically inspected by internal auditors.	No major deviations.
5. Does the company hold internal and external educational trainings on ethical management regularly?	V		5. The Company periodically states the Employee Code of Conduct, the corporate culture, and the Company's management principles during the pre-service training sessions and workshops for new hires and communicates its belief in ethical management on the Company's website.	No major deviations.
(III) Reporting System of the Company				
1. Does the company have substantial reporting and incentive systems in place, provide convenient reporting channels, and assign appropriate specialists investigate reported matters?	V		1. Employees can report any conduct in violation of ethical requirements through the Audit Office or other means such as email. The Audit Office is responsible for handling related matters.	No major deviations.
2. Has the company established any standard operating procedures or confidentiality mechanisms for handling reported matters?	V		2. The Company has already established the regulations for reporting illegal and unethical behavior that cover the standard operating procedure for investigating reported matters and related confidentiality mechanisms. The Audit Office handles reported matters and will keep the identity and information of the reporter confidential. Yungtay (China) provides its external mailbox on its website. Reported matters can reach the general manager directly or can be sent directly to the general manager in a written mail. after that, reported matters will be assigned, investigated, and verified.	No major deviations.
3. Does the company assure employees who reported on malpractices that they will not be improperly treated for making such reports?	V		3. The Audit Office will keep reported matters confidential and assign specialists to handle them so that the reporter will not be treated improperly because of the report.	No major deviations.

<table>
<tr><th rowspan="2">Assessed areas</th><th colspan="3">Operational status</th><th rowspan="2">Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Brief descriptions</th></tr>
<tr><td>(IV) Reinforced Information Disclosure
1. Has the company disclosed information regarding its ethical corporate management principles and implementation status on its website and the MOPS?</td><td colspan="3">1. The Company discloses its management belief based on the ethical principle and releases its complete “the Ethical Management Principles” on its website and the MOPS.</td><td>No major deviations.</td></tr>
<tr><td colspan="5">(V) If the company has its own Ethical Management Principles established according to “the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”, please describe the differences between its implementation and the principles:
The Company has already established its Ethical Management Principles according to “the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and applied the underlying elements to its internal control system and related operating procedures. The practical operations do not deviate from what is described in the Principles.</td></tr>
<tr><td colspan="5">(VI) Other important information that helps understand the implementation of ethical corporate management of the company: (e.g. discussion and correction of the Ethical Management Principles established by the company):
1. Before each of its new products is released to the market, the Company evaluates its parts and components and the product as a whole and obtains respective relevant qualification certificates in order to consolidate ethical management.
2. When organizing purchases, the Company must find multiple suppliers and compare their quotations. Meanwhile, reinforced efforts are made to communicate the importance of moral conduct to procurement staff and procurement tasks are adjusted from time to time as needed.
3. The Company does business with its partners in compliance with required procedures and related units inspect related operations periodically.</td></tr>
</table>

(7) How they may be found shall be disclosed if the company has established Corporate Governance Principles and related regulations:

The Company has established its Corporate Governance Principles according to “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and follows regulatory requirements in all of its operations, with related rules such as the Behavioral Guidelines for Directors and Managers, the Code of Moral Conduct, the Employee Code of Conduct, the Ethical Management Principles, the Guidelines for Electing Board Directors, the Regulations for Independent Directors to Exercise Their Duties, and the Compensation Committee Charter in place. Please visit the MOPS or the Company’s website (www.yungtay.com.tw).

(8) Other important information that is sufficient to boost knowledge of corporate governance

1. The Company and its financial information is transparent. The status of related people in obtaining relevant certifications as required by the competent authority is as follows:
   (1) International internal auditors: 1 at the main management office of Yungtay (China).
   (2) Domestic internal auditors (within the ROC): 1 at the management division, 1 at the engineering division, and 1 at the main management office of Yungtay (China).
   (3) ROC CPAs: 1 at the management department, 1 at the building systems administration department.

2. Status of continuing education sought by managers:

Title	Name	Duration of continuing education		Organizer	Course title	Hours involved
		Start	End			
Accounting Manager	Chun Hsu Chen (Dismissed in March 2019)	107/12/27	107/12/28	Accounting Research and Development Foundation	In-service Program for Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	12.0
Finance Manager	Jui Hsun Chang	107/11/14	107/11/14	Securities and Futures Institute	International investment and M&A strategy planning (discussion on international and domestic anti-tax avoidance development and responses from enterprises)	3.0
Audit Manager	Ting Hsuan Yeh	107/7/26	107/7/26	The Institute of Internal Auditors - Chinese Taiwan	Internal audit study--Advanced class (reading, analysis, and application of financial statements)	6.0
		107/7/26	107/7/26	The Institute of Internal Auditors - Chinese Taiwan	Improved added value of auditing (audit skills and operation)	6.0

(9) Implementation status of the internal control system

1. Internal Control System Statement: See the page below.
2. When a CPA is authorized to review the internal control system, the Review Report prepared by the CPA shall be disclosed: Not applicable.

Yungtay Engineering Co., Ltd.

Internal Control System Statement

Date: March 15, 2019

For the Company's internal control system of 2018, we would like to declare as follows according to the results of spontaneous inspections:

1. The Company knows that establishing, enforcing, and maintaining an internal control system is the responsibility of the Company's Board of Directors and managers and has such a system in place already. It is meant to reasonably ensure fulfillment of the operational efficacy and efficiency (including profits, performance, and protection of asset security), reliability, timeliness, and transparency of reports, and compliance with applicable laws and regulations, among other goals.
2. The internal control system has its inherited restrictions that cannot be overcome with improved design. An effective internal control system can also only reasonably ensure the fulfillment of the three goals stated above and its effectiveness may change as the environment or situation changes. There is a self-surveillance mechanism, however, it is the fact that it is built inside the internal control system of the Company that helps the Company take a corrective action against deficiencies confirmed.
3. The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the items in "Governing Regulations for Public Company's Establishment of Internal Control System" (hereinafter called "Governing Regulations") that are related to the effectiveness of internal control systems. The items adopted in the Governing Regulations for determining the internal control system are the five constitutional elements of the internal control system divided according to the management and control process:
   1. control environment, 2. risk assessment, 3. control process, 4. information and communication, and 5. supervision. Each element further encompasses several items. Please refer to "Governing Regulations" for details.
4. The Company has adopted the above-mentioned determining items and evaluated the design and effectiveness of its internal control system.
5. Pursuant to the results of the above-mentioned evaluations, the Company is of the view that the design and implementation of its internal control system as of December 31, 2018 (including its supervision and management of subsidiaries), including its awareness of the extent by which the operating effects and efficiency goals are fulfilled, reliability of reports, and compliance with relevant laws and regulations, are such that it is effective and capable of reasonably ensuring that the aforementioned goals can be achieved.
6. This Statement constitutes a major part of the Company's Annual Report and the Company's Prospectus that are made available to the public. The Company shall be legally liable under Articles 20, 32, 171 and 174 of the Securities and Exchange Act with respect to any unlawful aspects such as falsehood or concealment of facts in relation to the aforesaid published contents.
7. This Statement was approved at the meeting of the Company's Board of Directors on March 15, 2019 with no directors expressing dissent out of the 9 Directors in attendance.

Yungtay Engineering Co., Ltd.

Chairperson : Ray Chun Su

General Manager : Fong Chieh Tsai

(10) Any legal sanctions against the Company or its internal personnel, or any disciplinary action taken by the Company against its own personnel for violating internal control requirements, in the most recent year up to the date the Annual Report was printed, main shortcomings and improvements : None.

(11) Important decisions reached in shareholders' meetings and made by the Board of Directors in the most recent year up to the date the Annual Report was printed.

Board of Directors/ Shareholders' meeting	Date	Descriptions of important matters	Implementation status
No. 17 of the 17th Board of Directors meeting	2018/3/15	1. Determining the time and venue of the 2018 annual shareholders' meeting.	1. The 2018 annual shareholders' meeting was already held on June 28, 2018.
		2. Determining the cause or subjects for convening the 2018 annual shareholders' meeting.	2. Cause or subjects for convening the annual shareholders' meeting were announced in the Market Observation Post System.
		3. Approving the 2017 annual business report and financial statements.	3. It was already brought forth in the shareholders' meeting on June 28, 2018 and endorsed accordingly.
		4. Determining distribution of 2017 remunerations for employees, directors, and supervisors.	4. It was approved that remunerations to be paid to employees and directors and supervisors for 2017 will be $42,608,155 and $4,734,239, respectively; the distribution ratio was 2.88% and 0.32%, respectively.
		5. Determining distribution of earnings from 2017.	5. It was approved that the cash dividend per share for 2017 was $2 and the proposal was resolved at the shareholders' meeting on June 28, 2018.
		6. Approving the 2017 Internal Control System Statement.	6. The Internal Control Statement was already submitted to the FSC and published in the 2017 Annual Report.
		7. Approving the duration available for nominating, domicile of, and number of openings for independent director candidates.	7. It was already announced within the deadline according to the decision.
		8. Approving the list of independent director candidates.	8. Nomination and registration took place during the duration of nomination according to the decision.
		9. Approving the amendment of Articles of Incorporation.	9. The revised Articles of Incorporation was resolved at the shareholders' meeting on June 28, 2018.
		10. Approving the amendment of Rules for Election of Directors and Supervisors.	10. The revised Rules for Election of Directors Supervisors was resolved at the shareholders' meeting on June 28, 2018.
No. 18 of the 17th Board of Directors meeting	2018/4/9	1. Approving the time and venue of the 2018 general shareholders' meeting.	1. It was already declared with the competent authority and announced.
No. 19 of the 17th Board of Directors meeting	2018/4/30	1. Approving the list of independent director candidates changed by the Board of Directors.	1. Nomination and registration took place during the duration of nomination according to the decision.
No. 20 of the 17th Board of Directors meeting	2018/5/3	1. Approving the financial statement for the first quarter of 2018.	1. It was already declared with the competent authority and announced.
		2. Approving financing limits.	2. The Contract over the Financing Limits was renewed.
		3. Approving the amendment of Articles of Incorporation.	3. The revised Articles of Incorporation was resolved at the shareholders' meeting on June 28, 2018.

Board of Directors/ Shareholders' meeting	Date	Descriptions of important matters	Implementation status
		4. Approving the amendment of Rules for Election of Directors and Supervisors. 5. Approving the amendment of Procedures for Capital Lending to Others And Endorsements & Guarantees. 6. Approving the amendment of Rules and Procedures of Board of Directors Meetings. 7. Approving the amendment of Code of Conducts For Directors, Supervisors and Managers. 8. Approving the amendment of Rules Governing the Exercise of Powers by Independent Directors. 9. Approving the amendment of Procedures for Internal Major Information Processing. 10. Approving the amendment of Ethical Corporate Management Best Practice Principles. 11. Approving the formulation made to the Organizational Charter for The Auditing Committee. 12. Approving the amendment of Standards for the Internal Control Systems of Shareholder Services Units.	4. The revised Rules for Election of Directors was resolved at the shareholders' meeting on June 28, 2018. 5. The revised Procedures for Capital Lending to Others And Endorsements & Guarantees was resolved at the shareholders' meeting on June 28, 2018. 6. The revised Rules and Procedures of Board of Directors Meetings was reported at the shareholders' meeting on June 28, 2018. 7. The revised Code of Conducts For Directors, Supervisors and Managers are already announced on the Company's website. 8. The revised Rules Governing the Exercise of Powers by Independent Directors were announced in the MOPS and on the Company's website. 9. The revised Procedures for Internal Major Information Processing was announced on the Company's website. 10. The revised Ethical Corporate Management Best Practice Principles were announced in the MOPS and on the Company's website. 11. They were announced in the MOPS and on the Company's website. 12. The revised Standards for the Internal Control Systems of Shareholder Services Units was enforced.
No. 21 of the 17th Board of Directors meeting	2018/5/17	1. Approving the number of seats available for the election of the 18th intake of Board directors. 2. Approving the eligibility review of independent director candidates nominated. 3. Changing the reasons for holding the 2018 general shareholders' meeting. 4. Approving the revisions made to "the Organic Rules for Audit Committee". 5. Disapproving the written proposal from shareholders.	1. It was already declared with the competent authority and announced. 2. It was already in the Market Observation Post System. 3. It was already declared with the competent authority and announced. 4. They were announced in the MOPS and on the Company's website. 5. The Board of Directors plans to give a presentation during the shareholders' meeting on June 28, 2018.
2018 Shareholders' meeting	2018/6/28	1. Ratification of 2017 financial statements. 2. Ratification of 2018 earnings distribution proposal.	1. It was approved. 2. It was approved that the cash dividend of $2 per share for 2017 would be issued. August 7, 2018 was set to be the ex-dividend base date and cash dividends were issued on August 23, 2018.

Board of Directors/ Shareholders' meeting	Date	Descriptions of important matters	Implementation status
		3. Approving the amendment to Rules for Election of Directors and Supervisors. 4. Re-election of directors of the Company. 5. Waiver of the non-competition restriction on newly elected directors of the Company. 6. Approving the amendment to Articles of Incorporation. 7. Approving the amendment to Rules of Procedure for Shareholders' Meeting. 8. Approving the amendment to Procedures for Acquisition or Disposal of Assets. 9. Approving the amendment to Procedures for Capital Lending to Others and Endorsements & Guarantees.	3. The revised procedure was enforced and announced in the MOPS and on the Company's website. 4. The 18th directors have been elected to 9 (including 3 independent directors) for a term from June 28, 2018 to June 27, 2021. 6. The revised Articles of Incorporation was announced on the Company's website. 7. The revised Rules for Election of Directors and Supervisors was enforced and announced in the MOPS and on the Company's website. 8. The revised Procedures for Acquisition or Disposal of Assets was enforced and announced in the MOPS and on the Company's website. 9. The revised Procedures for Capital Lending to Others and Endorsements & Guarantees was enforced and announced in the MOPS and on the Company's website.
No. 1 of the 18th Board of Directors meeting	2018/7/12	1. Recommend the new chairperson of Board of Directors. 2. Re-appointment of members of the Remuneration Committee 3. Determining this year's ex-dividend base date and issuance date. 4. Approving the proposal that recommend the former chairman Tso Li Hsu as the honorary chairman of Yungtay.	1. the director Ray Chun Su is elected as the chairperson. 2. The members of the 4th Remuneration Committee are served by independent director Ching Yu Liao, independent director Yung Ming Hsieh and independent director Meng Ta Wu. 3. It was determined that August 7, 2018 would be the ex-dividend base date and cash dividends were issued on August 23, 2018.
No. 2 of the 18th Board of Directors meeting	2018/8/09	1. Approving the financial statement for the second quarter of 2018. 2. Approving the amendment of Article of Incorporation.	1. It was already declared with the competent authority and announced. 2. The revised Article of Incorporation will be brought forth in the shareholders' meeting on June 18, 2019.
No. 3 of the 18th Board of Directors meeting	2018/9/26	1. The non-binding proposal.	1. Hitachi conducted its work in accordance with the due diligence process and presented the "Field Audit Final Report" on NO.5 of the 18th Board of Directors meeting on November 8, 2019.
No. 4 of the 18th Board of Directors meeting	2018/10/30	1. The non-binding proposal I. 2. The non-binding proposal II.	1. The resolution of the Board of Directors was not passed. 2. The resolution of the Board of Directors was not passed.
No. 5 of the 18th Board of Directors meeting	2018/11/08	1. Approving the financial statement for the third quarter of 2018. 2. Approving the 2019 Audit Plan.	1. It was already declared with the competent authority and announced. 2. The approved Audit Plan is being enforced.

Board of Directors/ Shareholders' meeting	Date	Descriptions of important matters	Implementation status
		3. The proposals vetoed by No.4 of the 18th Board of Directors on October 30, 2018 is as follows. Is it possible to make a second proposal? Case I : "The non-binding proposal I" about due diligence proposed by stakeholders. Case II : "The non-binding proposal I" about due diligence proposed by stakeholders.	3. The resolution of the Board of Directors was not passed.
No. 6 of the 18th Board of Directors meeting	2018/12/13	1. Approving the 2019 Annual Business Operation Plan. 2. Approving the 2019 donations to related party. 3. Evaluating the independence of CPAs. 4. Approving the admendment of Compensation Committee Charter. 5. Approving the admendment of the Regulations Governing Compensation for Directors, Supervisors, and Managers. 6. Approving the admendment of the Procedures for Halt and Resumption Applications.	1. The approved 2019 Budget Proposal is being enforced. 2. The donations has been processed in accordance with the resolution. 3. Evaluation outcome: Independence is fulfilled. 4. The revised Compensation Committee Charter were announced in the MOPS and on the Company's website. 6. The revised Procedures for Halt and Resumption Applications were announced on the Company's website.
No. 7 of the 18th Board of Directors meeting	2019/1/18	1. Approving the setting up of the Review Committee according to law, and elected independent director Ching Yu Liao, independent director Yung Ming Hsieh, and independent director Shih Yang Chen as members of the committee.	1. The Review Committee was convened on January 28, 2019 to verify and review the offeror's identity and financial condition, the fairness of the acquisition condition, and the reasonability of the funds sources. In addition, the results of the verification and review shall be announced in accordance with the law, and the verification situation and the members' clear opinions for consent or opposition shall be reported to the Board of Directors.
No. 8 of the 18th Board of Directors meeting	2019/1/29	1. Verifying the statutory matters required by Article 14 of the Regulations Governing Public Tender Offers for Securities of Public Companies according to law. 2. Hitachi shall amend its minimum acquisition ratio for public tender offer from 21.66% to 38.3223% which was the minimum acquisition ratio indicated in the binding proposal dated October 26, 2018.	1. The statutory matters have been announced and made into a written to report to the Financial Supervisory Committee for reference and copy to the relevant securities institutions. 2. The resolution of the Board of Directors was not passed.
No. 9 of the 18th Board of Directors meeting	2019/3/15	1. Approving the 2018 annual business report and financial statements. 2. Determining distribution of earnings from 2018. 3. Approving the 2018 Internal Control System Statement.	1. It will be brought forth in the shareholders' meeting on June 18, 2019 and endorsed accordingly. 2. It was approved that the cash dividend per share for 2017 was $1.8 and the proposal will be brought forth in the shareholders' meeting on June 18, 2019. 3. The Internal Control Statement was already submitted to the FSC and will be published in the 2018 Annual Report.

Board of Directors/ Shareholders' meeting	Date	Descriptions of important matters	Implementation status
		4. Determining the time and venue of the 2019 annual shareholders' meeting. 5. Determining the cause or subjects for convening the 2019 annual shareholders' meeting. 6. Approving the appointment and dismissal of the accounting manager. 7. Approving the appointment and remuneration of the visa accountant. 8. Approving the remuneration of chairperson	4. The 2018 annual shareholders' meeting will be held on June 18, 2019. 5. Cause or subjects for convening the annual shareholders' meeting were announced in the Market Observation Post System. 6. It was already declared with the competent authority and announced.
2019 first extraordinary shareholders' meeting	2019/4/18	1. Full re-election of the 19th Directors and Independent Directors.	1. The 19th directors have been elected to 9 (including 3 independent directors) for a term from April 18, 2019 to April 17, 2022.
No. 1 of the 19th Board of Directors meeting	2019/5/03	1. Recommend the new chairperson of Board of Directors.	1. the director Tso Ming Hsu is elected as the chairperson.
No. 2 of the 19th Board of Directors meeting	2019/5/13	1. Approving the appointment and dismissal of the general manager. 2. Re-appointment of members of the Remuneration Committee 3. Determining distribution of 2018 remunerations for employees and directors. 4. Approving financing limits. 5. Approving the amendment of Rules and Procedures of Board of Directors Meetings. 6. Approving the amendment of Procedures for Acquisition or Disposal of Assets. 7. Approving the amendment of Procedures for Capital Lending to Others And Endorsements & Guarantees. 8.. Approving the amendment of Standards for the Internal Control Systems of Shareholder Services Units.	1. It was enforced according to the decision. 2. The members of the 5th Remuneration Committee are served by independent director Fu Hsiung Huang, independent director Shih Yang Chen and independent director Li Hsiu Chen. 3. It was approved that remunerations to be paid to employees and directors for 2018 will be $38,249,471 and $4,249,941, respectively; the distribution ratio was 4.05% and 0.45%, respectively. 4. The Contract over the Financing Limits will be renewed in succession. 5. The revised Rules and Procedures of Board of Directors Meetings will be brought forth in the shareholders' meeting on June 18, 2019 for a report. 6. The revised Procedures for Acquisition or Disposal of Assets will be brought forth in the shareholders' meeting on June 18, 2019 for a decision. 7. The revised Procedures for Capital Lending to Others And Endorsements & Guarantee will be brought forth in the shareholders' meeting on June 18, 2019 for a decision. 8. The revised Standards for the Internal Control Systems of Shareholder Services Units was enforced.

(12) Main contents of different opinions of directors or supervisors that are recorded and stated in writing on important decisions made by the Board of Directors in the most recent year and up to the date the Annual Report was printed :

1. 2018/9/26 (No. 3 of the 18th Board of Directors Meeting) Independent director Shih Yang Chen expressed objection to the non-binding proposal. The non-binding proposal means the proposal does

not constitute a legally binding obligation of any party and shall not impose any liability upon either party. Neither party will have any legal or other obligation to the other party with respect to any proposal unless and until we reach a consensus. the independent director Shih Yang Chen declared objection in order to conform with corporation governance.

2. 2019/1/29 (No. 8 of the 18th Board of Directors Meeting) Director Chao Ching Hsu, Director Wei Tsung Chang and independent director Shih Yang Chen expressed objection to the proposal of Verifying the statutory matters required by Article 14 of the Regulations Governing Public Tender Offers for Securities of Public Companies according to law.

   The opinion of director Chao Ching Hsu :

   (1) The tender offer proposed by Hitachi violates the binding letterpreviously provided by Hitachi to the Company. The board of directors shall oppose the tender offer or will otherwise violate the duty of loyalty.
   (2) Hitachi reduced its acquisition ratio to 21.66%, which is clearly not the ratio of 38.32% indicated in the Binding letter (binding proposal). The board of directors shall request Hitachi to amend the ratio to 38.32% indicated in the Binding letter (the binding proposal).
   (3) The fairness opinion provided by Hitachi lacks independency. (The accountant who issued the fairness opinion is the junior partner/consultant of Lee and Li Attorney at Law, which is the law firm that issued the legal opinion letter.
   (4) The offer price in the amount of NT$ 60/ per share is not reasonable.
   (5) The board of directors deliberately excluded acquirers other than Hitachi. The opposing directors clearly violate the duty of loyalty to shareholders.
   (6) The reasonability and legality of tender offer are doubtful.

