Stock Code: 3189

KINSUS INTERCONNECT TECHNOLOGY CORP.
2017 Annual Report

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

Printed on April, 2018
Taiwan Stock Exchange Market Observation Post System: **http://mops.twse.com.tw**
Annual Report is available at: **http://www.kinsus.com.tw**

The inside cover of annual report

1. **The name, title, telephone number, and e-mail address of the spokesman or acting spokesman**
   (1) The Spokesman
   Name: Mu, Xian Jue
   Title: Senior Project Director of Planning Office
   Telephone number: 886-3-487-1919 EXT 26660
   E-mail: jackmu@kinsus.com.tw
   (2) The Acting Spokesperson
   Name: Liu, Su Zhen
   Title: Senior Director of Finance Department
   Telephone number: 886-3-487-1919 EXT 25005
   E-mail: suejaneliu@kinsus.com.tw

2. **The address and telephone number of the Company's headquarters, branch offices, and factories**
   Headquarter (Shilei Factory): No.1245, Zhonghua Rd., Xinwu Dist., Taoyuan City 327, Taiwan, R.O.C.
   Telephone number: 886-3-487-1919
   Qinghua Factory: No.810, Zhonghua Rd., Xinwu Dist., Taoyuan City 327, Taiwan, R.O.C.
   Telephone number: 886-3-487-1988
   Xinfeng Factory: No.526, Sec. 2, Jianxing Rd., Xinfeng Township, Hsinchu County 304, Taiwan, R.O.C.
   Telephone number: 886-3-557-1799

3. **The name, address, e-mail address, and telephone number of the agency handling shares transfer**
   Name: Shareholder Services Department, KGI Securities
   Address: 5th Fl., No. 2, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City 100, Taiwan, R.O.C.
   Website: https://www.kgieworld.com.tw
   Telephone number: 886-2-2389-2999

4. **The name of the certified public accountant who duly audited the annual financial report for the most recent fiscal year, and the name, address and telephone number of said person's accounting firm**
   Names of certified public accountant: Huang, Yi Hui and Zhang, Zhi Ming
   Name of accounting firm: Ernst & Young
   Address: 9th Fl., No. 333, Sec. 1, Keelung Rd., Songshan Dist., Taipei City 105, Taiwan, R.O.C.
   Website: http://www.ey.com.tw
   Telephone number: 886-2-2757-8888

5. **The name of any exchanges where the Company's securities are traded offshore, and the method by which to access information on said offshore securities**
   NA

6. **The address of the Company's website**
   http://www.kinsus.com.tw

The contents of annual report

5. An overview of operations

6. An overview of the Company's financial status

7. A review and analysis of the Company's financial position and financial performance, and a listing of risks

8. Other items deserving special mention

1. A report to the shareholders

Dear Shareholders,

(1)2017 Business Report

GDP in 2017 grew by 3.8% as market changed dramatically. Among them, semi-conductor market, which is the most related with the Group, grew by 22.2% while the growth rate of memory was 64%, accounted for as the important portion, 31%, among the semi-conductor products. However, semi-conductor memory market growth does not trigger the growth of packaging and substrate industries as the growth of memory eventually is driven by the rapid growing of 3D multi-layer memory chip. The growth trend of substrates used in high-end packaging, such as AP for telecom devise, CPU for server, and FPGA for automation and base station, seems relatively weak.

It is possible that many factors, such as the rising US interest rate in 2017, blockchain revolution, uncertain schedule of Fed's reduction of its balance sheet, reducing monetary easing policy by major economies, US tax reduction policy, and the intense geopolitics situation in Asia, would influence global economy movement trend in near future.

Fortunately, the most important momentum for electronic products and semi-conductors, i.e. AI+IoT=AIoT, is continuously developing and rapidly expanded. It is expected that AIoT will drive significantly the demand of semi-conductors and electronics.

The Company's revenue in parent-company-only basis totaled to NT$16,286,034 thousand in 2017, decreased by 9.18% compared to NT$17,931,850 thousand in 2016. Net income in parent-company-only basis was NT$491,676 thousand in 2017, decreased by 77.99% compared to NT$2,233,705 thousand in 2016. The Company's consolidated revenue totaled to NT$22,335,486 thousand in 2017, decreased by 3.58% compared to NT$23,165,066 thousand in 2016. The consolidated net income was NT$335,322 thousand in 2017, decreased by 83.82% compared to NT$2,073,028 thousand in 2016. Main reasons for the reduction in profit are the production learning curve and huge startup expenditures of new HsinFong Factory. The delayed product release schedule and slower production learning curve contributes to the reduction in gross margin rate while the capital expenditures and related startup expenditures increased the operational expenses ratio. It can be expected that the two negative factors will impact less in 2018.