   The opinion of director Wei Tsung Chang :

   (1) The assessment of price didn't consider the industrial characteristics of the business of the Company in China and Taiwan.
   (2) The purchase price locates at the lower part of the reasonable price range in the fairness opinion.
   (3) Other companies have provided tender offer opportunities, however, the Company didn't consider them.
   (4) The company's future growth is in a good trend, which was not reflected in the assessment.
   (5) Hitachi's minimum number of shares to be acquired in the tender offerprospectus dated January 16, 2019 is lower than the minimum number of shares to be acquired in the binding proposal submitted on October 26, 2018.

   The opinion of independent director Shih Yang Chen :

   (1) It is doubtful whether the accountant who issued the fairness opinion provided by Hitachi is independent.
   (2) The evaluation report and the fairness opinion issued by independent expert didn't disclose the source of documents, parameters and information used and didn't evaluate their integrity, correctness and reasonableness, and thus was not complied with Paragraph 3 and 4 of Article 5 of Regulations Governing the Acquisition and Disposal of Assets by Public Companies.
   (3) The evaluation report and the company opinion letter failed to comply with Article 10 of Standards for Valuation Services No. 11 Business Valuation as it did not conduct normalization adjustment, that is, failed to adjust the income and expense of China business to reasonable standard of continuous operation, and failed to include the increment value of real estate when calculating the value.
   (4) Today's share price of GFC (崇友) is NT$ 57.9 /per share while the share price of the Company is NT$59.7/ per share. In addition, the Company has China market. The offer price by Hitachi in the amount of NT$ 60/ per share is probably on the low side.
   (5) The minimum numbers of shares to be acquired indicated in the binding proposal of Hitachi on October 26, 2018 is 38.32% of the issued shares of the Company (excluding treasury shares). It shall not be amended to 21.66% of the issued shares of the Company (excluding treasury shares), which is the minimum numbers of shares to be acquired indicated in the notice received by the Company from Hitachi on January 16, 2019 for the tender offer.
   (6) On page 18 of the tender offer prospectus, the title of former Chairman, Chou-Li Hsu, is mistakenly typed as the Chairman. This typo shall be corrected.
   (7) On October 30, 2018, Otis submitted the "non-binding proposal" in accordance with former resolution of the board regarding Hitachi, expressed the willingness to acquire the shares of the

Company at the price of NT$63/ per share and applied to conduct due diligence. However, it was rejected by the majority the board of directors.

(8) The Company has obtained Hitachi's "binding proposal" on October 26, 2018 but has not yet to provide the real estate evaluation report for reference.

3. 2019/3/15 (No. 9 of the 18th Board of Directors Meeting) Independent director Shih Yang Chen expressed objection to the 2018 annual financial statements proposal.
The opinion of independent director Shih Yang Chen : Regarding the ordinance of Honorary Chairperson's position and remuneration, since the ordinance have not yet been approved by the Board of Directors and are not listed on the Level of Authority, it shall not be listed as expense but shall be listed as accounts receivable.

4. 2019/3/15 (No. 9 of the 18th Board of Directors Meeting) Independent director Shih Yang Chen expressed objection to the the remuneration of Chairperson proposal.
The opinion of independent director Shih Yang Chen : Due to the Hitachi Elevator Taiwan Co., Ltd.'s public tender offer, it recommended that this proposal shall be postponed for future discussion.

5. 2019/5/13 (No. 2 of the 19th Board of Directors Meeting) Independent director Fu Hsiung Huang expressed objection to the appointment and dismissal of the general manager proposal.
The opinion of independent director Fu Hsiung Huang :
(1) The Board of Directors has just completed the reelection, shall maintain the stability of the Company's operations. C hange the general manager hastily will affect the stability and continuity of the Company's operations.
(2) The original general manager Mr. Tsai performed steadily and did not have any discomfort. The Chairman of the Board did not provide sufficient information for the successor to the Board of Directors. The inadequacy of this motion has been increased accordingly.
(3) Furthermore, there is no assessment of future operating results and no consideration of the cost of outgoing staff. I am unable to agree with the motion of change of the general manager of the Company in the absence of necessary information.
(4) The Company shall strengthen the operating performance of the Yungtay's china subsidiary and improve the loss situation, instead of replacing the parent company's general manager then affecting the original stable operations of the parent company.

(13) Summary of resignations and dismissals of the Company's Chairperson, general managers, accounting heads, financial heads, internal audit heads, and R&D heads in the most recent year and up to the date the Annual Report was printed:

Title	Name	Date of inauguration	Date of dismissal	Reason for resignation or dismissal
Chairman	Tso Li Hsu	2000/5/18	2018/6/28	Tenure expired, Re-election of directors
Chairman	Ray Chun Su	2018/6/28	2019/04/18	Re-election of directors
General Manager	Fong Chieh Tsai	2017/6/16	2019/5/13	Position adjustment
Accounting Manager	Jun Xu Chen	2014/3/20	2019/3/31	Position adjustment

(IV) Public Expenditure on CPAs

1. When the non-audit public expenditure paid to CPAs, their firms, and their associated enterprises accounts for more than one-fourth of the audit public expenditure, the values of both audit and non-audit public expenditures and contents of non-audit services shall be disclosed: None.
2. When the accounting firm is changed and the audit public expenditure in the year of replacement is reduced compared to that in the preceding year, the audit public expenditures before and after the replacement and the reasons shall be disclosed: None.
3. When the audit public expenditure is reduced by more than 15% from the preceding year, the value reduced and its ratio and cause shall be disclosed: None.

Currency unit: NTD thousand

Name of accounting firm	Name of CPA	Audit public expenditure	Non-audit public expenditure					CPA Inspection period	Remark
			System design	Business registration	Human resources	Other (Note)	Subtotal		
Jiang Sheng & Co., CPAs.	Jen Chi Chen	5,060	0	106	0	500	606	2018/1/1 ~ 2018/12/31	
	Xiu Li Chen								

Note: The non-audit public expenditure shall be listed separately by the service item. When "Other" of non-audit public expenditure reaches 25% of the total value of non-audit public expenditure, contents of the service shall be listed in the remark column: Transfer Pricing Report.

(V) Information on Replacement of Accountants

No CPAs have were replaced over the past two (2) years and afterwards. Therefore, this is not applicable.

(VI) Positions held in the firm that the CPA works for or its associated enterprises in the most recent year by the Chairperson, the general manager, and managers in charge of financial or accounting affairs : None.

(VII)Changes in the equity of directors, managers, and major shareholders

Title	Name	2018		As of April 20 of the year	
		Increase/ decrease in the number of shares held	Increase/ decrease in the number of shares pledged	Increase/ decrease in the number of shares held	Increase/ decrease in the number of shares pledged
Director	Tso Ming Hsu	None	None	None	None
Director	Ray Chun Su	None	None	None	None
Director	Hitachi, Ltd.	None	None	None	None
Representative of juristic-person director	Makoto Nagashima	None	None	None	None
Director and general manager (Note 2)	Fong Chieh Tsai	None	None	None	None
Director	Chao Ching Hsu	—	—	None	None
Director	UT Park View, Inc. (HSBC bank trust account)	1,770,000	None	None	None
Representative of juristic-person director	Wei Tsung Chang	None	None	None	None
Independent Director	Fu Hsiung Huang	—	—	None	None
Independent Director	Shih Yang Chen	None	None	None	None
Independent Director	Li Hsiu Chen	—	—	None	None
Director	Ever link Co., Ltd. (Dismissed in April 2019)	None	None	None	None
Representative of juristic-person director	Wann Lai Cheng (Dismissed in April 2019)	None	None	None	None
Director	Orchid Ventures Limited (Citibank trust account) (Dismissed in April 2019)	None	None	None	None
Representative of juristic-person director	Chao Ching Hsu (New appointment as a natural-person director in April 2019)	None	None	None	None
Independent Director	Ching Yu Liao (Dismissed in April 2019)	None	None	None	None
Independent Director	Yung Ming Hsieh (Dismissed in April 2019)	None	None	None	None
Building System Vice General Manager	Chung Wen Wang	None	None	19,627	None
Chairperson's Office Assistant Manager	Feng Ming Wu (Dismissed in May 2019)	None	None	19,626	None

Title	Name	2018		As of April 20 of the year	
		Increase/ decrease in the number of shares held	Increase/ decrease in the number of shares pledged	Increase/ decrease in the number of shares held	Increase/ decrease in the number of shares pledged
Administration Division Assistant Manager	Tung Sheng Lin	None	None	19,626	None
Elevator Production Assistant Manager	Chen Kuan Chiang	None	None	1,557	None
Quality Assurance and Management Assistant Manager	Tsun Yao Wu	None	None	19,626	None
Research and Development Assistant Manager	Ming Chu Chen	None	None	1,855	None
Elevator Business Assistant Manager	Chieh Jen Chang	None	None	1,557	None
Accounting Manager	Chun Hsu Chen (Dismissed in March 2019)	None	None	19,626	None
Accounting Manager	Wei Chuan Wang	—	—	None	None
Financial Manager	Jui Hsun Chang	None	None	None	None
Major Shareholder	Herzu Investment Ltd.	28,309,000	None	7,653,175	None

Note 1 : The counterparties in the transfer or pledge of equity are not stakeholders.

Note 2 : The new appointment of general manager has been approved on the No.2 of the 19th Board of Directors meeting and general manager was replaced by Shang Yu Tsai.

Note 3 : The re-election of the 19th directors has been completed in advance in the first extraordinary shareholders' meeting on April 18, 2019, and the term of office is from April 18, 2019 to April 17, 2022, and the director Tso Ming Hsu is elected as the chairperson. The 18th Board of Directors' director Ever link Co., Ltd., director Orchid Ventures Limited (Citibank trust account), independent director Ching Yu Liao and independent director Yung Ming Hsieh were dismissed after the first extraordinary shareholders' meeting on April 18, 20189.

(VIII) Information of relationship among Top 10 shareholders who are related, spouses, or relatives within the second degree of kinship of each other

April 20, 2019

Name (Note 1)	Personal shares		Spouse or minor child-owned shares		Total shares held in other people's names		The title or name and relationship among shareholders in the Top shareholding list who are related, spouse to each other, or relatives within the second degree of kinship (Note 3)		Notes
	Quantity	Ratio	Quantity	Ratio	Quantity	Ratio	Name	Relationship	
Herzu Investment Ltd.	59,175,175	14.40%	0	0%	0	0%	None	None	
Hitachi, Ltd. Representative: President Toshiaki Higashihara	31,817,168	7.74%	0	0%	0	0%	Hitachi Building Systems	Subsidiary	
UT Park View, Inc.	24,932,000	6.07%	0	0%	0	0%	None	None	
Orchid Ventures Limited	21,918,253	5.34%	0	0%	0	0%	None	None	
Tso Li Hsu	17,460,000	4.25%	1,001	0%	0	0%	None	None	
Hitachi Building Systems Co., Ltd. Representative: President Hideaki Seki	15,908,571	3.87%	0	0%	0	0%	Hitachi, Ltd.	Parent company	
CTBC Bank Trust Account	15,241,944	3.71%	0	0%	0	0%	None	None	
Marathon-London Group Trust for Employee Benefit Plans	9,382,000	2.28%	0	0%	0	0%	None	None	
Norges Bank	7,118,000	1.73%	0	0%	0	0%	None	None	
First Securities (HK) Nominee Limited	5,550,000	1.35%	0	0%	0	0%	None	None	

Note 1: All of the Top 10 shareholders shall be listed. If they are institutional shareholders, the names of the institution and its representative shall both be listed.

Note 2: The shareholding ratio is calculated separately by the individual concerned, his/her spouse, minor child, or in another person's name.

Note 3: The shareholders listed in the foregoing include institutional entities and natural persons. The mutual relationships shall be disclosed in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(IX) Comprehensive shareholding ratio

April 20, 2019 Unit: Share: %

Reinvested business (Note)	The Company		Directors, supervisors, managers, and directly or indirectly controlled businesses		Combined	
	Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio
Yungtay Engineering Ltd.	11,183,510	78.72%	3,022,570	21.28%	14,206,080	100.00%
Taiwan Calsonic Co., Ltd.	12,900,000	20.16%	41	0%	12,900,041	20.16%
Yungchun Capital, Inc.	8,500,000	100.00%	0	0%	8,500,000	100.00%
Yungtay-Hitachi Construction Machinery Co., Ltd.	6,528,000	51.00%	0	0%	6,528,000	51.00%
Evest Corporation	7,007,172	41.22%	25	0%	7,007,197	41.22%
Shang Ying Investment Co., Ltd.	33,500,000	100.00%	0	0%	33,500,000	100.00%

Note: Reinvested businesses of the Company where the equity method is applied.

IV. Fund-raising

(I) Capital and Shares

(1) Source of capital stock

Year/ Month	Issuing price	Approved capital stock		Paid-in capital stock		Notes		
		Quantity (thousand shares)	Value (thousand dollars)	Quantity (thousand shares)	Value (thousand dollars)	Capital Shares source	Share value written off by assets other than cash	Other
1966/7	1000	600	6000	600	6000	Original investment	—	—
1968/11	1000	1000	10000	1000	10000	Capital increase in cash	—	—
1973/6	1000	2000	20000	2000	20000	Capital increase in cash	—	—
1977/6	1000	2500	25000	2500	25000	Earnings transferred capital increase	—	—
1978/7	1000	4000	40000	4000	40000	Earnings and capital reserve transferred capital increase	—	—
1979/5	1000	5000	50000	5000	50000	Earnings transferred capital increase	—	—
1980/5	10	7000	70000	7000	70000	Earnings transferred capital increase	—	—
1981/8	10	10500	105000	10500	105000	Earnings transferred capital increase	—	—
1982/9	10	14700	147000	14700	147000	Earnings transferred capital increase	—	—
1983/1	10	19700	197000	19700	197000	Capital increase with capital reserve	—	—
1983/11	10	23640	236400	23640	236400	Earnings transferred capital increase	—	—
1984/9	10	28368	283680	28368	283680	Earnings transferred capital increase	—	—
1985/12	10	34042	340416	34042	340416	Earnings transferred capital increase	—	—
1986/10	10	37446	374458	37446	374458	Earnings transferred capital increase	—	—
1987/10	10	41190	411903	41190	411903	Earnings transferred capital increase	—	—
1988/12	10	50000	500000	50000	500000	Capital increase in cash and earnings transferred capital increase	—	—
1989/9	10	60000	600000	60000	600000	Earnings transferred capital increase	—	—
1990/9	10	100000	1000000	100000	1000000	Capital increase in cash and earnings transferred capital increase	—	—
1991/9	10	130900	1309000	130900	1309000	Earnings and capital reserve transferred capital increase	—	—
1992/7	10	172000	1720000	172000	1720000	Earnings and capital reserve transferred capital increase	—	—
1993/6	10	216370	2163700	216370	2163700	Earnings and capital reserve transferred capital increase	—	—
1994/7	10	265570	2655700	265570	2655700	Earnings and capital reserve transferred capital increase	—	—
1995/7	10	400000	4000000	307150	3071500	Earnings transferred capital increase	—	—
1996/7	10	400000	4000000	338680	3386800	Earnings transferred capital increase	—	—
1997/7	10	400000	4000000	373000	3730000	Earnings transferred capital increase	—	—
1998/7	10	410820	4108200	410820	4108200	Earnings transferred capital increase	—	—
2004/7	10	460000	4600000	410820	4108200	Only enhanced the approved capital stock	—	—

Note: The Company did not issue new shares in 2018 up to the date the Annual Report was printed.

Type of shares	Approved capital stock			Remark:
	Circulating shares	Shares yet to be issued	Total	
Common stock	410,820,000	49,180,000	460,000,000	Listed stock

Note: As of April 20, 2019, the subsidiary held 2,129,800 shares in the Company.

(2) Shareholder structure

April 20, 2019

Shareholder structure / Quantity	Government agency	Financial institution	Other institutional investors	Individual	Foreign institution and individual	Total
Number of people	0	0	185	31,370	206	31,761
Quantity of shares held	0	0	99,890,369	103,603,896	207,325,735	410,820,000
Shareholding ratio	0.00%	0.00%	24.31%	25.22%	50.47%	100.00%

(3) Diversification of equity

April 20, 2019

Shareholding classification	No. of shareholders	Quantity of shares held	Shareholding ratio
1 ~ 999	23,357	2,288,185	0.56%
1,000 ~ 5,000	6,304	12,970,188	3.16%
5,001 ~ 10,000	975	7,317,753	1.78%
10,001 ~ 15,000	313	3,899,783	0.95%
15,001 ~ 20,000	187	3,389,058	0.82%
20,001 ~ 30,000	183	4,485,601	1.09%
30,001 ~ 50,000	136	5,320,787	1.29%
50,001 ~ 100,000	101	7,290,394	1.77%
100,001 ~ 200,000	67	9,232,291	2.25%
200,001 ~ 400,000	41	11,825,553	2.88%
400,001 ~ 600,000	19	9,759,174	2.38%
600,001 ~ 800,000	12	8,311,986	2.02%
800,001 ~ 1,000,000	6	5,583,373	1.36%
1,000,001 ~ 2,000,000	27	36,562,680	8.90%
2,000,001 ~ 4,000,000	17	45,141,083	10.99%
4,000,001 ~ 10,000,000	9	50,989,000	12.41%
Above 10,000,000	7	186,453,111	45.39%
Total	31,761	410,820,000	100.00%

(4) List of major shareholders

April 20, 2019

Name of major shareholder \ Shares	Quantity	Ratio
Herzu Investment Ltd.	59,175,175	14.40%
Hitachi, Ltd.	31,817,168	7.74%
UT Park View, Inc.	24,932,000	6.07%
Orchid Ventures Limited	21,918,253	5.34%
Tso Li Hsu	17,460,000	4.25
Hitachi Building Systems Co., Ltd.	15,908,571	3.87%
CTBC Bank Trust Account	15,241,944	3.71%
Marathon-London Group Trust for Employee Benefit Plans	10,886,000	2.65%
Norges Bank	7,118,000	1.73%
First Securities (HK) Nominee Limited	5,550,000	1.35%

(5) Related information of market price per share, net value, earnings, and dividends for the past two (2) years

Currency unit : NTD

Items \ Year			2017	2018	March 31, 2019
Market value per share	Highest		61.30	60.30	64.50
	Lowest		44.30	46.00	59.10
	Mean (Note 1)		52.68	53.32	60.29
Net value per share	Before distribution		28.20	27.50	28.26
	After distribution		—	—	—
Earnings Per Share	Weighted average number of shares (Note 2)		408,690,200	408,690,200	408,690,200
	Earnings per share		2.76	1.65	0.33
Dividend per share	Cash dividend		2.0	1.8 （Note 3）	—
	Free share assignment	Earnings-based share assignment	—	—	—
		Capital reserve-based share assignment	—	—	—
	Accumulated unpaid dividend		—	—	—
Analysis of return on investment	Price to earnings ratio		19.09	32.31	—
	Price to dividend ratio		26.34	29.62	—
	Cash dividend yield		3.80%	3.38%	—

Note 1: The annual average market price is calculated according to the strike price and the trading volume in each year.

Note 2: The number of shares held by subsidiaries is already removed from the weighted average number of shares.

Note 3: The cash dividend per share for 2018 is $1.8 that is going to be discussed in the current shareholders' meeting.

Note 4: Data from financial statements prepared according to the International Financial Reporting Standards are adopted in this table.

(6) Company's dividend policy and implementation status

1. Dividend policy:

   According to Article 29-2 of the Articles of Incorporation:
   "The Company shall issue dividends and bonuses at 50% or above of after-tax net earnings of the immediate year and cash shall account for 50% or above of the dividends issued in order to reflect the maturing operating environment for primary products of the Company and to take care of operational demand; the above-mentioned ratios involved in the distribution, however, may be adjusted reflective of related factors such as operational or investment needs in order to meet the actual demand." If there are no major changes to the operating environment and funds available, the dividend policy for the coming year will be the same as those stated in the Company's Articles of Incorporation.

2. Distribution of dividends intended to be discussed in the current shareholders' meeting:

   Cash dividend of $1.8 is intended to be distributed through this shareholders' meeting.

(7) Impacts of free share assignment intended through the current shareholders' meeting on the Company's operational performance and earnings per share

No free share assignment is intended to be discussed in the current shareholders' meeting; therefore, it is not applicable.

(8) Remunerations for employees, directors, and supervisors

1. (1) If the Company has profits for the year, at least 1% shall be set aside to be remunerations for employees. The Board of Directors shall decide whether they will be issued in form of share or cash. The Company may have the Remuneration Committee to submit the value of above-mentioned profits to the Board of Directors for a decision over appropriating no greater than 1% of it to be the remunerations for directors and supervisors. The distribution of remunerations for employees and for directors and supervisors shall be reported in the shareholders' meeting.
   The Company shall appropriate for write-off of the loss carried forward, if applicable, before setting aside remunerations for employees and for the directors and supervisors proportionally as mentioned in the preceding paragraph.

   (2) In cases of earnings determined for the year, besides the appropriations for writing off historical losses and for paying taxes as required by law, 10% shall be set aside as the legal reserve first and then the special reserve before dividends are paid. For the remainder, the following procedures are followed with regard to the distribution.
   1. Bonuses for shareholders.
   2. Retained earnings.
   The proportions involved in the distribution mentioned in the preceding paragraph are to be determined by the Board of Directors and endorsed through the shareholders' meeting.

2. Basis for estimating the amount of remunerations for employees, directors and supervisors, basis for calculating the number of shares to be distributed as employee remunerations, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated amount, for the current period: The amount of remunerations for employees, directors, and supervisors for the current period is estimated according to the requirements in the Articles of Incorporation. In case of any discrepancy between the actual distributed amount and the estimated amount, it will be handled as changes in accounting estimates and the booked value will be adjusted for the year based on the decision made in the shareholders' meeting.

3. Distribution of remunerations from earnings in 2017 and 2018:

Unit: NTD

	2017				2018
	Actual distributed amount decided in shareholders' meeting	Estimated amount approved by the Board of Directors	Difference	Cause for the difference	Estimated amount approved by the Board of Directors
I. Distribution:					
1. Remunerations distributed to employees in cash	42,608,155	42,608,155	0	–	38,249,471
2. Remunerations distributed to employees in stock					
(1) Quantity of shares	0	0	0	–	0
(2) Value	0	0	0	–	0
(3) Ratio in the after-tax income of the current term and ratio in the overall remunerations assigned to employees	–	–	–	–	–
3. Remunerations for directors and supervisors	4,734,239	4,734,239	0	–	4,249,941
II. Earnings per share :	2.76	2.76	0	–	1.65

Note : The earnings per share are based on the data from financial statements prepared according to the International Financial Reporting Standards.

4. When there is difference between the actual distributed amount of remunerations for employees, directors, and supervisors (including the number, value, and price of shares distributed) and the recognized remunerations for employees, directors, and supervisors in the preceding year, the difference, cause for the difference, and how it is handled shall also be specified: The difference for the preceding year is $3,346,524, which is an estimated difference and will be booked through adjustment in 2018.

(9) Buyback of the Company stock: None.

(II) Corporate bond, special stock, global depositary receipt, employee stock option certificate, restricted employee shares and M&A or acceptance of transferred shares of another company for issuance of new shares: None.

(III) Implementation of capital utilization plan

No securities were issued or private placement of securities occurred in the most recent year in order to get the capital.

V. Operational Status

(I) Business Contents

(1) Scope of Business

1. Major business operation items:
   (1) Design, manufacture, sale, installation, repair and maintenance of elevators, food delivery machines, escalators, electric walkways, and elevators.
   (2) Sales agency and maintenance & repair for machines constructed overseas or domestically.
   (3) Real estate rental business.
2. Business Proportion

Product Name	Purpose	Business Proportion (%)
Lifts for passenger, cargo, or patient beds and the relevant parts	Building rapid delivery	93.83%
Construction machinery	Construction project	6.00%
Real estate lease	Real estate lease	0.17%

3. Project development products and technology
   (1) Elevator control system function enhancement
   (2) Development of permanent magnet servers for high-speed elevators
   (3) Green, energy saving, eco-friendly design
   (4) Elevator performance quality enhancement

(2) Industry Overview:

1. The Industry's Current Status and Development

Regarding the overall economy, uncertainty of the global economic growth has risen due to the US-China trade war broke out last year (2018). Such uncertainty has affected the internal and external demands of Taiwan. Not only has export trade been affected, consumption and investment performances have been encumbered as well. The preliminary economic growth rate of the 4th quarter of 2018 was 1.78%, hitting a new low of the past ten quarters, while the annual economic growth rate dropping to 2.63%. Business indicator turned blue in December, reflecting a sluggish economy, and both the leading and coincident indicators both continued to drop. These signs indicate a domestic economic slowdown. Fortunately, the market is optimistic about the first round of negotiation between US and China. Together with the well performing US employment rates and the fact that certain corporate financial reports resulted better than expected, the US stock market has been boosted, and benefited the Taiwan stock market. Although the economic downturn appears to be slowing down recently, subsequent changes must remain closely monitored.

In regards of the real property market, with the support from inelastic demand for self-occupied property, the real property market rebounded last year (2018) after bottoming-out in 2017, and achieved an annual sales and transfer number of 278 thousand, which is 4.5% higher comparing to last year. This is the second consecutive year that shows real market recovery. The stable recovery of the real property market has driven the confidence in developers. Nationwide building permit floor area, building occupancy permit floor area, and actual construction floor area from last year (2018) have increased in growth rate. The accumulated balance of construction loans has also reached new heights in almost 4 years. Moreover, with the government taking a stance against property pricing suppression in the recent couple of years, gradually reducing house tax and mansion tax, and the central bank maintaining an easing monetary policy with interest rate remaining unchanged, a low-interest rate environment is created, which contributes to the abundance of market funds. Policy issues including reconstruction of dangerous and old buildings and reserve mortgage are also contributing to the future real property market, therefore it is expected that the domestic elevator (replacement and renovation) market will grow in a steady manner.

However, according to the statistics from the Construction and Planning Agency, Ministry of the Interior number of unsold real property in Taiwan as of the 2nd quarter of last year (2018) remained a staggering 80,000. Although the number of new constructions is expected to rise in the future, but a large number of newly built units remained to be sold, indicating that the supply pressure is yet to be lifted. Before supply and demand achieving balance, the real property market still undergo a period of consolidation. Coupled with the potential negative impacts on the property market from pension reform issues and the future rate hike cycle, the real property market should be monitored prudently in the future still.

In regards of Mainland China marketing, its GDP in 2018 grew by 6.6% compared to that of 2017. Although the expected development goals have been achieved, the GDP growth rate has reached a new low in the past thirty years, which indicates that Mainland China is facing the pressure of economic downturn. In regards of the real property market, the growth of indicators such as real property sales and investment volume have reached record high. The market experienced the most stringent regulation policies in 2018, with 400 instances of regulation to curb rising real property prices, yet the property sales remained unaffected. The overall sales volume of the elevator market increased by 3.8% compared to that of 2017. In 2018, since the U.S.-China trade war has the most impact on China’s macro economy, as long as the real property market remains intact without growth or downturn, the elevator market in Mainland China shall stabilize.

2. The Relationship of the Upstream, Midstream, and Downstream

The elevator industry incorporates the machinery and electrical fields. The upstream primarily comprised of iron, casting, machinery, and electrical components suppliers. The downstream primarily comprised the construction companies.

3. Various Product Development Trends

To satisfy the overall design of modern buildings, the demands of machine-room-less or small-room elevators have gradually increased. Moreover, as Taiwan enters into an aging society, the market volume of domestic small elevators has continued to expand. In addition, due to the increase of cost for city lands, building projects tended to push-up number of floors so the constructors can share the costs, and the ratio of high-speed and high-floor elevators have also increased.

Technology indicators such as energy efficiency and IoT remained as key development priorities in Mainland China. Other than developing towards green energy and IoT technology, elevator products also focus on safety technologies on installation, maintenance, and development as the major direction of innovation and application.

4. Competition Status

In recent years, Taiwan's population growth has been sluggish, and it is difficult for housing demand to increase significantly. The elevator manufacturers compete fiercely with each other, and the market prefers buyer-set prices. Due to the industrial features, builders in the construction industry tended to have long-term cooperation elevator manufacturers, and it is relatively more difficult to strive partnership with non-long-term cooperative construction companies. However, the company will continue to endeavor to develop new customers.

In 2018, real property policies in Mainland China set base in the theme of "housings for living not for speculation" and continue to build a system for both short run and long run. The Central Government emphasized on not easing property market regulations to repress the rising prices. The real property market will be monitored closely for a more comprehensive real property market regulatory system. In conclusion, profitability of housing corporations has dropped in 2018, but with the industry further differentiating, major housing corporations can still rely on low-cost financing to achieve higher profitability, yet SMEs might face more difficulties in operating their businesses. In addition to holding-on to the existing customers by providing high-quality products and services while striving for government procurement public projects, Yungtay will also focus on gradually establishing a supply relationship with major developers, and strive to become a strategic partner with these major developers in terms of graded products.

(3) Technology and R&D Status

1. R&D expenses invested in the last year and as of the publication date of this annual report.

Unit: NTD thousand

	2018	End of April 2019
R&D Expenses	468,184	152,326

2. Research and Development Outcome

2.1 Product R&D results

(1) Small-room elevator extended development case
※ The new control (Y12/Y15) system of small mechanical room elevator has been certificated for mass production.

(2) Development project of the elevator system of roomless self-made PM traction machine
※ Development of the use of VAG roomless elevator (1000kg - 1.0m/s) to replace the imported traction machine has been certificated.

(3) Heavy-load room less elevator development
※ Development of the use of VAG roomless elevator (1150 - 1600kg - 2.0m/s) collocated with self-made PM traction machine has been certificated.

(4) Development of home elevator
※ VAN home elevator (450\550kg - 0.75~1.0m/s) has been certificated for mass production.

(5) Development of PM host for replacement and renovation of the elevators
※ PM traction machine design for the replacement and renovation of small mechanical room elevator (<800 - 1000kg, 1.75m/s) has been completed.

(6) Development of new control system
※ High-speed elevator as well as home elevator, which are applicable to the full MAP model control system, have been certificated for mass production.
※ Optimizing the current products and converter technology to develop the control system of new generation, therefore the safety and market competitiveness of elevator can be approached.
※ Reduce the failure rate and maintenance costs.
※ Raise the brand image.

(7) Development of the escalator system
※ Upgrade of the Series M commercial sidewalk products has been accomplished for mass production.
※ Development of new model of Series E-R55 commercial escalators (lift height < 5.5m) has been completed for mass production.
※ Development of Series P-Li public transportation escalator series for airport, bus hub, light rail, high speed rail etc. without need for heavy load has been launched for mass production.

(8) Craftsmanship development
※ Home elevator of craftsmanship is updated, where the innovative development of Elegant style as well as Lasting-flavor style has been completed.

(9) Component development
※ Development of the NEO series HMI has been completed for mass production.
※ Development of the re-frame optimization for roomless elevator.
※ Development and improvement of roomless elevator rescue.
※ Development of the buffer F series.
※ Development of the fine-casting guide wheels.
※ Development of the sheet-metal guide rail brackets.

(10) Central surveillance system development
※ 80% of the current models of Yungtay self-made central monitoring system YES1 have been shipped out.

(11) Development of the simplified group management.
   ※ Group control scheduling program is integrated into the MPU PCB, in order to save group control hardware, as well as simplify the group control scheduling.

2.2 Technology Development Results

(1) Test on the software logic drives for master program has been partially completed, and a specification for software testing has been built.
(2) Update of the operational tools of main plant, as well as the online control of maintenance by mobile phones.
(3) Development of the SCOPE remote dynamic monitoring system is fulfilled, and the manpower deployed due to on-site service for checking the status of elevator can be saved.
(4) Electric machinery design of the PM traction machine for replacement and renovation of the elevator (1000kg - R1:1) has been completed.
   ※ Adoption of the square wave encoder makes the development of the adjustment-free starting torque realized.
(5) ABZ encoder makes the adjustment-free starting torque realized through the improvement of software algorithm.

3. Future R&D Plans

3.1 Product R&D Plans

(1) New specification extension
   ※ Development of the VAG large load-bearing roomless elevator with the high speed at 2.5m/s.
   ※ Development of the VAG roomless elevator (1050kg - 2.0m/s).
(2) Development of the PM traction machine system for the elevator with the high-speed at 4.0m/s
   ※ Development as well as certification of the PM traction machine for YHVF high-speed elevator (1600kg - 4.0m/s).
   ※ Development as well as certification of the converter of high-speed elevator.
(3) Elevator type testing in China for high-speed elevator (7.0m/s)
   ※ New A1 manufacturing license is to be officially conducted from Jun 2019.
   ※ Acquisition Operation for A1 Manufacturing License (> 6.0m/s)
   ※ Licenses reacquisition for upstream overspeed protection, UCMP, ETS, and control cabinet.
(4) Self-made development project for the PM traction machine of roomless elevator
   ※ Development and certification of the VAG roomless elevator (1000kg - 1.75m/s).
(5) Development of the home elevator competition edition VAN1
   ※ Elevator specifications are further subdivided, and a special model P6 - 0.75m/s is therefore founded, in order to arouse the market competitiveness.
   ※ Pit depth of the hoistway reduces to 1250mm in order to meet the market demands.
(6) Development the system for replacement and renovation of the elevators
   ※ Replacement and renovation of the small mechanical room elevator (800 - 1000kg), as well as development and certification of those whose speed is less than 1.75m/s.
(7) Parts development that conforms to the new regulations
   ※ The parts development, certification, and standardization for the machine categories provided by the new CNS(EN81-20) regulation. It can be used directly when the new regulation is released and implemented.
(8) Development of the installation of roomless elevator to an old building
   ※ Lift distance at 20m, speed at 1.0m/s, and load capacity at 630/800kg.
(9) Development of the escalator system.
   ※ Development of the span Max 100m series for autowalk of public transportation.

※ Specification development for Series E-R60, 80, 130 commercial escalator with the lift height over 5.5m.

※ Electronic control system for the escalator of public transportation type has been expanded and developed, conducting to the heavy load conditions such as subway, light rail, high-speed rail etc.

※ Optimization of electronic control system, prevention from safety panel short-circuit, improvement of handrail speed test, position change of escalator speed test, and addition of inverter communication.

(10) Host machine development

※ Home elevator, load at 450kg, speed at 1.0m/s, developed via GRL-SM1 traction machine.

※ Small mechanical room elevator, load at 1350kg, speed at 2.5m/s, developed via GSD-ML2 traction machine.

※ Small mechanical room elevator, load at 630kg, speed at 1.0m/s, developed via GSD-SM traction machine.

※ Small mechanical room elevator, load at 1150kg, speed at 1.75m/s, developed via GSD-MM traction machine for expanded application.

※ Small mechanical room elevator, load at 825 and 1050kg, speed at 1.0 - 1.75m/s, optimized by GSD-MM1 traction machine.

※ Roomless elevator, load at 825 and 1050kg, speed at 1.0 - 1.75m/s, optimized by GRL-MM2 traction machine.

※ Small mechanical room elevator, load at 825 and 1050kg, speed at 1.0 - 1.75m/s, developed via GSD-MM3 traction machine.

※ mall mechanical room (1:1) elevator, load at 1050kg, speed at 1.0 - 2.0m/s, developed via GSC-ML2 traction machine.

※ Development of the disc-type traction machine (1050kg - 2.0m/s & 1600kg - 1.75m/s).

(11) Revision of the new control system chip

※ Upgrade of the chip performance to enhance the computation speed.

※ Reduction of the number of control panel chips to optimize the costs.

※ Addition of the communication interface to be configured for the IoT.

(12) Development of the elevator IoT system

※ Functions of remote alarm and data monitoring systems.

※ Function of graphic transmission.

(13) Electrical system improvement

※ Malfunction due to the feedback by software failure, operation mode planning, fault level which can be configured by parameters, mode, reset method, data record etc., should be put into discussion for making the finish allowance.

※ Development of the group control peripheral configuration: on-site configuration/field configuration tools, daily logging recorders, as well as replay analysis tools.

※ Protection against the crack of on-site software : upgrade the main as well as tools software to strengthen the protection against software cracking.

※ Development of the control system hardware and software with ARM core (embedded control system).

(14) Development of the central surveillance system

※ Yungtay has developed the central surveillance system YES1 and the correspondent to CPS model independently.

(15) Development of the peripheral electrical components

※ Development of the large-capacity ALP; and increase of the corresponding load up to 1800kg, maximum lift distance up to 80m, as well as the maximum speed up to 15m/min.

※ Development of wireless video emergency intercom system to develop market demand.

3.2 Technical development plans

(1) Industrial technology research program
- ※ Research of dual P PWM control technology.
- ※ Research of magnetic encoder by absolute position technology.
- ※ Research of predictive current control in AFE technology.
- ※ Inductor analysis and research.

(2) Absorption of the new AI technology results in arising of the convenience and comfort
- ※ Facial recognition is applied to identity authentication.
- ※ Introduction of identification techniques for inspecting the abnormal motions, objects, as well as the video of passenger traffic in the elevator cabin.
- ※ Conjunction of the identification technology as above and the electronic card system of mobile phone provides more friendly and the convenience using experience.

(3) Research of Absolute Position APS in the hoistway
- ※ Using CAN communication to collect elevator cabin absolute position in real-time.
- ※ Improvement of the elevator control technology to reduce the failures caused by positioning abnormalities.

(4) Tool automation and smartization
- ※ Test tools (test bench automation, custom PCB repair tools).
- ※ Maintenance tools (trouble shooting, countermeasure alert).
- ※ R&D tools.

(5) Equivalent safety evaluation of the new suspension wrap plastic-steel cable CTP.

(4) Long- and Short-term Business Development Plans

1. Short-term:
   (1) Continue the R&D for high performance and energy efficiency and develop products with construction cost saving, improved space use performance, and aesthetic building design advantages.
   (2) Provide premium services to actively seize the elevator maintenance and repair market and increase company revenue.
   (3) In the future, the cross-strait regulations will tend to become more consistent. The product differentiation will be reduced and product module designs will be integrated.

2. Long-term:
   (1) The old elevator market is increasing, and the demands for old elevator replacements and renovations will also grow as will. Meanwhile, the importance of this market will increase each day due to the demands of the aging society. Yungtay will continue to cultivate the replacement market.
   (2) Due to the stagnant population growth, the price ratio of houses tended to be high and the residential demands cannot be improved. To booze economic growth and simulate demand, the government will actively promote urban renewal in old communities, which will help to stabilize revenue.

(II) Overview of Market, Production, and Sales

(1) Market Analysis

1. Product (service) sales region and market share

The company's products are mainly sold domestically. The main competitors in the domestic elevator (escalator) market include Taiwan Mitsubishi, GFC, OTIS, and Fujita. The market share of Yungtay is approximately 25%. The main competitors in China's elevator (escalator) market include KONE, Shanghai Mitsubishi, OTIS, Hitachi, thyssenkrupp, Schindler, OTIS Electric, Kongli, and LIO LIFT.

2. Future supply and demand and growth on the market

In recent years, the housing market in Taiwan has transformed from the investment-oriented to the self-residence-oriented. Construction companies have gradually grasped the products that meet the needs of the self-residence-oriented market after various verifications. With the support of rigid demand for the self-residence-oriented, construction companies have finally regained their confidence with their projects, and gradually get rid of the gloomy and pessimistic atmosphere, since the entire housing market has eventually bloomed again. Therefore, demands for the elevator market are also promising to be expected. Nevertheless, there are still a large number of newly built houses for sale in the market. Provision of the housing market will still be restricted as long as these unsold houses exist. Also, in terms of public construction, routes of MRT in the metropolitan continue to expand, and it will become an inevitable fact that people would like to take up their residency nearby those MRT routes. This will bring up the housing market near the MRT routes and boost the market demands. In addition, policies of urban renewal and old house reconstruction have been performed one after another, and the renovation of the old elevators will still have a certain level due to market demands year by year. In 2018, scale of the land acquisition by famous construction brand in mainland China has fallen back significantly, and the second-tier cities have become the hot spots for housing investment. The sales performance of famous construction brands reached a new high point in the history, yet the growth rate had slowed down. In addition, the financing environment for housing investors is still tightened. Scope of purchase, loan, and other urban housing control measures has become larger as well as more precise at the same time. This causes these construction enterprises to be even more cautious about land acquisition, and the enthusiasm was therefore worn-out apparently. Although the elevator market still has a huge potential under the policy support of the elevator adding to the old building. However, it is still need to wait until the regulations are clear, and it would be able to convert into the actual elevator demand .

3. Sales volume forecast and supporting basis

Items	Expected Sales Volume	Basis
Elevators (Escalators)	13,660 units	The sales volume is estimated based on the existing installation contracts in 2019 that has not yet been shipped, the business climate, the market competition status, and the historical sales records.

4. Competitive niche

In addition to developing green, energy-efficient, high performance, and space-saving elevator products as well as providing multiple exterior designs and functions in order to enhance the brand image and added value of the product; the company is also committed to product quality stabilization, technical contents, individualized craftsmanship design, and cost reduction to keep Yungtay's product prices competitive.

In response to the increasing need for old elevator replacement and renovation; Yungtay has effectively integrated the elevator design, production, and installation procedures to effectively decrease the construction time needed, reduce inconvenience to customers, and help to win contracts. In addition, China will promote new generation small machine room, machine-room-less, and automated escalator products in order to satisfy the different levels of customer demands using more precise product positioning.

Yungtay (China) primarily focuses on the sales of general residential elevators (escalators) the Chinese market as well as increasing the quality and stability of its products. Yungtay pays particular attention to product and service upgrades in terms of energy efficiency, high performance, smartization, and user-friendliness, and committed ro strive for the residential market share via clear segmentation and differentiated products.

In addition, with the safety awareness upgrade and the increasing number of old elevators each year in China, topics such as old elevator renovation, maintenance, renewal, and old building elevator installations have become a key policy with government support. Yungtay (China) has performed R&D and adjustments based on its existing product lines in order to meet the market and regulatory demands, invest into the potential old elevator renovation and old building elevator installation market, and expand the marketing network.

5. Development the Prospective Advantages and Disadvantages as well as Countermeasures

(1) Favorable Factors

① MRT projects are being completed one after another, which will help fuel housing demand in the surroundings of MRT stations.

② The demand for maintenance, repair, and replacement is increasing each day with the increase in the number of elevators used.

③ Old buildings will undergo urban renewals, and the government will subsidize barrier-free elevator for old apartments to ensure living safety.

④ The cost of land in the metropolitan area has increased, and so has the ratio for high-speed & high-floor elevators.

⑤ Projects of the social security housing and settlements renovation are undergoing in China, and an expectation is made that around 5.8 million households are to be renovated this year.

⑥ The demand for old elevators maintenance in China is increasing, and the relational regulations are becoming stricter more than before, which is conducive to the maintenance and repair business of original manufacturer.

⑦ The demand for elevators purchased by the government in China has increased, especially in affordable housing, commercial office and medical care facilities.

⑧ Elevator installation and renovation for the old buildings in mainland China have been the important political topics in 2018 and 2019. A new wave of policy is expected to be issued, simplifying the approval process, as well as driving the elevator market by installation and renovation of the old building elevators.

(2) Unfavorable Factors and Countermeasures

① High vacancy rate and slow population & economic growth will reduce elevator demands.

Countermeasure: Continue to shorten the production process and rationalize the cost in order to reduce costs and maintain stable profits.

② Fierce price competition.

Countermeasure: Strengthen R&D capabilities; provide more precise product positioning; improve the technological content of energy conservation, security, etc.; and increase the added value of products.

③ The demand for new elevators is growing slow down due to the real estate growth slowdown.

Countermeasure: Paying attention to the old building reform policies as well as renovation plans, and actively participating in the relevant bid operations.

④ Increased labor costs, rising raw material prices, and lower profit margins.