(2)Summary of the business plan for FY2018

(A) Business Policy

Since the Company's establishment, we have been upholding the principle of "Satisfying Customers and Pursuing for Excellence" as our business policy, developing leadership in technique to meet market demand, mastering new generation product demands, investing engineering resources to stay ahead, and striving for better profit to benefit our shareholders under the intense competition.

The Company has adjusted its product mix toward diversification to respond to the slowing IC substrate industry and stopping high-end semiconductors process market. In order to keep a growing trend and momentum for profitability, the Company has invested more resources on SiP module, server/CPU, memory and soft board module.

(B) 2018 Expected Sales and Its Sources

For 2018, overall GDP will grow by 4.1%, which is better than 2017's, according to a global survey. Semiconductor market will accordingly grow better than 2017 at 24%. Among them, the bigger portion of the growth are components related to AI, including server CPU, Imager processor GPU, senor control chip, memory, etc. The opportunity from application of automobile electronics, including assisted autopilot ADAS, automatic driving environment sensor, automatic driving learning algorithm processor, etc., will continuously grow but subordinated to AI's.

Another opportunity is 5G telecom, which is one of the important interfaces to speed up IoT/AI, i.e. AIoT, ending applications. By providing huge amount of bandwidth, 5G telecommunication platform enables the transfer of huge amount of information and automation, information mining/analysis in an inexpensive way. Neural network constructed in AI application therefore can be implemented and influence and change human life in every aspect. However, 5G telecom can't contribute to 2018 business performance since it is unable to turn into business until the end of 2018 while we will focus on related technique supports, control clients' product developing status and preliminary layout efforts, which would be the success factors of subsequent growth.

(C) Significant Production and Marketing Policy

A. We will continuously invest research and development resources to support the diversified needs of consuming products and expand micro fine circuit manufacturing process production line. Also we will invest to meet the need of Fab 10 nm product process in order to obtain the market opportunities.

B. As the expanding scale in operation, we will continuously recruit the professional talent, import high quality systems and technology, and invest in automated production equipment to improve production yields in order to achieve the Company's high-profit target.

C. The Company should try its best to catch the business opportunity of processor and memory.

(3)Company development strategy

We will aim at application of slim substrates of ABF-FCBGA and memory and the techniques and products of SiP module and SLP module in short-term, keeping up with the elemental global semiconductor developing trend of continuously miniature line width, aperture, and thickness in medium term, and developing complicated structural technique of active/passive components and direct wafer bonding in long term. By these development strategies, we are confident that the Company will definitely sustain our competitiveness in product market as well as in the technique.