Countermeasure: Improve produce R&D capabilities; improve management, operation, and production efficiency; and reduce costs.

⑤ Fierce competitive pricing in the industry.

Countermeasure: Adjusting the personnel and the deployment of operating locations, and focusing on cultivating a profitable market. Furthermore, developing and launching the suitable products according to the requirements and prices of market.

(2) Purposes and production processes of main products

1. Main purpose of elevator: transport of people and objects inside the building.
2. Production and preparation processes: Take order→Design begins→Components are produced→Assemble→Check quality→Bundle and pack→Ship→Install→Debug→Check quality→Inspection upon completion→Deliver→Care Service

(3) Supply of main raw materials

Name of raw material	Supplier	Supply status
Stainless steel sheet	Huayang, Yuandong, Yili, Jiangsu Daming, Wuxi Puxin, Haimen Senda	Sufficient
Elevator guideway material	Gaorong, Wanxin, Zhejiang Baoli, Zhangjiagang Shengtong, Malazi (Jiangsu), Suzhou Saiweila	Sufficient
Iron material, iron sheet	Chunyuan, Longtai, Wanxin, Zejiang Wuchan, Shanghai Zhanzhi, Shanghai Jialang, Shanghai Huixing, Shanghai Baht, Nantong Haixun, Shanghai Fenggu	Sufficient
Casting	Baoqiao, Xingtuo, Jiashan Xiangrong, Jiashan Shuangyu, Xuancheng Hualing	Sufficient
Electrical appliance, wire, cable	Hongjiang, Weishuo, Shanghai Beienke, Nantong Milante, Jiangsu Jiangyang, Shanghai Feihang	Sufficient
Mechanical components of elevators	Xukui, Jiyi, Xingda, Qunxian, Changgang	Sufficient

(4) Names of customers with 10% or more purchases or sales and the values and ratios of purchases or sales in any of the most recent two (2) years; please also describe the reason for the increase or decrease:
None.

(5) Production volumes/values in the past two (2) years

Unit: NTD thousand

Production volume/value / Main products	2017			2018		
	Throughput (Unit)	Volume (Unit)	Value ($1,000)	Throughput (Unit)	Volume (Unit)	Value ($1,000)
Elevators and components	28,000	12,283	10,791,545	28,000	10,183	9,014,540

(6) Sales volume/values in the past two (2) years

Unit: NTD thousand

Main products \ Sales volume/value	2017				2018			
	Importation		Exportation		Importation		Exportation	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Elevators and components	14,713	16,019,901	—	46,538	12,453	13,921,599	—	20,007
Other	—	679,813	—	5,965	—	917,022	—	—
Total	—	16,699,714	—	52,503	—	14,838,621	—	20,007

(III) Employees

Year		2017	2018	Current year as of March 31, 2019
Number of employees		5,173	5,250	5,249
Mean age		36.23	37.35	37.33
Mean seniority in service		9.42	9.23	9.21
Education Distribution Ratio	PhD	0.2%	0.2%	0.1%
	Master	1.9%	1.8%	1.9%
	College and University Graduate	54.5%	54.6%	54.6%
	Senior High School	41.0%	39.3%	39.3%
	Below Senior High School	2.4%	4.1%	4.1%

(IV) Information on Environmental Protection Expenditure

1. **The total value of losses borne due to polluting the environment in the past two (2) years up to the date the Annual Report was printed:** None.
2. **Countermeasure**
   1. Areas with improvement measures to be adopted
      (1) Improvement plan: Follow the OHSAS18001 environmental management proposal.
      (2) Expected expenditure on environmental protection in the coming three years: NT$ 20 million.
   2. Areas without countermeasures
      (1) Reasons for not adopting improvement measures: None.
      (2) Pollution: None.
      (3) Possible losses and compensation: None.

(V) Labor-Management Relations

1. **The total value of losses borne due to labor-management disputes in the past two (2) years up to the date the Annual Report was printed:** None.
2. **Labor-management agreement**

The Company has been believing in a harmonious and reciprocal labor-management relationship that helps each other grow. Therefore, the labor-management relationship has been harmonious. The Company works hand in hand with its people to jointly bring about and share fruitful results. Examples are given below:

1. Labor-management negotiations are held so that both parties keep the communication channel clear.
2. The "Employee Retirement Reserve Supervisory Committee" is established to handle matters concerning the pension fund.
3. There is the Employee Welfare Committee and the Company supports establishment of various types of societies to help organize respective recreational activities, tours, and welfare events so that both employees and their dependents may enjoy the benefits provided by the Company.
4. Remunerations for employees are enforced so that employees get to share operational fruits.
5. Yungtay (China) follows the requirements of the local Social Insurance Law by setting aside social security fees and benefits such as those for the five (5) social insurances and one (1) housing fund.
6. We have the educational training center to organize various types of management and specialized educational training and help employees constantly receive new knowledge and keep growing. Continuing education and training available for employees in 2018 are shown below:

Training program	**Availability**	**Total headcount of participants**	**Total hours involved**	**Overall cost**
Professional functional training	232	2,613	76,223	4,226,825
General education and cadre management training	39	335	8,850	387,060
Safety and health education	47	2,261	16,322	711,300
Total	318	5,209	101,395	5,325,185

7. The Company keeps a good labor-management relationship and the parties have smooth communications. There are no possible expenses on disputes in the future.

(VI) Important Contract

Nature of contract	Client	Start/end dates of contract Date	Main contents	Restrictions
Technical Partnership Contract - Providing related techniques required for the installation, adjustment, and inspection, care and service, quality assurance of elevators (escalators), production technique, solution for improved performance, and remote surveillance and diagnosis.	Japan Hitachi, Ltd.	2014.09.30~ 2019.09.29	US$50 is paid for each unit of the elevators or escalators sold or disposed of separately. The royalties are paid once a year within the four (4) months following settlement at the end of each December and within four (4) months following expiration of this contract.	

Nature of contract	Client	Start/end dates of contract Date	Main contents	Restrictions
Technical Partnership Contract - High-speed frequency-conversion lifts	Japan Hitachi, Ltd.	2015.06.01~ 2020.05.31	US$300 is paid for each unit sold or disposed of separately during the contract period. The royalties are paid once a year within the four (4) months following settlement at the end of each December and within four (4) months following expiration of this contract.	
Technical Partnership Contract - Machine Roomless Elevators	Japan Hitachi, Ltd.	2017.05.22~ 2022.05.21	US$300 is paid for each unit sold or disposed of separately during the contract period. The total is paid once a year within the four (4) months following settlement at the end of each December and within four (4) months following expiration of this contract.	
Technical Partnership Contract - Large freight elevators	Japan Hitachi, Ltd.	2017.05.22~ 2022.05.21	US$300 is paid for each unit sold or disposed of separately during the contract period. The total is paid once a year within the four (4) months following settlement at the end of each December and within four (4) months following expiration of this contract.	
Technical Partnership Contract - High-speed frequency-conversion lifts (HVF3 type of elevators)	Japan Hitachi, Ltd.	2016.11.01~ 2021.10.31	US$300 is paid for each unit sold or disposed of separately during the contract period. The total is paid once a year within the four (4) months following settlement at the end of each December and within four (4) months following expiration of this contract.	

VI. Overview of Financial Status

(I) Concise balance sheet, comprehensive income statement, and accountants check opinion for the last five (5) years

(1) Concise Balance Sheet (Merger Information)-International Financial Reporting Standards

Unit: NTD thousand

Items \ Year		Financial data of the past 5 years (Note 1)					Current year as of March 31, 2019 Financial Information (Note 1)
		2014	2015	2016	2017	2018	
Current Assets		22,127,641	20,787,408	18,453,359	15,523,043	13,904,643	13,685,136
Real estate, manufacturing facilities and equipment (Note 2)		5,602,806	5,914,132	6,138,314	5,811,956	5,419,088	5,424,890
Intangible Assets		360,279	370,532	284,841	185,577	52,622	50,247
Other Assets		3,268,919	3,429,499	3,019,554	2,408,261	2,273,691	2,282,352
Total assets		31,359,645	30,501,571	27,896,068	23,928,837	21,650,044	21,442,625
Current Liabilities	Before dispatch	17,681,344	16,374,563	14,200,765	11,199,914	9,449,408	8,989,712
	After dispatch	18,913,804	17,483,777	15,186,733	12,021,554	-	-
Non-current Liabilities		1,826,158	1,917,718	1,784,798	963,987	729,047	660,226
Total liabilities	Before dispatch	19,507,502	18,292,281	15,985,563	12,163,901	10,178,455	9,649,938
	After dispatch	20,739,962	19,401,495	16,971,531	12,985,541	-	-
The equity that belongs to the client of the parent company		11,678,380	12,036,742	11,731,725	11,583,418	11,295,795	11,609,704
Capital stock		4,108,200	4,108,200	4,108,200	4,108,200	4,108,200	4,108,200
Capital reserve		244,192	250,581	256,332	264,835	270,267	270,262
Retained earnings	Before dispatch	6,107,281	6,644,515	7,073,078	7,133,037	6,987,662	7,119,653
	After dispatch	4,874,821	5,535,301	6,087,110	6,311,397	-	-
Other interests		1,288,118	1,102,857	363,526	146,757	(923)	181,000
Treasury stock		(69,411)	(69,411)	(69,411)	(69,411)	(69,411)	(69,411)
Non-controlling interests		173,763	172,548	178,780	181,518	175,794	182,983
Total equity	Before dispatch	11,852,143	12,209,290	11,910,505	11,764,936	11,471,589	11,792,687
	After dispatch	10,619,683	11,100,076	10,924,537	10,943,296	-	-

Note 1: The financial information from 2014 to 2018 has been verified and certified by a CPA; the financial information for the first quarter of 2019 has been reviewed by a CPA.

Note 2: No asset revaluation has been conducted for the last five (5) years.

Note 3: During 2018 and first quarter of 2019, the subsidiaries holds a total of 2,129,800 company shares.

(2) Concise Consolidated Statement of Profit or Loss (Merger Information) - International Financial Reporting Standards

Unit: NTD thousand

Year / Items	Financial Information for the Last Five Fiscal Years (Note 1)					Current year as of March 31, 2019 Financial Information (Note 1)
	2014	2015	2016	2017	2018	
Operating Revenues	23,875,782	23,098,740	19,581,652	16,752,217	14,858,628	3,175,632
Gross Margin	6,180,580	6,199,400	5,647,641	4,454,863	3,435,738	768,264
Operating Profit and Loss	2,688,951	2,333,904	2,137,969	1,478,923	975,634	204,823
Non-business income and expenditure	179,943	160,571	47,182	69,980	79,035	29,739
Net profit before tax	2,868,894	2,494,475	2,185,151	1,548,903	1,054,669	234,562
Unit that continued operations Net Profit for Current Period	2,054,837	1,878,790	1,584,489	1,157,169	731,743	143,555
Losses from units that stopped operations	-	-	-	-	-	-
Net Profit (Loss) for Current Period	2,054,837	1,878,790	1,584,489	1,157,169	731,743	143,555
Other Comprehensive Profits and Losses for Current Period (Post-tax Net Amount)	424,115	(265,238)	(756,421)	(298,728)	(146,162)	181,923
Total Consolidated Gains and Losses for the Current Period	2,478,952	1,613,552	828,068	858,441	585,581	325,478
Net profit attributable to Parent Company Owners	2,021,698	1,849,671	1,554,995	1,127,886	674,747	136,366
Net profit attributable to Non-controlling interests	33,139	29,119	29,494	29,283	56,996	7,189
Total consolidated gains and losses attributable to Parent Company Owners	2,445,811	1,584,433	798,574	829,158	528,585	318,289
Total consolidated gains and losses attributable to Non-controlling interests	33,141	29,119	29,494	29,283	56,996	7,189
Earnings Per Share	4.95	4.53	3.80	2.76	1.65	0.33

Note 1: The financial information from 2014 to 2018 has been verified and certified by a CPA; the financial information for the first quarter of 2019 has been reviewed by a CPA.

Note 2: During 2018 and first quarter of 2019, the subsidiaries holds a total of 2,129,800 company shares.

(3) Concise Balance Sheet (Individual Information) - International Financial Reporting Guideline

Unit: NTD thousand

Items \ Year		Financial Information for the Last Five Fiscal Years (Note 1)				
		2014	2015	2016	2017	2018
Current Assets		4,460,436	3,902,689	4,078,848	3,583,587	3,922,567
Real estate, manufacturing facilities and equipment (Note 2)		1,251,045	1,278,334	1,302,883	1,386,582	1,398,583
Intangible Assets		9,743	6,702	8,226	7,806	7,233
Other Assets		10,746,797	11,608,796	11,045,082	10,339,802	9,593,953
Total assets		16,468,021	16,796,521	16,435,039	15,317,777	14,922,336
Current Liabilities	Before dispatch	3,299,850	3,168,975	3,173,312	2,972,476	3,064,391
	After dispatch	4,532,310	4,278,189	4,159,280	3,794,116	-
Non-current Liabilities		1,489,791	1,590,804	1,530,002	761,883	562,150
Total liabilities	Before dispatch	4,789,641	4,759,779	4,703,314	3,734,359	3,626,541
	After dispatch	6,022,101	5,868,993	5,689,282	4,555,999	-
Capital stock		4,108,200	4,108,200	4,108,200	4,108,200	4,108,200
Capital reserve		244,192	250,581	256,332	264,835	270,267
Retained earnings	Before dispatch	6,107,281	6,644,515	7,073,078	7,133,037	6,987,662
	After dispatch	4,874,821	5,535,301	6,087,110	6,311,397	-
Other interests		1,288,118	1,102,857	363,526	146,757	(923)
Treasury stock		(69,411)	(69,411)	(69,411)	(69,411)	(69,411)
Total equity	Before dispatch	11,678,380	12,036,742	11,731,725	11,583,418	11,295,795
	After dispatch	10,445,920	10,927,528	10,745,757	10,761,778	-

Note 1: The financial information from 2014 to 2018 has been verified and certified by a CPA.

Note 2: No asset revaluation has been conducted for the last five (5) years.

(4) Concise Consolidated Statement of Profit or Loss (Individual Information) - International Financial Reporting Standards

Unit: NTD thousand

Items \ Year	Financial Information for the Last Five Fiscal Years (Note 1)				
	2014	2015	2016	2017	2018
Operating Revenues	5,097,588	5,635,774	5,489,385	5,465,334	5,940,272
Gross Margin	1,396,532	1,591,118	1,883,048	1,762,947	1,822,590
Operating Profit and Loss	812,412	1,004,857	1,274,865	1,149,236	1,203,025
Non-business income and expenditure	1,501,208	1,078,878	591,956	286,218	(290,939)
Net profit before tax	2,313,620	2,083,735	1,866,821	1,435,454	912,086
Unit that continued operations Net Profit for Current Period	2,021,698	1,849,671	1,554,995	1,127,886	674,747
Losses from units that stopped operations	-	-	-	-	-
Net Profit (Loss) for Current Period	2,021,698	1,849,671	1,554,995	1,127,886	674,747
Other Comprehensive Profits and Losses for Current Period (Post-tax Net Amount)	424,113	(265,238)	(756,421)	(298,728)	(146,162)
Total Consolidated Gains and Losses for the Current Period	2,445,811	1,584,433	798,574	829,158	528,585
Earnings Per Share	4.95	4.53	3.80	2.76	1.65

Note 1: The financial information from 2014 to 2018 has been verified and certified by a CPA.

(5) Brief Balance Sheet - National Financial Accounting Standard:

The 2014 through 2018 financial statements were prepared applying International Financial Reporting Standards and hence are not applicable.

(6) Brief Income Statement - National Financial Accounting Standard:

The 2014 through 2018 financial statements were prepared applying International Financial Reporting Standards and hence are not applicable.

(7) Names of CPAs for the past 5 years and their inspection feedback

Year	CPA	Inspection Feedback
2014	Sheng Ping Lin Xiu Li Chen	No reservations
2015	Sheng Ping Lin Xiu Li Chen	No reservations
2016	Sheng Ping Lin Xiu Li Chen	No reservations
2017	Jen Chi Chen Xiu Li Chen	No reservations
2018	Jen Chi Chen Xiu Li Chen	No reservations

(II) Financial Analyses for the Past Five Fiscal Years

(1) Financial Analysis (Merger Information)-International Financial Reporting Standards

Analysis Item (Note 2)	Year	Financial Analysis for the Last Five Fiscal Years (Note 1) 2014	2015	2016	2017	2018	Current year as of March 31, 2019 (Note 1)
Financial Structure	Liability to Asset Ratio (%)	62.21	59.97	57.3	50.83	47.01	45.00
	Ratio of Long-term Capital to Real Estate, Plant, and Equipment (%)	244.13	238.87	223.11	219.01	225.14	229.55
Solvency	Current Ratio (%)	125.15	126.95	129.95	138.60	147.15	152.23
	Quick Ratio (%)	59.94	66.60	70.36	76.61	91.08	93.16
	Interest Coverage Ratio (%)	47,815.90	42,280.24	42,847.10	17,404.40	10,045.47	1,203.88
Management Capacity	Receivable turnover ratio (times)	5.64	4.66	3.91	4.07	4.04	0.85
	Average Number of Days for Cash Receiving	64.71	78.32	93.35	89.68	90.34	105.88
	Inventory turnover ratio (times)	1.60	1.68	1.61	1.70	1.94	0.47
	Payable Turnover Rate (Qty.)	4.76	4.80	4.49	4.66	5.20	1.39
	Average Sales Days	228.12	217.26	226.70	214.70	188.14	191.48
	Real Estate, Plant, and Equipment Turnover Rate (Qty.)	4.41	4.01	3.25	2.80	2.65	0.59
	Total Asset Turnover Rate (Qty.)	0.78	0.75	0.67	0.65	0.65	0.15
Profitability	Return on Total Assets (%)	6.71	6.07	5.43	4.47	3.21	0.67
	Return on Equity (%)	18.46	15.62	13.14	9.78	6.30	1.23
	Pre-tax Income to Paid-in Capital (%)	70.20	61.04	53.47	37.90	25.81	5.74
	Net Margin (%)	8.61	8.13	8.09	6.91	4.92	4.52
	Earnings per Share (NT$)	4.95	4.53	3.80	2.76	1.65	0.33
Cash Flow	Cash Flow Ratio (%)	12.82	9.56	15.00	8.37	5.52	(12.05)
	Cash Flow Allowance Ratio (%)	76.29	69.59	84.03	89.52	89.39	67.20
	Cash Reinvestment Ratio (%)	7.82	1.89	6.17	(0.45)	(2.32)	(6.84)
Leverage	Operational Leverage	2.58	2.41	3.19	3.81	4.96	5.71
	Financial Leverage	1.00	1.00	1.00	1.00	1.00	1.00

Reasons why the various financial ratio changes in the last two (2) years have been greater than 20%:
Interest coverage ratio, return on equity, proportion of pre-tax pure income against paid-in capital, earnings per share :
It was resulting from the huge drop in sales revenue and profit margin and thus the decline of net income in 2018 compared to that in 2017, and the financial ratios of relevant profitability were diminished as well.

Note 1: The financial information from 2014 to 2018 has been verified and certified by a CPA; the financial information for the first quarter of 2019 has been reviewed by a CPA.

Note 2: The calculation formulas are listed as follows:

1. Financial Structure
   (1) Liability to assets ratio = total liabilities / total assets.
   (2) Ratio of Long-term Capital to Real Estate, Plant, and Equipment = (total equity + non-current liabilities) / net real estate, plant and equipment.
2. Solvency
   (1) Current ratio = current assets / current liabilities.
   (2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.
   (3) Interest guarantee multiple = net interest before income tax and interest expense / current interest expense.

3. Management Capacity
   (1) Payment Receivables (including accounts receivable and bills due from operations) Turnover = Net Sales/Avg. Accounts Receivable for various Periods (Including Receivables and Receivables due to Operation) Balance.
   (2) Average cash receiving days = 365/Payment Receivables Turnover.
   (3) Inventory turnover = cost of goods sold/average inventory amount.
   (4) Payment Payable (including accounts payable and bills payable as a result of operations) Turnover = balance of cost of goods sold / average payables for each period (including accounts payable and bills payable as a result of operations).
   (5) Average number of days sales are conducted = 365/inventory turnover.
   (6) Real estate, plant, and equipment turnover = net sales/net average real estate, plant, and equipment.
   (7) Total asset turnover = net sales/average total assets.
4. Profitability
   (1) Return on Total Assets = [after-tax gains and losses + interest × (1-tax rate)]/gross assets on average
   (2) Return on Equity = after-tax gains and losses/mean total equity
   (3) Net Margin = after-tax gains and losses/net sales.
   (4) Earnings per share = (profit or loss attributable to parent company owners - special share dividends) / weighted average number of shares outstanding. (Note 3)
5. Cash Flow (Note 4)
   (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
   (2) Net cash flow cash flow rate = net cash flow from operating activities in the last five (5) years / last five (5) years (capital expenditure + inventory increase + cash dividend).
   (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends)/(Gross from property, plant and equipment + Long-term investments + Other non-current assets + Working capital).
6. Leverage:
   (1) Operating leverage = (net operating income - variable operating costs and expenses) / operating profit.
   (2) Financial leverage = operating interest / (operating interest - interest expense).

Note 3: The preceding calculation formula for earnings per share is based on the weighted average number of ordinary shares, rather than on the number of shares that have been issued at the end of the year.

Note 4: When measuring cash flow, special attention should be paid to the following items:
1. The net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. The capital expenditure refers to the number of cash outflows per year of capital investment.
3. The increase in inventories is only included when the ending balance is greater than the opening balance; and if the inventory at the end of the year decreases, it is calculated as zero.
4. The cash dividends include cash dividends from ordinary shares and special shares.
5. The gross value of property, plant, and equipment refers to the total amount of real property, plant, and equipment before depreciation.

Note 5: If the company's shares are non-detailed or if the denomination of each share is not NT$10, the former calculation for the ratio of paid-in capital shall be calculated based on the equity ratio of the balance sheet attributable to the owners of the parent company.

(2) Financial Analysis (Individual Information)-International Financial Reporting Standards

Analytical item (Note 2)	Year	Financial Analysis for the Last Five Fiscal Years (Note 1)				
		2014	2015	2016	2017	2018
Financial Structure	Liability to Asset Ratio (%)	29.08	28.34	28.62	24.38	24.30
	Ratio of Long-term Capital to Real Estate, Plant, and Equipment (%)	1,052.57	1,066.04	1,017.88	890.35	847.85
Solvency	Current Ratio (%)	135.17	123.15	128.54	120.56	128.00
	Quick Ratio (%)	94.80	88.68	94.12	79.88	92.35
	Interest Coverage Ratio (%)	32,134.61	29,349.38	30,111.02	14,648.49	7,932.18
Management Capacity	Receivable turnover ratio (times)	4.65	4.79	4.45	4.45	4.81
	Average Number of Days for Cash Receiving	78.49	76.20	82.02	82.02	75.88
	Inventory turnover ratio (times)	2.93	3.38	3.34	3.25	3.61
	Payable Turnover Rate (Qty.)	4.92	5.25	4.95	5.15	5.65
	Average Sales Days	124.57	107.98	109.28	112.30	101.10
	Real Estate, Plant, and Equipment Turnover Rate (Qty.)	4.03	4.46	4.25	4.06	4.27
	Total Asset Turnover Rate (Qty.)	0.33	0.34	0.33	0.34	0.39
Profitability	Return on Total Assets (%)	13.05	11.12	9.36	7.10	4.46
	Return on Equity (%)	18.44	15.60	13.08	9.68	5.90
	Pre-tax Income to Paid-in Capital (%)	56.61	50.99	45.68	35.12	22.32
	Net Margin (%)	39.66	32.82	28.33	20.64	11.36
	Earnings per Share (NT$)	4.95	4.53	3.80	2.76	1.65
Cash Flow	Cash Flow Ratio (%)	45.84	23.93	40.70	15.84	34.65
	Cash Flow Allowance Ratio (%)	70.49	62.96	74.68	73.09	84.46
	Cash Reinvestment Ratio (%)	3.40	(3.22)	1.27	(3.78)	1.83
Leverage	Operational Leverage	3.05	2.73	2.43	2.66	2.64
	Financial Leverage	1.00	1.00	1.00	1.00	1.00

Reasons why the various financial ratio changes in the last two (2) years have been greater than 20%:

1. Interest cover ratio, return on total assets, return on equity, pre-tax income to paid-in capital, net margin, earnings per share : It mainly came from the decline of net income in 2018 compared to that in 2017, and the financial ratios of relevant profitability were diminished as well.
2. Cash flow ratio : It was due to the tremendous decline in the amount of pension paid to Specific Account for pension of Bank of Taiwan and thus the working capital was increased and the ratio of cash flow was added as well.

Note 1: The financial information from 2013 to 2017 has been verified and certified by a CPA.

Note 2: The calculation formulas are listed as follows:

1. Financial Structure
   (1) Liability to assets ratio = total liabilities / total assets.
   (2) Ratio of Long-term Capital to Real Estate, Plant, and Equipment = (total equity + non-current liabilities) / net real estate, plant and equipment.
2. Solvency
   (1) Current ratio = current assets / current liabilities.
   (2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.
   (3) Interest guarantee multiple = net interest before income tax and interest expense / current interest expense.

3. Management Capacity
   (1) Payment Receivables (including accounts receivable and bills due from operations) Turnover = Net Sales/Avg. Accounts Receivable for various Periods (Including Receivables and Receivables due to Operation) Balance.
   (2) Average cash receiving days = 365/Payment Receivables Turnover.
   (3) Inventory turnover = cost of goods sold/average inventory amount.
   (4) Payment Payable (including accounts payable and bills payable as a result of operations) Turnover = balance of cost of goods sold / average payables for each period (including accounts payable and bills payable as a result of operations).
   (5) Average number of days sales are conducted = 365/inventory turnover.
   (6) Real estate, plant, and equipment turnover = net sales/net average real estate, plant, and equipment.
   (7) Total asset turnover = net sales/average total assets.
4. Profitability
   (1) Return on Total Assets = [after-tax gains and losses + interest × (1-tax rate)]/gross assets on average
   (2) Return on Equity = after-tax gains and losses/mean total equity
   (3) Net Margin = after-tax gains and losses/net sales.
   (4) Earnings per share = (profit or loss attributable to parent company owners - special share dividends) / weighted average number of shares outstanding. (Note 3)
5. Cash Flow (Note 4)
   (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
   (2) Net cash flow cash flow rate = net cash flow from operating activities in the last five (5) years / last five (5) years (capital expenditure + inventory increase + cash dividend).
   (3) Cash reinvestment ratio = (net cash flow from business activities - cash dividends)/(net value of real estate, manufacturing facilities, and equipment + long-term investment + other non-current assets + working capital)
6. Leverage:
   (1) Operating leverage = (net operating income - variable operating costs and expenses) / operating profit.
   (2) Financial leverage = operating interest / (operating interest - interest expense).

Note 3: The preceding calculation formula for earnings per share is based on the weighted average number of ordinary shares, rather than on the number of shares that have been issued at the end of the year.

Note 4: When measuring cash flow, special attention should be paid to the following items:
1. The net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. The capital expenditure refers to the number of cash outflows per year of capital investment.
3. The increase in inventories is only included when the ending balance is greater than the opening balance; and if the inventory at the end of the year decreases, it is calculated as zero.
4. The cash dividends include cash dividends from ordinary shares and special shares.
5. The gross value of property, plant, and equipment refers to the total amount of real property, plant, and equipment before depreciation.

Note 5: If the company’s shares are non-detailed or if the denomination of each share is not NT$10, the former calculation for the ratio of paid-in capital shall be calculated based on the equity ratio of the balance sheet attributable to the owners of the parent company.

(3) Financial Analysis-National Financial Accounting Standard:

The 2014 through 2018 financial statements were prepared applying International Financial Reporting Standards and hence are not applicable.

(III) Audit Committee's Review Report

The Board of Directors has prepared the Company's 2018 Business Report, Financial Statements, and proposal for distribution of earnings. Jiang Sheng & Co., CPAs was retained to audit the Company's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and earnings distribution proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of the Company.

According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Sincerely,
2019 Annual Shareholders' Meeting

Yungtay Engineering Co., Ltd.
Chairman of the Audit Committee : Yung Ming Hsieh 謝永明

March 15, 2019

(IV) Consolidated Financial Statements of 2018

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

Russell Bedford
taking you further

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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 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.

Russell Bedford
taking you further

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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

<u>*Notice to Readers*</u>

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 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-17 Amount	%
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)

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

Code	Account	Note	2018 Amount	%	2017 Amount	%
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(10)	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)

	Equity attributable to owners of parent										
			Retained earnings		Other equity						
Account	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	Unrealised gain (loss) on available-for-sale financial assets	Treasury share	Total	Non-controlling interests	Total equity
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 on 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) Property, Plant and Equipment

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) Leases

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.

The Group as lessor

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

The Group as lessee

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) Intangible Assets

Goodwill

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)	· The higher the multiple, the higher the fair value;
		· Discount for lack of marketability (30% as at December 31, 2018)	· 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) -Franklin Templeton SinoAm New World Fund	"	"	195,160	2,771	-	2,771
	Beneficiary certificate (open-end) - Franklin Templeton SinoAm Money Market Fund	"	"	4,858,378	50,143	-	50,143
	Beneficiary certificate (open-end) -TSITC Taiwan Money Market Fund	"	"	3,279,334	50,097	-	50,097
	Beneficiary certificate (open-end) -Mega Diamond Money Market Fund	"	"	3,998,784	50,072	-	50,072
	Beneficiary certificate (open-end) -Taishin 1699 Money Market Fund	"	"	3,704,829	50,043	-	50,043
	Beneficiary certificate (open-end) -Yuanta De-Li Money Market Fund	"	"	3,073,367	50,037	-	50,037
	Beneficiary certificate (open-end) -Prudential Financial Money Market Fund	"	"	3,167,705	50,030	-	50,030
	Beneficiary certificate (open-end) -KGI Victory Money Market Fund	"	"	4,325,783	50,015	-	50,015
	Beneficiary certificate (open-end) -Union Money Market Fund	"	"	3,793,512	50,012	-	50,012
	Beneficiary certificate (open-end) -TCB Taiwan Money Market Fund	"	"	4,928,245	50,000	-	50,000
	Beneficiary certificate (open-end) -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%	-

TABLE 4

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)

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)

			Transaction Details				Transaction with different trading condition		Notes/Accounts Payable or Receivable		
Company Name	Related Party	Nature of Relationships	Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	Note
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%	-

TABLE 6

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)

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 NT$ 296,939	US$ 11,100 NT$ 296,939	11,183,510	78.72%	US$ 199,148 NT$6,106,993	US$ (8,618) NT$(260,151)	US$ (6,697) 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 NT$ 1,045,647	US$ 33,500 NT$ 1,045,647	33,500,000	100.00%	US$ 54,101 NT$1,658,996	US$ (5,937) NT$(179,226)	US$ (5,937) 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 NT$1,652,660	US$ (8,618) NT$(260,151)	US$ (1,833) 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.

(V) Parent Company Only Financial Statements of 2018

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying parent company only financial statements of Yungtay Engineering Co., Ltd. (the "Company"), which comprise the parent company only balance sheets as of December 31, 2018, and 2017, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standard are further described in the section Auditors' Responsibilities for the Audit of the Parent company only 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 parent company only financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recognition of sales

Please refer to Note 6(18) to the parent company only financial statements for the details of the information about the sale of goods associated with elevators and related maintenance, which accounts for 99.49% 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(19) to the parent company only 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.

Responsibilities of Management and Those Charged with Governance for the Parent company only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of parent company

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only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, 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 Parent company only Financial Statements

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only 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 Company to express an opinion on the parent company only 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 parent company only 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 parent company only financial statements are intended only to present the parent company only 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 parent company only 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 parent company only 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 parent company only financial statements shall prevail.

Yungtay Engineering Co., Ltd.
Parent Company Only 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)	$ 991,955	7	823,662	5
1110	Financial assets at fair value through profit or loss -current	6(2)	522,920	4	211,202	1
1121	Financial assets at fair value through other comprehensive income-current	6(3)	86,156	1	-	-
1125	Available-for-sale financial assets	6(4)	-		95,957	1
1150	Notes receivable, net	6(5)	187,677	1	205,249	1
1170	Accounts receivable, net	6(5)	1,040,797	7	1,035,155	7
1200	Other receivables		598	-	3,324	-
130x	Inventories	6(6)	1,085,394	7	1,194,172	8
1410	Prepayments	6(7)	7,070	-	14,180	-
1470	Other current assets		-	-	686	-
11xx	Total current assets		3,922,567	27	3,583,587	23
15xx	Non-current assets					
1517	Financial assets at fair value through other comprehensive income-non-current	6(3)	85,449	-	-	-
1543	Non-current financial assets at cost	6(9)	-	-	86,557	1
1550	Investments accounted for using equity method	6(10)	8,341,724	57	9,087,814	60
1600	Property, plant and equipment	6(11)	1,398,583	9	1,386,582	9
1760	Investment property, net	6(12)	901,422	6	940,807	6
1780	Intangible assets	6(13)	7,233	-	7,806	-
1840	Deferred income tax assets	6(21)	184,117	1	147,788	1
1915	Prepayments for equipment	6(11)	4,449	-	17,023	-
1920	Refundable deposits	6(8)	67,336	-	49,880	-
1990	Advances to employees and official business		3,936	-	4,413	-
1990	Other non-current assets, others	12(1)	5,520	-	5,520	-
15xx	Total non-current assets		10,999,769	73	11,734,190	77
1xxx	Total assets		$ 14,922,336	100	15,317,777	100

(Notes attached are part of the parent company only financial statements)

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

Yungtay Engineering Co., Ltd.
Parent Company Only 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					
2120	Financial liabilities at fair value through profit or loss	6(2)	$ -	-	686	-
2130	Contract liabilities	6(15)	1,808,022	12	-	-
2150	Notes payable		253,410	2	286,593	2
2170	Accounts payable		469,450	3	447,072	3
2200	Other payables	6(14)	218,929	1	227,461	1
2230	Current tax liabilities		219,643	1	2,247	-
2310	Advances received	6(15)	-	-	1,917,793	12
2313	Deferred revenue	6(18)	93,467	1	89,387	1
2335	Receipts under custody		1,470	-	1,237	-
	Total current liabilities		3,064,391	20	2,972,476	19
25xx	Non-current liabilities					
2570	Deferred income tax liabilities	6(21)	6,096	-	6,868	-
2630	Long-term deferred revenue	6(18)	37,117	-	33,024	-
2640	Net defined benefit liabilities-non-current	6(16)	513,522	3	716,714	5
2645	Deposit received		5,415	-	5,277	-
25xx	Total non-current liabilities		562,150	3	761,883	5
2xxx	Total liabilities		3,626,541	23	3,734,359	24
31xx	Equity					
3100	Capital stock	6(17)	4,108,200	28	4,108,200	26
3200	Capital surplus	6(17)	270,267	2	264,835	2
3300	Retained earnings	6(17), 6(21)				
3310	Legal reserve		3,009,594	20	2,896,805	19
3350	Unappropriated earnings		3,978,068	27	4,236,232	28
3400	Other equity	6(17)				
3410	Exchange differences arising 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(17)	(69,411)	-	(69,411)	-
3xxx	Total equity		11,295,795	77	11,583,418	76
3x2x	Total liabilities and equity		$ 14,922,336	100	15,317,777	100

(Notes attached are part of the parent company only financial statements)

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

Yungtai Engineering Co., Ltd.
Parent Company Only 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(18)	$ 5,940,272	100	5,465,334	100
5000	Operating costs	6(6)	(4,117,682)	(69)	(3,702,387)	(68)
5900	Gross profits from operations		1,822,590	31	1,762,947	32
5910	Unrealized profit from sales		(605)	-	(705)	-
5920	Realized profit from sales		705	-	948	-
5950	Gross profits from operations, net		1,822,690	31	1,763,190	32
6000	Operating expenses					
6100	Selling expenses		(63,618)	(1)	(57,396)	(1)
6200	Administrative expenses		(391,539)	(7)	(386,723)	(7)
6300	Research and development expenses		(164,508)	(3)	(169,835)	(3)
	Total operating expenses		(619,665)	(11)	(613,954)	(11)
6900	Net operating income		1,203,025	20	1,149,236	21
7000	Non-operating income and expenses					
7010	Other income	6(19)	17,640	-	12,975	-
7020	Other gains and losses	6(19)	4,797	-	(6,555)	-
7050	Finance costs	6(19)	(115)	-	(98)	-
7070	Share of profit of subsidiaries and associates accounted for using equity method	6(19)	(313,261)	(5)	279,896	5
	Non-operating income and expenses		(290,939)	(5)	286,218	5
7900	Income before income tax		912,086	15	1,435,454	26
7950	Income tax expenses					
7951	Current income tax expenses	6(21)	(273,275)	(5)	(132,636)	(2)
7952	Deferred income tax expenses	6(21)	35,936	1	(174,932)	(3)
8000	Current income from continuing operations		674,747	11	1,127,886	21
8100	Gains and losses from discontinuing operation, net		-	-	-	-
8200	Net income for the year		674,747	11	1,127,886	21
8300	Other comprehensive income (loss), net					
8310	Items that will not be reclassified subsequently to profit of loss:					
8311	Re-measurement on defined benefits obligation	6(16)	(5,827)	-	(97,225)	(2)
8316	Unrealized loss on investment in equity instruments designated as at fair value through other comprehensive	6(17)	(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(17)	(909)	-		
8349	Income tax benefit related to items that will not be reclassified subsequently	6(21)	1,135	-	16,529	-
	Total items not reclassified into gains and losses		(15,442)	-	(81,959)	(2)
8360	Items that may be reclassified subsequently to profit of loss:					
8362	Unrealized gain (loss) on financial assets available-for-sale	6(17)	-	-	(7,743)	-
8380	Share of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method	6(17)	(130,720)	(2)	(209,026)	(4)
	Total items to be reclassified into gains and losses		(130,720)	(2)	(216,769)	(4)
8500	Total comprehensive income for the year		$ 528,585	9	829,158	15
	Earnings per share (in NT dollar)	6(22)				
9750	Basic earnings per share (in NT dollar)		$ 1.65		2.76	

(Notes attached are part of the parent company only financial statements)

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

Yungtay Engineering Co., Ltd.
Parent Company Only Statements of Changes in Equity
(Amounts Expressed in Thousands of New Taiwan Dollars)

Account	Capital stock	Capital surplus	Retained earnings: Legal reserve	Retained earnings: Unappropriated earnings	Other equity: Exchange differences arising on translation of foreign operations	Other equity: Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Other equity: Unrealized gain (loss) on available-for-sale financial assets	Treasury stock	Total equity
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
Appropriation & distribution of earnings in 2016									
Legal reserve			155,500	(155,500)					-
Cash dividends				(985,968)					(985,968)
Adjustments of capital surplus for parent's cash dividends received by subsidiaries		5,112							5,112
Overdue dividends unclaimed		3,319							3,319
Adjustments to share of changes in equities of associates		72							72
Net income in 2017 (Note 1)				1,127,886					1,127,886
Other comprehensive income (loss) in 2017				(81,959)	(209,671)		(7,098)		(298,728)
Total comprehensive income (loss) in 2017	-	-	-	1,045,927	(209,671)	-	(7,098)	-	829,158
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
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
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
Appropriation & distribution of earnings in 2017									
Legal reserve			112,789	(112,789)					-
Cash dividends				(821,640)					(821,640)
Adjustments of capital surplus for company's cash dividends received by subsidiaries		4,259							4,259
Overdue dividends unclaimed		1,170							1,170
Adjustments to share of changes in equities of associates		3							3
Net income in 2018 (Note 2)				674,747					674,747
Other comprehensive income (loss) in 2018				(4,732)	(130,720)	(10,710)	-		(146,162)
Total comprehensive income (loss) in 2018	-	-	-	670,015	(130,720)	(10,710)	-	-	528,585
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

Note 1: The employee's bonus and the remuneration of directors and supervisors in 2017 are NT$39,596 thousand and NT$4,400 thousand, respectively, which have been deducted from the parent company only statement of comprehensive income.
Note 2: The employee's bonus and the remuneration of directors and supervisors in 2018 are NT$28,777 thousand and NT$3,569 thousand, respectively, which have been deducted from the parent company only statement of comprehensive income.

(Notes attached are part of the parent company only financial statements)

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

Yungtay Engineering Co., Ltd.
Parent Company Only 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	$	912,086	1,435,454
A20000	Adjustments:			
A20010	Adjustments to reconcile profit (loss) that would not affect the cash flows			
A20100	Depreciation expense		61,847	52,216
A20200	Amortization expense		4,341	6,521
A20300	Expected credit loss (reversed gain)		(7,669)	-
A20400	Loss on financial assets at fair value through profit or loss		4,756	879
A20900	Interest expense		115	98
A21200	Interest income		(5,346)	(6,498)
A21300	Dividend income		(12,294)	(6,477)
A22400	Share of loss (profit) of subsidiaries and associates accounted for using equity method		313,261	(279,896)
A22500	(Gain) on disposal of property, plant and equipment, net		(654)	(1,029)
A22500	Loss on obsolescence of property, plant and equipment		1,705	31
A22500	(Gain) on disposal of other non-current assets		-	(3,780)
A23800	Allowance for inventory valuation		(17,388)	16,316
A24000	Realized profit from sales, net		(100)	(243)
A24100	Unrealized foreign exchange loss		31,095	31,608
A20010	Total adjustments to reconcile profit (loss)		373,669	(190,254)
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		17,572	7,248
A31150	(Increase) decrease in accounts receivable, net		2,027	(33,501)
A31180	(Increase) decrease in other receivables		2,759	9,973
A31200	(Increase) decrease in inventory		125,770	(130,313)
A31230	(Increase) decrease in prepayments		7,110	(7,196)
A31000	Total change in operating assets		(161,236)	137,399
A32000	Change in operating liabilities			
A32125	Increase (decrease) in contract liabilities		(109,771)	-
A32130	Increase (decrease) in notes payable		(33,183)	(10,331)
A32150	Increase (decrease) in accounts payable		22,378	39,074
A32180	Increase (decrease) in other payables		(8,532)	(25,021)
A32210	Increase (decrease) in unearned revenue		-	(4,496)
A32230	Increase (decrease) in other current liabilities		233	44
A32240	Increase (decrease) in defined benefit liabilities, net		(209,019)	(861,347)
A23990	Increase (decrease) in deferred revenue		8,173	(9,113)
A32000	Total change in operating liabilities		(329,721)	(871,190)
A30000	Total change in operating assets and liabilities		(490,957)	(733,791)

Yungtay Engineering Co., Ltd.
Parent Company Only Statements of Cash flows
(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Account	2018	2017
A20000	Total adjustments	(117,288)	(924,045)
A33000	Cash inflow (outflow) generated from operations	794,798	511,409
A33100	Interest received	5,313	6,787
A33200	Dividends received	317,786	280,033
A33300	Interest paid	(115)	(98)
A33500	Income tax paid	(55,879)	(327,213)
AAAA	Net cash generated from operating activities	1,061,903	470,918
BBBB	Cash flow from investing activities		
B00030	Reduction in capital from financial assets at fair value through other comprehensive income	1,108	-
B02400	Proceeds from reduction of capital of investees accounted for using equity method	-	95,000
B02700	Acquisition of property, plant and equipment (Note 6(23))	(18,750)	(63,901)
B02800	Proceeds from disposal of property, plant and equipment	655	1,141
B02800	Proceeds from disposal of other assets-golf certificate	-	9,300
B03700	(Increase) in refundable deposits	(18,156)	(8,262)
B04500	Acquisition of intangible assets	(3,768)	(6,101)
B06700	Decrease in other non-current assets	1,177	3,297
B07100	(Increase) in prepayments on equipment	(4,449)	(17,023)
BBBB	Net cash flows from investing activities	(42,183)	13,451
CCCC	Cash flows from financing activities		
C03000	Increase in deposits received	138	-
C04500	Cash dividends	(821,640)	(985,968)
C09900	Other-overdue dividends unclaimed	1,170	3,319
CCCC	Net cash flows from financing activities	(820,332)	(982,649)
DDDD	Impact of change in exchange rate on cash and cash equivalents	(31,095)	(31,608)
EEEE	Net increase (decrease) in cash and cash equivalents	168,293	(529,888)
E00100	Cash and cash equivalents at the beginning of year	823,662	1,353,550
E00200	Cash and cash equivalents at the end of year	$ 991,955	823,662

(Notes attached are part of the parent company only financial statements)

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

Yungtay Engineering Co., Ltd.
Notes to Parent Company Only 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 was 1,791 and 1,737 as of December 31, 2018 and 2017, respectively.