Sincerely Yours,

The Chairman and CEO
Guo, Ming-Dong

2. A Company Profile

(1) Date of Incorporation: 9/11/ 2000

(2) A brief history of the Company

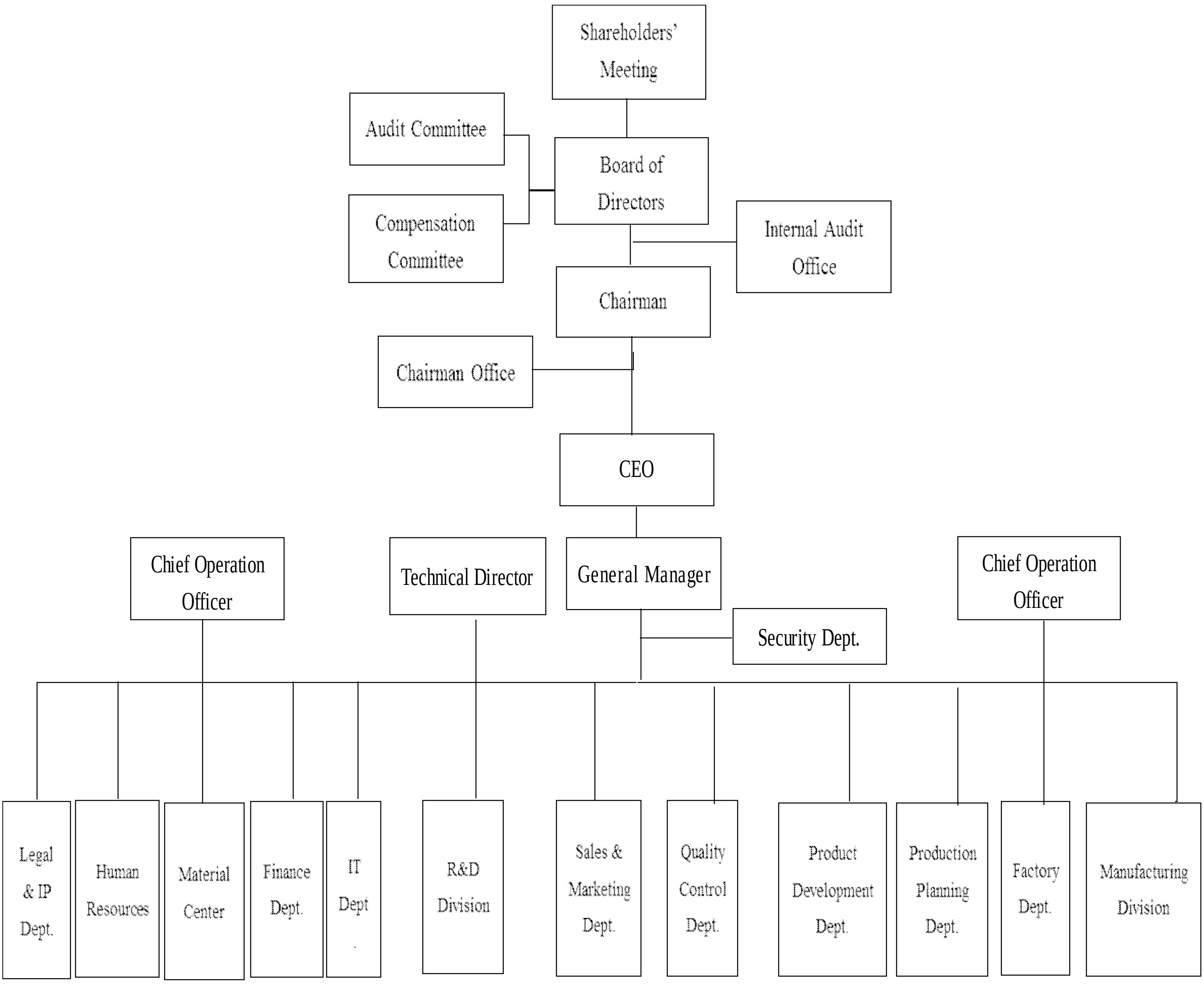
Year	Milestones
2000/09	Founded with NT$2.5 billion capital and NT$12 billion paid-up capital. Manufacturing mainly in BGA related products.
2000/12	Cash capital increased by issuing new shares of NT$100 million with NT$1.3 billion paid-up capital after increase in total.
2001/04	Cash capital increased by issuing new shares of NT$600 million with NT$1.9 billion paid-up capital after increase in total.
2001/05	Started operations.
2001/07	Be certified to QS 9000.
2001/12	Be certified to ISO 14000 - Environmental management.
2002/06	Corporation went public.
2002/11	Cash capital increased by issuing new shares of NT$100 million with NT$2 billion paid-up capital after increase in total.
2003/03	Plant expansion to the 3rd floor and the 4th floor.
2003/09	Listed for trading in emerging markets.
2003/12	Acquired the review by Industrial Science and Technology Committee on the submissions of "Science and technology product or technology successful development and marketing".
2004/06	Surplus capital increased by issuing new shares of NT$220 million with NT$2.22 billion paid-up capital after increase in total.
2004/11	Listed on Taiwan Stock Exchange.
2004/11	Plant built in Qinghua: No.810, Zhonghua Rd., Xinwu Dist., Taoyuan City.
2005/05	Operating performance ranked the 2nd, return on assets ranked 15th, return on equity ratio ranked 31st, growth drive ranked 33rd, profitability ranked 38th, and business revenue ranked 355th among top 1000 manufacturing companies by Commonwealth Magazine.
2005/07	Surplus capital increased by issuing new shares of NT$378 million with NT$2.598 billion paid-up capital after increase in total.
2005/08	Cash capital increased by issuing new shares of NT$300 million with NT$2.898 billion paid-up capital after increase in total.
2005/10	Plant bought at No.8, Qingnian Rd., Yangmei Dist., Taoyuan City 32661, Taiwan (R.O.C.).
2006/05	Cash capital increased by issuing new shares of NT$500 million with NT$3.398 billion paid-up capital after increase in total.
2006/05	Ranked 19th as Taiwan's most profitable companies by Commonwealth Magazine.
2006/07	Ranked 89th as Taiwan's most profitable companies by Digital Time Business among top 100 Taiwan Technology.
2006/08	Surplus capital increased by issuing new shares of NT$492 million with NT$3.89 billion paid-up capital after increase in total.