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying parent company only 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, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any significant effect on the Company's 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 Company 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 Company'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	823,662	823,662	(2)
Equity securities	Available-for-sale	Fair value through other comprehensive income (FVTOCI)	95,957	95,957	(1)
Equity securities	Measured at cost	FVTOCI	86,557	86,557	(1)
Notes, accounts receivable (including related parties) and other receivables	Loans and receivables	Amortized cost	1,243,728	1,243,728	(2)
Refundable deposits	Loans and receivables	Amortized cost	49,880	49,880	(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	$	-	182,514	-	182,514	-	8,719	(1)
Add: From available for sale		95,957	(95,957)	-	-	-	(8,719)	(1)
Add: Measured at cost		86,557	(86,557)	-	-	3,008 (Note)	(3,008)	(1)
Amortized cost		-	2,117,270	-	2,117,270	-	-	(2)
Add: From loans & receivables		2,117,270	(2,117,270)	-	-	-	-	(2)
Total	$	2,299,784	-	-	2,299,784	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	$	9,087,814	-	9,087,814	3,242 (Note 1)	(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 Company 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 Company 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 Company 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(19) for information relating to the relevant accounting policies.

The Company 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	-	1,917,793	1,917,793
Advance receipts	1,917,793	(1,917,793)	-
Total effect on liabilities	1,917,793	-	1,917,793

Had the Company 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	(1,808,022)
Increase in advance receipts	1,808,022
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 Company 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 parent company only financial statements were authorized for issue, the Company continuously assessing other possible impact that the application of the aforementioned amendments and interpretations will have no impacts on the Company'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)

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment and 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 Company 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 Company 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 Company 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 Company 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 Company 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 Company 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 Company will apply the following practical expedients to measure right-of-use assets and lease liabilities on January 1, 2019:

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

(b) The Company 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 Company will exclude incremental costs of obtaining the lease from the measurement of right-of-use assets on January 1, 2019.

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

<u>The Company as lessor</u>

Except for sublease transactions, the Company 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 Company'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	$	-	1,348	1,348
Total effect on assets	$	-	1,348	1,348
Lease liabilities-noncurrent	$	-	1,348	1,348
Total effect on liabilities	$	-	1,348	1,348

b. IFRIC 23 "Uncertainty Over Income Tax Treatments"

IFRS 23 clarified tat when income tax treatments exist uncertainty, the Company 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 Company 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 Company 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 Company 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 Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the accompanying parent company only financial statements were authorized for issue, the Company 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 Company completes the evaluation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the convenience of readers, the accompanying parent company only 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 parent company only financial statements shall prevail.

(1) Statement of Compliance

The accompanying parent company only financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the "Accounting Standards Used in Preparation of the Parent Company Only Financial Statements").

(2) Basis of Preparation

The parent company only financial statements have been prepared on the historical cost basis except for financial instruments (including derivative 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.

(3) Foreign Currencies

The financial statements of each individual parent company only 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 parent company only financial statements are both New Taiwan Dollars (NT$). In preparing the parent company only financial statement, the operating results and financial positions of each parent company only entity are translated into NT$.

In preparing the financial statements of each individual parent company only 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.

For the purposes of presenting parent company only financial statements, the assets and liabilities of the Company'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.

(4) 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 Company 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.

(5) Cash Equivalents

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

(6) Financial Instruments

Financial assets and liabilities shall be recognized when the Company 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, financial assets at amortized cost and equity instruments at FVTOCI.

(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 Company 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 Company's right to receive the dividends is established, unless the Company'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 Company, 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 Company'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 Company 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 Company 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 Company 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 Company 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 Company 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 Company 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 Company derecognizes financial liabilities when, and only when, the Company'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 Company 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.

(7) 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 Company.

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 Company 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.

(8) 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.

(9) 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.

(10) Investments Accounted for Using Equity Method-Investment in associates

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

An associate is an entity over which the Company 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 Company's share of profit or loss and other comprehensive income of the associate as well as the distribution received. The Company also recognizes its share in the changes in the equities of associates.

Any excess of the cost of acquisition over the Company'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 Company'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 Company discontinues the use of the equity method from the date when the Company ceases to have significant influence over an associate. When the Company retains an interest in the former associate, the Company 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 Company 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 Company's ownership interest in an associate is reduced as a result of disposal, but the investment continues to be an associate, the Company should reclassify to profit or loss only a proportionate amount of the gain or loss previously recognized in other comprehensive income.

When the Company 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 Company's proportionate interest in the net assets of the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Company'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 Company's consolidated financial statements only to the extent of interests in the associate that are not owned by the Company.

(11) Investment in subsidiaries

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiary as well as the distribution received. The Company also recognized its share in the changes in the equity of subsidiaries.

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. Any difference between the carrying amount of the subsidiary and the fair value of the consideration paid or received is recognized directly in equity.

When the Company loses control of a subsidiary, any retained investment of the former subsidiary is measured at the fair value at that date. A gain or loss is recognized in profit or loss and 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 investments in such subsidiary. In addition, the Company shall account for all amounts previously recognized in other comprehensive income in relation to the subsidiary on the same basis as would be required if the subsidiary had directly disposed of the related assets and liabilities.

When the Company transacts with its subsidiaries, profits and losses resulting from the transactions with the subsidiaries are recognized in the Company's parent company only financial statements only to the extent of interests in the subsidiaries that are not owned by the Company.

(12) Property, Plant and Equipment

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	2~25
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 Company decides to transfer into or from investment properties in accordance with the actual purpose of asset.

(14) Leases

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.

The Company as lessor

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

The Company as lessee

Assets held under finance lease are initially recognized as assets of the Company 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) Intangible Assets

Goodwill

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 – 1~3 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 Company'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 Company 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 Company 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) Treasury Stock

The Company'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.

(18) 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 Company pays fixed contributions to an independent, publicly or privately administered pension fund. The Company 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 Company'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 Company 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.

(19) Revenue Recognition

a. Sale of Goods

2018

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

The Company 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 Company 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 Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Company 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 Company; 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 Company 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 Company 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.

(20) 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 of the Company 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.

(21) Earnings per share

Basic earnings per share 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.

(22) Operating segments

The Company has disclosed the information of operating segments in the consolidated financial statements, hence the parent company only financial statements is not required to disclose the information of operating segments.

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

In the application of the aforementioned Company's accounting policies, the Company 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 Company 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.

There was no indication of impairment of tangible and intangible assets other than goodwill in 2018 and 2017, respectively.

(2) Impairment Assessment on Investment Using Equity Method

The Company 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 Company 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 Company also takes into account market conditions and the relevant industry trends to ensure the reasonableness of such assumptions.

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

(3) 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 Company 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(21).

(4) Valuation of Inventory

Inventories are stated at the lower of cost or net realizable value, and the Company 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 Company 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).

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

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

(6) 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 Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company'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.

(7) Estimated impairment of trade receivables - 2017

When there is objective evidence of impairment loss, the Company 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	$	5,057	5,171
Deposits in banks			
Checking accounts		98,880	80,825
Demand deposits (including foreign currency deposits)		452,090	425,846
Cash equivalents			
Time deposits (including foreign currency deposits)		435,928	311,820
Total	$	991,955	823,662

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

b. No cash and cash equivalents of the Company 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

		December 31 2017
Financial assets at FVTPL-current		
Mutual funds and	$	211,202
Forward exchange contracts		(686)
Total	$	210,516

		December 31 2018	December 31 2017
Current	$	522,920	210,516
Non-current		-	-
Total	$	522,920	210,516

a. The Company 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 Company 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	-	-	-
Dec. 31, 2017	JPY/NT$	Jan. 10, 2018 ~May. 4, 2018	JPY190,000

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

d. The Company's financial assets were not pledged as collateral, please refer to Note 8.

(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	85,449
	$ 171,605

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 Company 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 FVTOCI 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	$	189,561	207,322
Accounts receivable		1,070,247	1,073,920
Less: allowance for doubtful accounts		(31,334)	(40,838)
Notes and accounts receivable, net	$	1,228,474	1,240,404

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	0.16%	4.53%	7.97%	19.99%	
Gross carrying amount	$ 954,598	165,524	47,022	92,664	1,259,808
Loss allowance (Lifetime expected credit loss)	(1,571)	(7,495)	(3,749)	(18,519)	(31,334)
Amortized cost	$ 953,027	158,029	43,273	74,145	1,228,474

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

	Notes & Accounts receivable (related Parties included)	Overdue Receivables
Balance at January 1, 2018 (IAS 39)	$ 40,838	2,061
Effect of retrospective application of IFRS 9	-	-
Balance at January 1, 2018 (IFRS 9)	40,838	2,061
Actual write-off during the year	(1,402)	-
Transferred to overdue receivable	(433)	433
Transferred to other income for over allowance for bad debts	(7,669)	-
Balance at December 31, 2018	$ 31,334	2,494

b. 2017

Movement in the allowance for doubtful accounts was as follows:

	December 31 2017
Balance, beginning of the year	$ 44,822
Impairment loss recognized for the year	-
Amounts written off during the year as uncollectable	(1,923)
Balance, end of the year (including allowance for bad debt of notes, accounts and overdue receivable)	$ 42,899

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

(6) Inventories

	December 31 2018	December 31 2017
Raw materials	$ 289,180	258,821
Work in process	777,148	883,433
Construction in process	25,298	80,675
In-transit inventory	21,114	15,977
Subtotal	1,112,740	1,238,906
Less: allowance for inventory decline loss	(27,346)	(44,734)
Total	$ 1,085,394	1,194,172

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

	Years Ended December 31	
	2018	2017
Operating costs transferred from inventories	$ 4,133,326	3,685,340
Inventories decline loss (gain from price recovery of inventory)	(17,388)	16,316
Revenue from sale of scraps	(6,916)	(7,090)
(Gain) loss on physical inventory	329	67
Underapplied overhead	2,629	1,731
Total	$ 4,111,980	3,696,364

(7) Prepayments

		December 31 2018	December 31 2017
Prepayment for purchases			
Domestic purchases	$	121	579
Foreign purchases		2,990	6,086
Others		3,959	7,515
Total	$	7,070	14,180

(8) Refundable deposits

		December 31 2018	December 31 2017
Bid bond for construction, contract security deposit	$	41,426	23,196
Admission deposit for golf club		24,000	25,100
Rental deposit		473	473
Depository court deposit		1,196	2,039
Others		1,641	872
Subtotal		69,136	51,680
Less: accumulated impairment loss		(1,800)	(1,800)
Total	$	67,336	49,880

		December 31 2018	December 31 2017
Current	$	-	-
Non-current		67,336	49,880
Total	$	67,336	49,880

a. The Company 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 accumulated impairment loss of the golf card owned by the Company.

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

		December 31 2017
Non-publicly traded stocks	$	86,557

a. Since there is a wide range of estimated fair values of the Company's investments in non-publicly traded stocks, the Company 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 Company 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".

(10) Investments accounted for using equity method

a. Investments accounted for using the equity method consisted of the following:

Associates-carrying amount		December 31 2018	December 31 2017
Subsidiaries	$	7,965,835	8,706,793
Associates		375,889	381,021
Total	$	8,341,724	9,087,814

b. Investment in subsidiaries

Subsidiaries-carrying amount		December 31 2018	December 31 2017
Yingtay Engineering Co. (H.K.)	$	6,106,993	6,592,532
Yungjiun Investment Co., Ltd.		16,878	12,584
Yungtay-Hitachi Construction Machinery Co., Ltd.		182,968	188,926
Better Win Investment Co. (SAMOA)		1,658,996	1,912,751
Total	$	7,965,835	8,706,793

Subsidiaries-% of Ownership and Voting Rights Held by the Comapny		
Yingtay Engineering Co. (H.K.)	78.72%	78.72%
Yungjiun Investment Co., Ltd.	100.00%	100.00%
Yungtay-Hitachi Construction Machinery Co., Ltd.	51.00%	51.00%
Better Win Investment Co. (SAMOA)	100.00%	100.00%

c. Investment in associates

(a) Material associates: None.

(b) Aggregate information of individually immaterial associates:

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%

The market prices of the investments accounted for using the equity method in publicly traded stocks calculated by the closing price at the end of the reporting period are summarized as follows:

The closing price represents the quoted price in active markets, the level 1 fair value measurement.

(i) Name of Associate

	December 31 2018	December 31 2017
TWNCAL	$ 147,705	208,335

(ii) Aggregate information of associates that are not individually material was summarized as follows:

The Company'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)

d. No investments accounted for using equity method of the Company were pledged as collateral.

e. The Company's share of profit/(loss) of its subsidiaries and associates accounted for using equity method amounted to NT$313,261 thousand and NT$279,896 thousand, for the years ended December 31, 2018 and 2017, respectively.

f. The related financial information of the Company's re-investment and Mainland investment refers to Table 3 of Note 13(2) and Table 4 of Note 13(3), respectively.

(11) Property, plant and equipment

		Land	Buildings	Machinery and Equipment	Other Equipment	Total
Cost						
Balance at Jan. 1, 2018	$	942,803	941,197	575,494	355,963	2,815,457
Additions		-	4,761	4,784	9,205	18,750
Disposals		-	(2,369)	(65,296)	(3,786)	(71,451)
Transfers		33,093	20,979	16,544	113	70,729
Balance at Dec. 31, 2018	$	975,896	964,568	531,526	361,495	2,833,485
Balance at Jan. 1, 2017	$	917,119	915,485	548,304	350,936	2,731,844
Additions		-	1,083	58,902	3,916	63,901
Disposals		(1,558)	-	(53,614)	(3,707)	(58,879)
Transfers		27,242	24,629	21,902	4,818	78,591
Balance at Dec. 31, 2017	$	942,803	941,197	575,494	355,963	2,815,457
Accumulated depreciation and impairment						
Balance at Jan. 1, 2018			$ (676,611)	(433,490)	(318,774)	(1,428,875)
Additions			(17,468)	(28,919)	(9,758)	(56,145)
Disposals			2,348	63,677	3,720	69,745
Transfers			(19,627)	-	-	(19,627)
Balance at Dec. 31, 2018			$ (711,358)	(398,732)	(324,812)	(1,434,902)
Balance at Jan. 1, 2017			$ (649,611)	(467,617)	(311,733)	(1,428,961)
Additions			(16,841)	(19,437)	(9,915)	(46,193)
Disposals			-	53,564	3,676	57,240
Transfers			(10,159)	-	(802)	(10,961)
Balance at Dec. 31, 2017			$ (676,611)	(433,490)	(318,774)	(1,428,875)
Carrying amounts						
Dec. 31, 2018	$	975,896	253,210	132,794	36,683	1,398,583
Dec. 31, 2017	$	942,803	264,586	142,004	37,189	1,386,582

a. The trade counterparts of equipments upon disposal were not related parties in 2018 and 2017, with net disposing loss of NT$(1,051) thousand and gain of NT$998 thousand, respectively.

b. 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.

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

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

e. 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.

f. 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.

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

	2018	2017
Prepayment for goods transferred to other equipment	$ -	4,016
Inventories transferred to building and equipment	396	913
Prepayment for equipment transferred to machinery and equipment	16,544	21,902
Investment property transferred to land and building	33,683	39,326
Prepayment for equipment transferred to building	366	1,473
Prepayment for equipment transferred to other equipment	113	-
Total	$ 51,102	67,630

(12) Investment properties, net

		Land	Buildings	Total
Cost or Deemed Cost				
Balance at Jan. 1, 2018	$	751,480	447,978	1,199,458
Disposals		-	-	-
Transfers		(33,093)	(20,217)	(53,310)
Balance at Dec. 31, 2018	$	718,387	427,761	1,146,148
Balance at Jan. 1, 2017	$	778,722	471,023	1,249,745
Disposals		-	-	-
Transfers		(27,242)	(23,045)	(50,287)
Balance at Dec. 31, 2017	$	751,480	447,978	1,199,458
Accumulated depreciation and impairment				
Balance at Jan. 1, 2018	$	(818)	(257,833)	(258,651)
Depreciation expense		-	(5,702)	(5,702)
Disposals		-	-	-
Transfers of impairment loss		-	19,627	19,627
Balance at Dec. 31, 2018	$	(818)	(243,908)	(244,726)
Balance at Jan. 1, 2017	$	(818)	(262,771)	(263,589)
Depreciation expense		-	(6,023)	(6,023)
Disposals		-	-	-
Transfers of impairment loss		-	10,961	10,961
Balance at Dec. 31, 2017	$	(818)	(257,833)	(258,651)
Carrying amounts				
Dec. 31, 2017	$	717,569	183,853	901,422
Dec. 31, 2016	$	750,662	190,145	940,807

		2018	2017
The rental income from investment properties	$	30,056	30,300
Less: Direct operating expenses arising from the investment property that generated rental income during the period		(2,152)	(2,156)
Direct operating expenses arising from the investment property that did not generate rental income during the period		(83)	(87)
Total	$	27,821	28,057

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 investment properties refers to the actual registered selling prices of the nearby real estates provided by local agents in Taiwan, R.O.C.. The market price of the aforesaid investment properties is NT$1,781,235 thousand and NT$2,073,703 thousand as at December 31, 2018 and 2017, respectively.

(13) Intangible assets

	Computer Software
Cost	
Balance at Jan. 1, 2018	$ 20,968
Additions	3,768
Elimination	(1,435)
Balance at Dec. 31, 2018	$ (23,301)
Balance at Jan. 1, 2017	$ 21,943
Additions	6,101
Elimination	(7,076)
Balance at Dec. 31, 2017	$ 20,968
Accumulated amortization and impairment	
Balance at Jan. 1, 2018	$ (13,162)
Amortization	(4,341)
Elimination	1,435
Balance at Dec. 31, 2018	$ (16,068)
Balance at Jan. 1, 2017	$ (13,717)
Amortization	(6,521)
Elimination	7,076
Balance at Dec. 31, 2017	$ (13,162)

Carrying amounts	
Dec. 31, 2018	$ 7,233
Dec. 31, 2017	$ 7,806

(14) Other payables

	December 31 2018	December 31 2017
Accrued bonus, wages and employee benefit fee	$ 59,438	66,536
Accrued VAT	35,427	24,683
Compensation payable to employees, directors and supervisors	32,346	43,996
Other payables-other	91,718	92,246
Total	$ 218,929	227,461

(15) Contract liabilities-current and advances received

	December 31 2018
Contract liabilities-current	
Elevator	$ 1,806,000
Rental	1,494
Others	528
Total	$ 1,808,022

	December 31 2017
Advances received	
Elevator	$ 1,916,197
Rental	1,596
Total	$ 1,917,793

(16) Employees' retirement benefit plans

a. Defined benefit plans

The amounts arising from the defined benefit obligation of the Company 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 Company 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 Company 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 Company 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 Company 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 Company 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 arising from changes in demographic assumptions	(6)	-
-Actuarial loss (gain) arising from changes in financial assumptions	37,769	39,884
Benefits paid	(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 Company 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 Company 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 Company recognized expenses of NT$48,207 thousand and NT$51,852 thousand for the years ended December 31, 2018 and 2017, respectively.

c. Short-term paid leave payable

The Company recognized short-term paid leave payable of NT$35,380 thousand and NT$34,717 thousand as of December 31, 2018 and 2017, respectively.

(17) 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 2018
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
Shares of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method		(130,720)	(209,671)
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

(18) Operating revenue

a. Disaggregation of revenue

	Years Ended December 31	
	2018	2017
Net revenue from sales of goods	$ 3,169,428	2,909,357
Net revenue from services		
Maintenance and repair	2,740,691	2,525,574
Rental	30,153	30,403
Total	$ 5,940,272	5,465,334

b. The above-mentioned revenue of maintenance and repair is deferred based on the fair value of providing services when the Company 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.

c. 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	$ 93,467	89,387
Non-current	$ 37,117	33,024

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

e. Contract balances

Contract liabilities-current

	Beginning balance	Ending balance	Difference
Net revenue from sales of goods	$ 1,917,793	1,808,022	109,771

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

(19) Non-operating income and expenses

	Years Ended December 31	
	2018	2017
a. Other income		
Interest income-bank deposit	$ 5,346	6,498
Dividend income	12,294	6,477
Total	$ 17,640	12,975
b. Other gains and losses		
Net gain on financial instruments at FVTPL	$ (4,756)	29,481
Net gain on disposal of property, plant and equipment	654	1,029
Gain on disposal of other assets (golf card)	-	3,780
Net (loss) on obsolescence of property, plant and equipment	(1,705)	(31)
Other losses	(1,715)	(133)
Foreign exchange (loss), net	(309)	(12,881)
Other gains	12,628	2,560
Total	$ 4,797	(6,555)
c. Finance costs		
Interest expense-bank loans	$ (115)	(98)
d. Shares of (loss)/profit of subsidiaries and associates accounted for using equity method	$ (313,261)	279,896

(20) 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	1,160,693	365,530	1,526,223	1,132,291	351,651	1,483,942
Labor and health insurance	99,255	26,563	125,818	92,108	26,010	118,118
Pension cost	61,370	17,081	78,451	63,423	32,030	95,453
Remuneration to directors	-	16,195	16,195	-	17,226	17,226
Other benefits expenses	120,598	21,698	142,296	112,318	16,704	129,022
Depreciation expenses	48,544	13,303	61,847	39,764	12,452	52,216
Amortization expenses	-	4,341	4,341	-	6,521	6,521

As of December 31, 2018 and 2017, the Company had employees of 1,791 and 1,737, respectively, and the computing basis was consistent with that of employee benefits expenses. There were 7 and 5 non-employee directors for 2018 and 2017, respectively.

(21) 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	$ 265,026	96,005
Income tax on unappropriated earnings	11,150	39,631
Investment tax credit	(3,000)	(3,000)
Land incremental tax	99	-
	273,275	132,636
Deferred income tax expense (benefit)		
Temporary differences incurred and reversed	(11,068)	174,932
Effect of deferred tax resulting from changes of income tax rate	(24,868)	-
Income tax expense recognized in profit or loss	$ 237,339	307,568

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	$	912,086	1,435,454
Income tax expense at the statutory rate	$	182,417	244,027
Tax effect of adjusting items:			
Deductible items in determining taxable income		124,412	(1,593)
Supplementary pension cost according to Labor Law		(41,803)	(146,429)
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		(11,068)	174,932
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	$	237,339	307,568

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 parent company only balance sheets was as follows:

		December 31 2018	December 31 2017
Deferred income tax assets			
Differences of time of recognized revenue	$	65,754	45,892
Short-term employees' benefits		7,076	5,902
Unrealized sales profit among parent and subsidiaries		121	120
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	88,786
Total	$	184,117	147,788

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.

(22) 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

(23) 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	$	18,750	63,901
Plus: payables on equipment at beginning of year		-	-
Less: payables on equipment at ending of year		-	-
Cash paid in the year	$	18,750	63,901

7. RELATED PARTY TRANSACTIONS

The significant transactions between the Company and its related parties, other than those disclosed in other notes, are summarized as follows:

(1) Related party name and categories

Related Party Name	Related Party Categories
Taiwan Calsonic Co., Ltd. ("TWNCAL")	Associates
Yungtay Hitachi Construction Machinery Co., Ltd. ("YHCMC")	Subsidiaries
Yungjiun Investment Co., Ltd. ("YJIC")	Subsidiaries
Evest Corporation (Evest)	Associates
Yungtay Elevator Equipment (China) Co. ("YEEC-China")	Indirect Subsidiaries
Jiyi Electric Co. (Shanghai, China) ("JEC-Shanghai")	Indirect Subsidiaries (merged with YEEC-China on December 31, 2017 and JEC-Shanghai was dissolved)

Related Party Name	Related Party Categories
Yunttay Social Welfare Foundation ("YSW Foundation")	Main Donee of the Company
Yungtay Education and Culture Foundation ("YEC Fundation")	Main Donee of the Company
Key management personnel (including all directors)	

(2) Significant transactions with related parties:

a. Net revenue

Related Party Name		Years Ended December 31	
		2018	2017
YEEC-China	$	2,096	1,935
JEC-Shanghai		-	430
TWNCAL		680	-
Total	$	2,776	2,365

The Company sells the components of elevators such as speed governor, hoist machine, printed circuit board and motor case to YEEC-China and JEC-Shanghai, with the price of almost mark-up 20% of cost and collection terms from 1 month to months, not materially different from those with third parties. The downstream transactions, which the Company sold the aforementioned components to the indirect subsidiaries, resulted in unrealized profit of NT$705 thousand and NT$948 thousand for the years ended December 31, 2018 and 2017, respectively.

The Company purchases materials from YEEC-China, which is processed to finished product then sold back to YEEC-China. Due to the transaction being the nature of processing, this kind of transaction is not accounted for revenue. The same amount of NT$4,908 thousand and NT$11,528 thousand was deducted from operating revenue and cost for the years ended December 31, 2018 and 2017, respectively.

b. Repair and maintenance revenue

Related Party Name		Years Ended December 31	
		2018	2017
Evest	$	79	109
YHCMC		34	34
Total	$	113	143

c. Rental income

Related Party Name		Years Ended December 31 2018	2017
YHCMC	$	5,449	5,449
Evest		6,691	6,691
YJIC		17	17
Total	$	12,157	12,157

d. Purchases

Related Party Name		Years Ended December 31 2018	2017
TWNCAL	$	676	1,191
YEEC-China		273,101	86,825
JEC-Shanghai		-	129,812
Total	$	273,777	217,828

The Company purchases the rail bracket, escalator, counter weight and electrical parts from YEEC-China, JEC-Shanghai and TWNCAL, respectively. Due to the afore mentioned purchases of the same type and specifications only from the aforesaid direct and indirect subsidiaries, the purchase price and payment terms to related parties can not compare to non-related vendors accordingly. The upstream transactions resulted in unrealized profit of NT$8,835 thousand and NT$10,703 thousand for the years ended December 31, 2018 and 2017, respectively.

The payment term, from 1 month to 3 months, for TWNCAL is not significantly different from those of purchases to third parties. But for YEEC-China and JEC-Shanghai, the payment terms are from 2 months to 3 months after the aforesaid goods are delivered.

e. Notes and accounts receivable, other receivables, accounts payable, other payables and deposit received

Related Party Name		Years Ended December 31 2018	2017
Notes receivable			
Evest	$	1,191	1,309
YHCMC		3	26
Total	$	1,194	1,335

Accounts receivable			
YHCMC	$	554	-
Evest		610	647
YEEC-China		835	349
Total	$	1,999	996
Other receivables			
YHCMC	$	46	50
Evest		195	186
Total	$	241	236
Accounts payable			
TWNCAL	$	86	689
YEEC-China		43,596	24,453
Total	$	43,682	25,142
Other payables			
YHCMC	$	528	-
Deposit received			
YHCMC	$	894	894
Evest		577	577
Total	$	1,471	1,471

f. Manufacturing overhead, Repair and Maintenance cost and Administrative expenses

Related Party Name	Item		Years Ended December 31 2018	2017
Manufacturing overhead				
TWNCAL	Repair expense	$	3	69
Repair and maintenance cost				
TWNCAL	Material	$	395	475
TWNCAL	Outsourcing project		-	320
YHCMC	Rental expense		74	69
Total		$	469	864
Installation cost				
TWNCAL	Repair expense	$	2	-

Administrative expenses			
TWNCAL	Repair expense	$ 249	10
TWNCAL	Sundry expense	-	19
YSW Foundation	Donation	2,100	2,100
YEC Foundation	Donation	6,300	6,300
Total		$ 8,649	8,429

g. Other expenditure

Related Party Name	Item	Years Ended December 31 2018	2017
YHCMC	Finance expenditure	$ 9	9
Evest	Finance expenditure	6	6
Total		$ 15	15

h. Other income

Related Party Name	Item	Years Ended December 31 2018	2017
TWNCAL	Stock processing income	$ 528	528
YHCMC	Information service income	21	25
Evest	Information service income	11	53
Total		$ 560	606

i. Property transactions

(a) The Company sold property, plant and equipment to related party in 2018 and 2017, respectively: Nil.

(b) The Company purchased property, plant and equipment from related party in 2018 and 2017, respectively, as follows:

Related Party Categories	Item	December 31, 2018	December 31, 2017
Associates	Machinery and equipment	$ -	956

j. Compensation of directors, and key management personnel

Related Party Categories		Years Ended December 31 2018	2017
Short-term employee benefits	$	35,769	47,417
Post-employment benefits		322	326
Other long-term employee benefits		50	49
Total	$	36,141	47,792

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 Company provided the following assets as collaterals:

Item	Purpose		December 31, 2018	December 31, 2017
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		$	475,715	1,212,586

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	$	1,768	2,976
Later than 1 year and not later than 5 years		1,923	4,300
Later than 5 years		-	-
Total	$	3,691	7,276

The above operating leases classified under profit or loss amounted to NT$11,072 thousand and NT$13,794 thousand in 2018 and 2017, respectively.

(2) Lessor's lease arrangements

The Company leased its investment properties by the way of operating lease, please refer to Note 6(12). The future minimum lease receivable under the non-cancellable leasing period are as follows:

		Years Ended December 31	
		2018	2017
Not later than 1 year	$	6,149	10,635
Later than 1 year and not later than 5 years		3,648	3,848
Later than 5 years		-	-
Total	$	9,797	14,483

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

(4) The Company and received the downpayments and issued the secured promissory notes amounting to NT$142,540 thousand and NT$234,150 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) 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.

Contract period	Technical cooperation products	Technical compensation fee
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.

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	$	522,920	211,202
FVTOCI-current and non-current		171,605	-
Available-for-sale financial assets-current (Note)		-	182,514
Cash and cash equivalents		991,955	823,662
Notes and accounts receivable (including related party)		1,228,474	1,240,404
Other receivables		598	3,324
Refundable deposits		67,336	49,880
Other non-current assets-others (preferred stock-golf certificate)		5,520	5,520

Financial liabilities

FVTPL-current	-	686
Notes and accounts payable (including related party)	722,860	733,665
Other payables	218,929	227,461
Current income tax liabilities	219,643	2,247
Net defined benefit liabilities-non-current	513,522	716,714
Deposits received	5,415	5,277

Note: Including financial assets carried at cost.

b. Credit risk

(a) Exposure of credit risk

The Company'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 99.87% and 99.86% of all accounts receivable, respectively.

(b) Evaluation of impairment loss

The allowance for bad debts of the accounts receivable of the Company 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 Company's receivables as of December 31, 2018.

c. Liquidity risk

Liquidity risk is the risk that the Company has no sufficient working capital and unused credit facilities to meet its obligations associated with matured financial liabilities, that may resulting from an economic downturn or uneven demand and supply in the market and cause a significant decrease in product selling prices and market demands.

Liquidity risk of the Company is monitored through its corporate treasury department which tracks the development of the actual cash flow position for the Company and uses input from a number of sources in order to forecast the overall liquidity position both on a short and long term basis. Corporate treasury invests surplus cash in money market deposits with appropriate maturities to ensure sufficient liquidity is available to meet liabilities when due, without incurring unacceptable losses or risking damage to the Company's reputation. As at December 31, 2018, the Company's working capital together with existing unused credit facilities under its existing loan agreements will be sufficient to fulfill all of its contractual obligations. Therefore, management believes that there is no liquidity risk resulting from incapable of financing to fulfill the contractual obligations.

December 31, 2018		Carrying Amount	Contractual Cash Flows	Less Than 1 Year	1~2 Years	2~Years
Non-derivative financial liabilities						
Notes payable	$	253,410	253,410	253,410	-	-
Accounts payable		469,450	469,450	469,450	-	-
Other payables		218,929	218,929	218,929	-	-
Current income tax liabilities		219,643	219,643	219,643	-	-
Net defined benefit liabilities-non current		513,522	513,522	-	-	513,522
Deposits received		5,415	5,415	-	-	5,415

December 31, 2017		Carrying Amount	Contract Cash Flows	Less Than 1 Year	1~2 Years	2~Years
Non-derivative financial liabilities						
Notes payable	$	286,593	286,593	286,593	-	-
Accounts payable		447,072	447,072	447,072	-	-
Other payables		227,461	227,461	227,461	-	-
Current income tax liabilities		2,247	2,247	2,247	-	-
Net defined benefit liabilities-non current		716,714	716,714	-	-	716,714
Deposits received		5,277	5,277	-	-	5,277

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	3,415	30.665	104,709
JPY	288	0.2762	80
RMB	898	4.447	3,994
EUR	-	35	-
Non-Monetary items			
USD	253,249	30.665	7,765,989

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
December 31, 2017			
Financial asset			
Monetary items			
USD	1,676	29.71	49,794
JPY	2,874	0.2622	754
RMB	185	4.54	840
EUR			
Non-Monetary items			
USD	286,598	29.71	8,505,283

· Sensitivity analysis

		Years Ended December 31	
		2018	2017
(Loss)/profit of 1% change			
USD	$	78,707	85,551
JPY		40	8
RMB		1	8
EUR		-	-

e. The Company has loan limit from bank, but there is no any loan as of December 31, 2018. Consequently, no exposure of interest rate risk exists.

f. Fair value of financial instruments

(a) Fair value measurements recognized in the parent company only 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
Financial assets at FVTOCI					
Domestic listed equity investments	$	86,156	-	-	86,156
Domestic and foreign unlisted equity investments	$	-	-	85,449	85,449

		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		-	(686)	-	(686)
Available-for-sale financial assets					
Publicly traded stocks		95,957	-	-	95,957

(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	$	86,557
Proceeds from return of capital of investments-decrease of capital		(1,108)
Balance at December 31, 2108	$	85,449
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)	· The higher the multiple, the higher the fair value;
		· Discount for lack of marketability (30% as at December 31, 2018)	· 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 Company seeks to ensure sufficient cost-efficient funding readily available when needed. The Company 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 Company 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	$	3,626,541	3,734,359
Less: cash and cash equivalents		(991,955)	(823,662)
Net liabilities	$	2,634,586	2,910,697
Total equity	$	11,295,795	11,583,418
Ratio of net liabilities divided by total equity (Leverage ratio)		23.32%	25.13%

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

13. Additional disclosures

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

a. Financings provided: None;

b. Endorsement/guarantee provided: None;

c. Marketable securities held (excluding investments in subsidiaries and associates): Please see Table 1 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: None;

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 2 attached;

h. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None;

i. Information about the derivative financial instruments transaction: Please see Notes 6(2);

j. Names, locations, and related information of investees over which the Company exercises significant influence (excluding information on investment in Mainland China): Please see Table 3 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 4 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(2) attached.

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

TABLE 1

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) -Franklin Templeton SinoAm New World Fund	"	"	195,160	2,771	-	2,771
	Beneficiary certificate (open-end) - Franklin Templeton SinoAm Money Market Fund	"	"	4,858,378	50,143	-	50,143
	Beneficiary certificate (open-end) -TSITC Taiwan Money Market Fund	"	"	3,279,334	50,097	-	50,097
	Beneficiary certificate (open-end) -Mega Diamond Money Market Fund	"	"	3,998,784	50,072	-	50,072
	Beneficiary certificate (open-end) -Taishin 1699 Money Market Fund	"	"	3,704,829	50,043	-	50,043
	Beneficiary certificate (open-end) -Yuanta De-Li Money Market Fund	"	"	3,073,367	50,037	-	50,037
	Beneficiary certificate (open-end) -Prudential Financial Money Market Fund	"	"	3,167,705	50,030	-	50,030
	Beneficiary certificate (open-end) -KGI Victory Money Market Fund	"	"	4,325,783	50,015	-	50,015
	Beneficiary certificate (open-end) -Union Money Market Fund	"	"	3,793,512	50,012	-	50,012
	Beneficiary certificate (open-end) -TCB Taiwan Money Market Fund	"	"	4,928,245	50,000	-	50,000
	Beneficiary certificate (open-end) -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%	-

TABLE 2

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	
The Company	Yungtay Elevator Equipment Co. (China)	Indirect Subsidiary	Purchases	273,101	15.04%	2~3 months after the goods were delivered	Goods only purchased from related party, accordingly can't be compared to any other vendor.	2~3 months after the goods were delivered	43,596	9.29%	-

TABLE 3

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)

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	Indirectly investing in Yungtay Elevator Equipment (China) Co.	US$ 11,100 NT$ 296,939	US$ 11,100 NT$ 296,939	11,183,510	78.72%	US$ 199,148 NT$6,106,993	US$ (8,618) NT$(260,151)	US$ (6,697) 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 NT$ 1,045,647	US$ 33,500 NT$ 1,045,647	33,500,000	100.00%	US$ 54,101 NT$1,658,996	US$ (5,937) NT$(179,226)	US$ (5,937) 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 NT$1,652,660	US$ (8,618) NT$(260,151)	US$ (1,833) NT$ (55,360)	Subsidiary

TABLE 4

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

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, 2017	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.	8,280,622 thousand	US$5,398 thousand and RMB220,000 thousand (NT$1,243,713 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.	-	-	-	-	"	
Jiyi Electric Engine (Shanghai) Co.	-	RMB19,621 thousand (NT$94,214 thousand)	-	-	"	

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

Please see Note 14 to the consolidated financial statements for the year ended December 31, 2018.

(VI) Impacts of Latest Financial Difficulties Encountered by Company and Its Associated Enterprises on Company's Financial Standing in the Most Recent Year and Up to the Date the Annual Report Was Printed:

Not applicable.

VII. Review, Analysis, and Risks of Financial Conditions and Performances

(I) Financial Status Review and Analysis

Unit: NTD thousand

Items \ Year	2017	2018	Difference	
			Amount	%
Current Assets	15,523,043	13,904,643	-1,618,400	-10.43%
Real estate, manufacturing facilities and equipment	5,811,956	5,419,088	-392,868	-6.76%
Intangible Assets	185,577	52,622	-132,955	-71.64%
Other Assets	2,408,261	2,273,691	-134,570	-5.59%
Total Assets	23,928,837	21,650,044	-2,278,793	-9.52%
Current Liabilities	11,199,914	9,449,408	-1,750,506	-15.63%
Non-current Liabilities	963,987	729,047	-234,940	-24.37%
Total Liabilities	12,163,901	10,178,455	-1,985,446	-16.32%
Capital Shares	4,108,200	4,108,200	0	0.00%
Capital reserve	264,835	270,267	5,432	2.05%
Retained earnings	7,133,037	6,987,662	-145,375	-2.04%
Total Equity	11,764,936	11,471,589	-293,347	-2.49%

Increase/decrease change analysis description: (analysis of the rate of increase/decrease that was over 20% and the amount of change was NT$10 million)

1. Intangible assets : It was due to the recognition of total impairment loss on goodwill after assessment.
2. Non-current liabilities :The difference of net defined benefit liabilities in 2017 and 2018 was mainly from deposits by Taiwan Yungtay Co. to Specific Account for Pension of Bank of Taiwan and the amount of almost NT$200 million paid by Taiwan Yungtay Co. to retired employees.

(II) Financial Performance Review and Analysis

	2017 Amount	2018 Amount	Amount Increase (Decrease)	Change Ratio
Operating Revenues	16,752,217	14,858,628	(1,893,589)	-11.30%
Operating cost	(12,297,354)	(11,422,890)	874,464	-7.11%
Gross Profits	4,454,863	3,435,738	(1,019,125)	-22.88%
Operating Expenses	(2,975,940)	(2,460,104)	515,836	-17.33%
Net Operating Income	1,478,923	975,634	(503,289)	-34.03%
Non-business income and expenditure	69,980	79,035	9,055	12.94%
Continuing Sales Department Pre-tax Net Profit	1,548,903	1,054,669	(494,234)	-31.91%
Income Tax (Expenses) Benefits	(391,734)	(322,926)	68,808	-17.56%
Continuing Sales Department Post-tax Net Profit	1,157,169	731,743	(425,426)	-36.76%
Other Comprehensive Net Profit and Loss (Post-tax)	(298,728)	(146,162)	152,566	-51.07%
Total Consolidated Gains and Losses for the Current Period	858,441	585,581	(272,860)	-31.79%

1. Increase/decrease ratio change analysis description: (analysis of the rate of change that was over 20%)
   (1) The decrease in gross profits and net operating income :
   It was mainly due to the decline of sales price of taking orders in Mainland China in recent years plus the effect of rising raw material and thus the huge drop in profit margin and net income.
   (2) The decrease in Pre- and post-tax net profit declines from the continuing sales department :
   It was resulting from the huge drop in operating revenue and pross profit and thus the decline of net income in 2018 compared to that in 2017.
   (3) Other comprehensive net profit and loss (post-tax) : same as description (2).
2. Reasons for changes in the company's main business content : None.
3. Expectations and their basis and the main influencing factors for the company's expected sales growth to continue to grow or decline :

Items	Expected Sales Volume for the Next Year	Rationale
Elevators (Escalators)	13,660 units	The sales volume is estimated based on the existing installation contracts in 2019 that has not yet been shipped, the business climate, the market competition status, and the historical sales records; which should be more stable compared to that of the previous year.

(III) Cash Flow Review and Analysis

1. Cash Flow Change Analysis for the Current Year

Items \ Year	2017	2017	Increase (Decrease) Changes Ratio
Cash Flow Ratio	8.37%	5.52%	-34.05%
Cash Flow Allowance Ratio	89.52%	89.39%	-0.15%
Cash Reinvestment Ratio	-0.45%	-2.32%	415.56%

Increase/decrease ratio change analysis description :

(1) Cash flow ratio : The drop in profit led to the decrease of net cash outflow generated from operating activities.

(2) Cash flow allowance ratio : The decrease of cash dividends paid resulted from the drop in profit and thus the decrease of net cash outflow generated from operating activities.

2. Cash flow analysis for the next year :

Cash balance at the beginning of the period ①	Annual net cash flow from operational activities ②	Annual cash outflow ③	Remaining cash (Insufficient) Amount ①+②-③	Insufficient Cash Amount Remedy Measure	
				Investment plan	Financial management plan
3,875,535	762,198	664,107	3,973,626	—	—

(1) Business activities: In 2019, real property investment in mainland China has slowed down due to the strict financial supervision as well as the lack of domestic demands caused by the migration of factories and suppliers, resulting from the trade war between USA and China. On the other hand, the elevator market has also been involved, for the sales competition is fierce, and the unit price goes down, causing the reduction of profit. However, due to the implementation of affordable housing projects, old building reform policies, and building renovation plans, it is expected that the cash inflow from elevator operating activities will remain stable next year. China's real estate investment has slowed down in 2018. The demand from the elevator market has fallen, the price competition has become fierce, and the product profits have fallen as raw material prices have increased. The cash inflows from operating activities are expected to decrease in the coming year.

(2)Investment activities: The Company's old production equipment and factory buildings have been renovated and there are necessary expenditures for elevator project security deposits. The investment activity cash flow for 2019 is anticipated to be net outflow.

(3) Fund-raising activities: Due to the profit decline of the reinvestment companies, the surplus distribution will be reduced compared with 2018. And coupled with the cash demand for cash dividends, the cash flow from financing activities in 2019 will be a net outflow.

3. Insufficient cash remedial measures and liquidity analysis: Not applicable.

(IV) The Major Impacts of Annual Capital Expenditure on Financial Operations during the Most Recent Fiscal Year:

The capital expenditures in 2018 were mainly on the replacement of production equipment and repairs of manufacturing facilities and there were no major capital expenditure items. They had no impacts on the financial standing of the Company.

(V) Reinvestment Policy for the Most Recent Year, the Main Reasons for the Profits/Losses Generated, the Improvement Plans, and the Investment Plans for the Coming Year.

1. The most recent annual reinvestment policy :

   The Company's reinvestment policy is based on the elevator-related mechanical and electrical industries. There is no investment plan in the most recent year.

2. Main reasons for profit :

   in 2018, due to the slowdown in real estate growth and the tightening of housing enterprise financing environment, Yungtay (China)'s elevators sales was decreased and the production capacity couldn't reach the full scale. And there were necessary expenses and depreciation amortization, so Yungtay (China) will respond by continuing to strengthen sales and increase production capacity in the future.

3. Investment Plans for the Coming Year :

   There is no clear investment plan at present.

(VI) Risk items

(1) The effects that interest, exchange, fluctuation, and inflation rates have on the profits and losses of the company as well as the future response measures :

Items	Effects to the Company's Profit and Loss	Future Response Measures
Interest Rate changes	The net income from interest for the Company in 2018 was NT$63,635 thousand, accounting for 0.43% of the annual operating revenue and 6.52% of gross profits. The percentages were extremely low. Besides, the Company has no loans. Therefore, the change in the interest rate had no effects on the Company's profits and losses.	No response measure is needed currently.
Exchange Rate Fluctuation	1. Yungtay (China) 2018 annual operating revenue accounted for approximately 56% of the its consolidated financial statement. As the functional currency of the company's consolidated financial statement is in NTD, the exchange rate fluctuation of RMB against NTD will affect the company's profit and loss. 2. Some of the company's procurement activities are made in foreign currencies, so the exchange rate fluctuations will also affect the profit and loss of the company.	1. Maintain close ties with the foreign exchange departments of the financial institutions, and collect relevant information on exchange rate changes at any time. In the future, Yungtay (China) will repatriate the surplus in order to properly hedge in the event of expected adverse effects from exchange rate changes. 2. Properly use the derivative financial instruments such as forward foreign exchange contracts to avoid exchange rate risks.
Inflation	The increase of the prices of raw materials such as steel and rare earth that account for a large proportion of production costs will have an adverse effect on elevator cost control and corporate profitability.	Continuing to control raw material supply sources and inventory levels and plus the bargaining method of signing cross-strait collaborative purchase contracts to reduce the impact of fluctuations in raw material prices during company operations.

(2) Main policies for engaging in high-risk engagements, highly leveraged investments, endorsement guarantees, and derivative transaction policies; main reasons for profits and losses; and future response measures :

1. High risk and high leverage investments :

   This company does not engage in high risk and high leverage investments.

2. Money loaned to others and endorsement guarantees :

   Among the subsidiaries whereby the company directly or indirectly holds 100% of the voting shares, the funding or endorsement of funds due to actual operational needs are implemented after submitting to the Board of Directors for resolution in accordance with the "Financing and Fund Operation Endorsement Procedures", and declare it according to regulations.

3. Derivative commodity trading :

   The company's derivative commodity transactions primarily consisted of forward foreign exchange contracts that circumvent the risk foreign currency exchange rate fluctuations, and are implemented after submitting to the Board of Directors for resolution in accordance with the "Financing and Fund Operation Endorsement Procedures", and declare it according to regulations.

(3) Future R&D plans and anticipated investments in R&D expenses :

Unit: NTD thousand

No.	Theme of Plan	Expected Investments in R&D Expenses
1	Y12 Control Series Development	500
2	Elevator Monitoring and IoT Development	560
3	Yungtay Central Surveillance System	500
4	MPU H8 to RX63N Conversion Development	300
5	Y12 Series (EN) Control Panel Development	300
6	Second-generation YHVF High-speed Elevator Development	1,610
7	Computerized Test Bench	100
8	PCB Electromagnetic Interference Suppression Development	500
9	Upper Controller Program Architecture Development	4,000
10	Infoteam IEC61131 Program Platform Development	4,000
11	Computerization of Automatic Test Bench	300
12	Elevator Real-time Recording Device Development	200
13	Second Generation Machine-room-less Elevator Development	4,780
14	Home Elevator Competition Edition Development	2,870
15	Replacement Host Machine 1000 kg Development (R1:1)	500
16	Locking Door blade (Door Slamming Prevention Device)	200
17	Impact Resistant Door Development	300
18	Long barrel type PM heavy load machine-room-less	500
19	New National Standard Corresponding Development	4,820
20	10,000kg Freight Elevator Development	2,000
21	Small Mechanical Room Elevator Development and Expansion	1,370

No.	Theme of Plan	Expected Investments in R&D Expenses
22	Elevator Installation in Old Building Development	910
23	Elevator type testing for High-speed Elevator (7m/s)	910
24	Project of Costs Reduction for Elevator	1,370
25	Series P Escalator of Public Transportation Development	15,030
26	Series W Autowalk of Public Transportation Development	4,560
27	Survey and research on Commercial Escalator at Next Generation	460
28	Support for Public Transportation Project	230
29	Motor Improvement Development	4,100
30	IoT Development	230
31	AI Related Technology Integration	1,370
32	Electronic Control System of Public Transportation Escalator Development	1,090
33	Optimization of Electronic Control System of Escalator	140
34	Support for Public Transportation Escalator Project	90
	Total	60,700

Main impact factors for future R&D success :

1. Stabilized personnel of technical R&D team and strong centripetal force.
2. Reasonable and effective management system and team.
3. Annual allocation of appropriate resources.
4. Actively investing in self-development concerning the new CNS15827-20 regulations, and becoming the leading position in the industry.

(4) Impacts of important domestic and international policies and regulatory changes on the Company's financial performance and the countermeasures :

In 2019, due to the affection of international economic and trade conflicts, tightening of the capital market and the slowdown of global economic growth will make the US Federal Reserve cautious about raising interest rates this year. The domestic central bank also maintains a moderate and stable monetary policy to create a low-profit environment and secure investment confidence. In addition, the government's implementation of urban renewal and old housing reconstruction policies will bring benefits to the housing market, and the Company's operations and financial business are expected to grow steadily.

(5) Effects of technological changes and industrial changes on the financial standing of the company and the countermeasures : None.

(6) Impacts of changes in the corporate image on the management of corporate risks and the countermeasures : None.

(7) Expected benefits and possible risks of mergers and acquisitions : There are no merger or acquisition plans at the moment.

(8) Expected benefits and possible risks of the expansion of manufacturing facilities : There are no expansion plans at the moment.

(9) Risks encountered with focused purchases or sales : All the goods imported by the Company are commodities with sufficient supply on the market so shortage in materials is not a concern.

(10) Impacts of transfer or exchange of stock options in large quantities by directors, supervisors, or heavyweight shareholders holding more than 10% of all shares on the Company and the risks : The result of the equity change of Yungtay is that the equity tends to concentrate on a few major shareholders, which means having confidence in the company's operating model and future development. It has no adverse impacts and risks on the Company.

(11) Impacts of the change in the management on the Company and the risks : After the change of operation rights, professional managers are appointed to manage the company's operations, and the operation rights are separated from management rights which is in line with the direction of corporate governance. In the future, it will create a win-win situation for employees and shareholders.

(12) Lawsuits and non-lawsuit events. Major lawsuits and non-lawsuits or administrative disputes with a finalized verdict or ongoing proceedings that involve the Company, the Company's directors, supervisors, general managers, actual person in charge, and shareholders holding more than 10% of all shares, and the associated companies shall be listed. If the results are likely to have significant impacts on shareholders' equity or prices of securities, the facts, target value, and start date of the lawsuit, main clients involved, and handling status as of the date of the Annual Report was printed shall be disclosed : The Company’s subsidiary Yungtay-Hitachi Construction Machinery sold one crane SCX2800-2 in October 2011 to its customer Kuan zong Construction Co., Ltd.. This transaction dispute lawsuit was in relation to goods with the total price of JPY 180,000,000 (equivalent to NT$70,562,700). The verdict of Taiwan Supreme Court to this case in October 2018 was to confirm that this sales transaction did exist effectively and that is was not necessary to return the consideration. Yungtay-Hitachi Construction Machinery reversed the account of allowance for inventory decline loss amounting 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.

(13) Other important risks and countermeasures: None.

(VII) Other important matters: None.

VIII. Special Notes

Declaration on Consolidating Financial Statements of Yungtay Engineering Co., Ltd. and Its Affiliated Companies

And Associated Enterprises

Companies that should be included in the compiled Consolidated Financial Statement of Associated Enterprises for 2018 (from January 1, 2018 to December 31, 2018) in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are identical to those that should be compiled in the Consolidated Statement of Parent Company and Subsidiaries as per International Financial Reporting Standard 10 and all the information that should be disclosed in the Consolidated Financial Statement of Associated Enterprises has been disclosed in the Consolidated Statement of Parent Company and Subsidiaries. Therefore, the Consolidated Financial Statement of Associated Enterprises is not prepared separately.

Please take note of the above declaration.

Name of Company : Yungtay Engineering Co., Ltd.(Seal)

Person in Charge : Ray Chun Su (Seal)

March 15, 2019

Yungtay Engineering Co., Ltd.

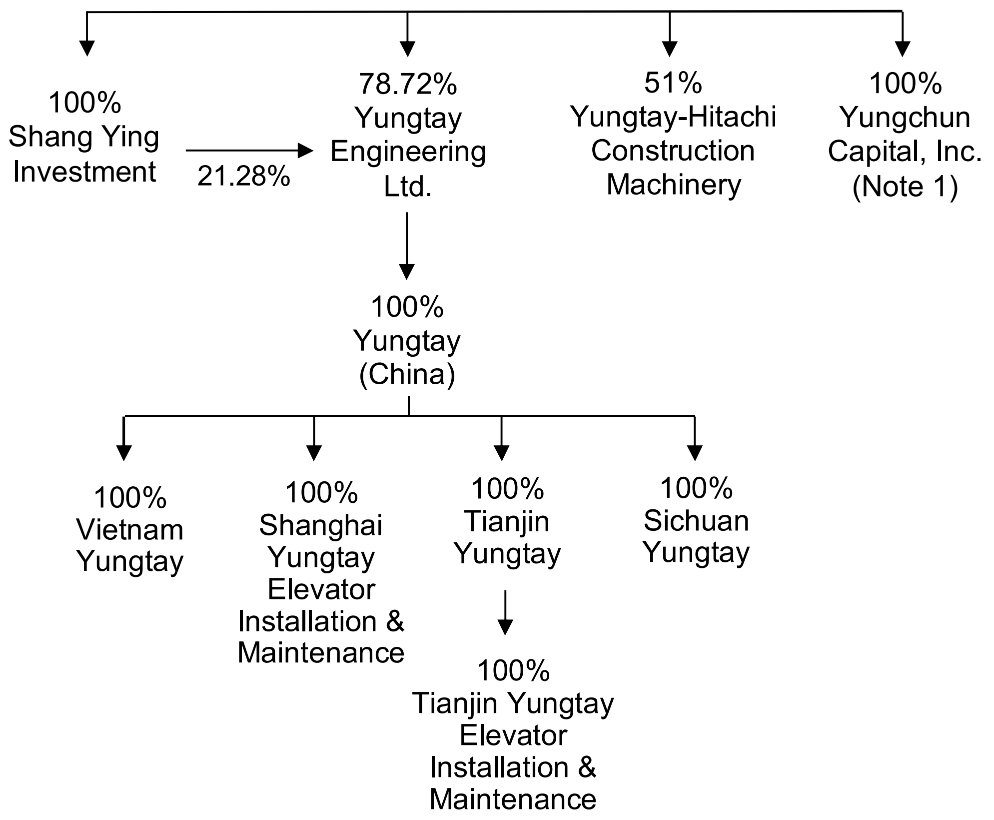
2018 Consolidated Business Report of Associated Enterprises

I. Information of associated enterprises

(I) Overview of Associated Enterprises

1. Organizational Overview of Associated Enterprises

(1) Organizational Chart of Associated Enterprises



Note 1: Yungchun Capital, Inc. holds 2,129,800 shares in Yungtay Engineering Co., Ltd. and is shown as financial assets available for sale in the book.

Note 2. The Board of Directors of Yungtay Elevator Equipment (China) Co., Ltd. decided on October 16, 2017 that it would acquire and consolidate Shanghai Gie EM Co., Ltd. Yungtay Elevator Equipment (China) Co., Ltd. will survive while Shanghai Gie will be extinguished. The base date for the consolidation is December 31, 2017.

(2) Affiliated companies whose personnel, finance, or business operation are controlled directly or indirectly by the Company as required by Article 369-2 Paragraph 2 of the Company Act: None.

2. Profile of respective associated enterprises

Unit: NTD thousand

Name of Business	Date of Establishment	Address	Paid-in capital size	Main scope of operation or production
Yungtay Engineering Ltd.	1993/3/25	54F of Hopewell Center, No. 183, Queen's Road East, Hong Kong	US$ 15,113	Investment
Yungtay Elevator Equipment (China) Co., Ltd.	1993/9/1	No. 99, Jiuxin Highway, Jiuting Township, Songjiang District, Shanghai	US$ 56,000	Manufacturing, care, and installation of elevators
Yungchun Capital, Inc.	1998/4/27	11F, No. 99, Fuxing North Road, Taipei	NT$ 85,000	General investment
Yungtay-Hitachi Construction Machinery Co., Ltd.	1998/9/25	10F, No. 99, Fuxing North Road, Songshan District, Taipei	NT$ 128,000	Dealership, repairs, and care of domestic and foreign construction machinery
Shang Ying Investment Co., Ltd.-Samoa	2007/12/5	Level 2,Lotemau Centre Vaea Street, Apia, Samoa.	US$ 33,500	Investment
Tianjin Yungtay Elevator Equipment Co., Ltd.	2008/4/3	Tianjin Pharmaceutical and Medical Equipment Industrial Park (No. 3, Yongbao Road)	RMB 200,000	Manufacturing, care, and installation of elevators
Shanghai Yungtay Elevator Installation & Maintenance Co., Ltd.	2008/7/28	Buildings 6 and 7, No. 599, Banting Road, Jiuting Township, Songjiang District, Shanghai	RMB 20,000	Care and installation of elevators
Vietnam Yungtay Elevator Co., Ltd.	2010/1/25	No 26 Duong Lam Son, Phuong 2, Quan Tan Binh, TPHCM	US$ 800	Sales, care and installation of elevators
Tianjin Yungtay Elevator Installation & Maintenance Co., Ltd.	2011/3/22	Tianjin Pharmaceutical and Medical Equipment Industrial Park (No. 3, Yongbao Road)	RMB 3,500	Care and installation of elevators
Sichuan Yungtay Elevator Equipment Co., Ltd.	2013/6/28	Puhe Road, Xindu District, Chengdu	RMB 152,000	Manufacturing, care, and installation of elevators

3. Associated enterprises with factories whose sales exceed 10% of the business revenue of the controlling company : Yungtay Elevator Equipment (China) Co., Ltd.

4. Data of common shareholders inferred to have control or to be in a subordinate relationship : None.

5. Industries covered in the scope of operation of associated enterprises as a whole :

The scope of operation of the associated enterprises of the controlling company and its affiliated companies includes manufacturing, care, and installation of elevators, dealership, repairs, and care of domestic and international construction machinery, and building automatic systems and flow monitoring systems and investment, etc.

The construction machinery and the parts sold by Yungtay-Hitachi Construction Machinery Company Limited are all purchased from Hitachi Construction Machinery Co., Ltd.

6. Profile of directors, supervisors, and general managers of individual associated enterprises:

March 31, 2019

Name of Business	Title	Name or Representative	Shares Held		Shares held by the representative	
			Quantity	Ratio	Quantity	Ratio
Yungtay Engineering Ltd.	Director	Yungtay Representative : Tso Li Hsu	11,183,510	78.72%	0	0%
	Director	Yungtay Representative : Fong Chieh Tsai			0	0%
	Director	Yungtay Representative : Ray Chun Su			0	0%

March 31, 2019

Name of Business	Title	Name or Representative	Shares Held		Shares held by the representative	
			Quantity	Ratio	Quantity	Ratio
Yungtay-Hitachi Construction Machinery Co., Ltd.	Chairperson	Yungtay Representative : Shui Tao Chou	6,528,000	51.00%	0	0%
	Director	Yungtay Representative : Tso Li Hsu			0	0%
	Director	Yungtay Representative : Ray Chun Su			0	0%
	Supervisor	Tung Sheng Lin	0	0%	—	—
	Director and General Manager	Hitachi Construction Machinery Representative : Takunori Tsushima	6,272,000	49.00%	0	0%
	Director	Hitachi Construction Machinery Representative : Noribumi Kobayashi			0	0%
Yungchun Capital, Inc.	Chairperson	Yungtay Representative : Tso Li Hsu	8,500,000	100.00%	0	0%
	Director	Yungtay Representative : Yu Hsin Hsu			0	0%
	Director	Yungtay Representative : Tung Sheng Lin			0	0%
	Supervisor	Feng Ming Wu	0	0%	—	—
Shang Ying Investment Co., Ltd	Director	Yungtay Representative : Tso Li Hsu	33,500,000	100.00%	0	0%
Yungtay Elevator Equipment (China) Co., Ltd.	Legal representative	Hong Kong Yungtay Representative : Ray Chun Su	—	100.00%	—	—
	Director	Hong Kong Yungtay Representative : Fong Chieh Tsai				
	Director	Hong Kong Yungtay Representative : Feng Ming Wu				
	Supervisor	Hong Kong Yungtay Representative : Tung Sheng Lin				
	General Manager	Tso Ming Hsu				
Tianjin Yungtay Elevator Equipment Co., Ltd.	Legal Representative and General Manager	Yungtay (China) Representative : Tso Ming Hsu	—	100.00%	—	—
	Director	Yungtay (China) Representative : Yu Yuan Shen				
	Director	Yungtay (China) Representative : Ting Hsien Tsai				
	Supervisor	Yungtay (China) Representative : Chih Ang Chen				

March 31, 2019

Name of Business	Title	Name or Representative	Shares Held		Shares held by the representative	
			Quantity	Ratio	Quantity	Ratio
Shanghai Yungtay Elevator Installation & Maintenance Co., Ltd.	Legal Representative	Yungtay (China) Representative : Ke Min Ma	—	100.00%	—	—
	Director and General Manager	Yungtay (China) Representative : Hung Sen Chen				
	Director	Yungtay (China) Representative : Wen Tsung Yang				
	Supervisor	Yungtay (China) Representative : Chih Ang Chen				
Tianjin Yungtay Elevator Installation & Maintenance Co., Ltd	Legal Representative and General Manager	Tianjin Yungtay Representative : Chun Yung Chao	—	100.00%	—	—
	Director	Tianjin Yungtay Representative : Shui Tao Chou				
	Director	Tianjin Yungtay Representative : Ting Hsien Tsai				
	Supervisor	Tianjin Yungtay Representative : Piao Kang Lu				
Vietnam Yungtay Elevator Co., Ltd	Legal Representative	Yungtay (China) Representative : Chih Ang Chen	—	100.00%	—	—
	General Manager	Yungtay (China) Representative : Min Chou Kao				
Sichuan Yungtay Elevator Equipment Co., Ltd	Legal Representative and General Manager	Yungtay (China) Representative : Tso Ming Hsu	—	100.00%	—	—
	Director	Yungtay (China) Representative : Ting Hsien Tsai				
	Director	Yungtay (China) Representative : Tzu Wen Hsu				
	Supervisor	Yungtay (China) Representative : Chih Ang Chen				

(II) Overview of individual associated enterprises' operation

Financial condition and operational accomplishments of respective associated enterprises:

Unit: NTD thousand

Name of Business	Capital	Gross assets	Total liabilities	Net worth	Operating Revenues	Operating Interests	Gains and losses of the term (after tax)	Earnings Per Share (NTD)
1. Yungtay Engineering Ltd.	406,222	14,156,877	6,390,617	7,766,260	8,306,719	-359,532	-260,151	-
2. Yungtay Elevator Equipment (China) Co., Ltd.	1,566,971	14,045,543	6,390,618	7,654,925	8,306,719	-359,015	-261,975	-
3. Yungchun Capital, Inc.	85,000	142,961	0	142,961	0	-218.01	4,293	0.24
4. Yungtay-Hitachi Construction Machinery Co., Ltd.	128,000	565,430	206,668	358,762	892,335	129,432	116,318	9.09
5. Shang Ying Investment Co., Ltd.-Samoa	1,045,647	1,658,996	0	1,658,996	0	0	-179,226	-
6. Tianjin Yungtay Elevator Equipment Co., Ltd.	907,680	1,889,563	260,696	1,628,867	922,009	17,888	-12,215	-
7. Shanghai Yungtay Elevator Installation & Maintenance Co., Ltd.	95,197	607,452	117,622	489,830	161,743	18,213	-31,597	-
8. Vietnam Yungtay Elevator Co., Ltd.	23,264	36,125	4,295	31,830	11,931	2,344	3,352	-
9. Tianjin Yungtay Elevator Installation & Maintenance Co., Ltd.	15,505	18,200	360	17,840	940	259	1281.99396	-
10. Sichuan Yungtay Elevator Equipment Co., Ltd.	736,573	1,220,705	703,040	517,665	632,847	-84,776	-32,778	-

Notes : 1. The financial condition and operational accomplishments of Hong Kong Yungtay and Yungtay Elevator Equipment (China) are prepared with the values shown in consolidated statements.

2. The financial statements show values in US Dollar or RMB. For assets and liabilities and profits and losses, they are converted to NTD thousand according to the spot exchange rate and mean exchange rate on the date of report.

(III) Affiliation Report : Not applicable.

II. Organization of private placement securities : None.

III. Holding or disposal of the Company's shares by its subsidiaries in the most recent year and up to the date the Annual Report was printed

Unit: NTD thousand; share

Subsidiary Name	Paid-in capital	Source of funding	The Company Ratio	Acquisition or disposal Date	Acquired shares and Amount	Disposed shares of and value	Investment gains and losses	Number of shares held as of the date the Annual Report was printed and Amount	Pledge created	The Company Value of endorsement and guarantee provided by the Company to the subsidiary	The Company Value lent by the Company to the subsidiary
Yungchun Capital, Inc.	180,000	Self-capital	100.00%	–	–	–	–	2,129,800 shares $137,159 thousand	–	–	–

Notes : 1. The shares held by the subsidiary in the parent company are considered as the treasury stock, effective 2002; therefore, they do not affect the financial performance.

2. The subsidiary listed above was established in 1998 and no capital increase has been made ever since; therefore, it does not affect the Company’s financial condition.

IV. Other matters requiring supplementary information : None.

IX. Matters with important impacts on shareholders’ equity or prices of securities as indicated in Article 36, Paragraph 3, Subparagraph 2 of the Securities Exchange Act in the most recent year and up to the date the Annual Report was printed :

None.

永大機電工業股份有限公司

Chairperson　Tso Ming Hsu