2006/11	Ranked 131st among Asia's top 150 with 14 Taiwan Enterprises listed by Business Week Asia.
2007/03	Be certified to ISO 14001 - Environmental management and OHSAS 18001.
2007/05	Ranked No. 212 on business revenue by Commonwealth Magazine.
2007/08	Surplus capital increased by issuing new shares of NT$464 million with NT$4.354 billion paid-up capital after increase in total.
2008/05	Ranked 52nd on return on assets, 146th on equity ratio, 22nd on profitability, and 595th on business revenue among top 1000 manufacturing companies by Commonwealth Magazine.
2008/08	Surplus capital increased by issuing new shares of NT$106 million with NT$4.46 billion paid-up capital after increase in total.
2009/05	Ranked 35th on profitability and 229th on business revenue among top 1000 manufacturing companies by Commonwealth Magazine.
2010/05	Ranked 48th on profitability and 234th on business revenue among top 1000 manufacturing companies by Commonwealth Magazine.
2010/08	Invested PIOTEK COMPUTER (SUZHOU) CO., LTD.
2011/05	Ranked 115th on profitability and 192nd on business revenue among top 1000 manufacturing companies by Commonwealth Magazine.
2012/05	Ranked 108th on profitability and 162nd on business revenue among top 1000 manufacturing companies by Commonwealth Magazine.
2013/03	Bought plant at Xinfeng: No.526, Sec. 2, Jianxing Rd., Xinfeng Township, Hsinchu County 304, Taiwan.
2013/04	Being selected as 2012 Deloitte Asia Pacific top 500 high tech, high growth enterprises.
2013/05	Ranked 116th on profitability and 158th on business revenue among top 1000 manufacturing companies by Commonwealth Magazine.
2014/04	Kick-off for building Xinfeng Factory.
2014/05	Ranked 720th on market capitalization among top 1000 enterprise in China, Taiwan, Hong Kong, and Macau by Business Today.
2015/05	Ranked 139th on profitability and 56th on net profit by Commonwealth Magazine.
2016/05	Invest in FuYang Technology Corp.

3. A Corporate Governance Report

(1) Organizational system

(A) The Company's structure



(B) The tasks of its principal divisions

Dept.	Job Description
Chief Executive Officer (CEO)	1. Business planning and strategic planning. 2. Company long-term development policy planning. 3. Business monitoring, promoting and implementation.
Audit Office	Identify deficiencies in internal control system, assess the effectiveness and efficiency of operations, and provide appropriate improvement suggestions.
General Manager	Responsible for business plan development, business performance management and analysis, investment analysis and benefit assessment, cost reduction and control, business process automation and improvement, annual budgeting, overseas business management, promotion and performance evaluation in other important projects, manufacturing capacity and standard work hours, rationalization of personnel standards.
Technical Director	Advanced product and technology research and development, equipment automation, and building new plants.
Chief Operation Officer	Responsible for coordinating the Company's finance, accounting and tax. Responsible for the planning and execution of human resource, general affairs, environmental and purchasing. Responsible for the planning and execution of web information. Responsible for the integration of manufacturing quality and operational resources of the overall planning and management.
Safety & Health Dept.	Responsible for safety & health management and regulations of engineering safety.
Human Resources	Responsible for human resource planning, recruiting & staffing, payroll management, training development, services for employee and employee relations.
Material Center	Responsible for production scheduling, shipping schedule, the material management, transportation, warehousing and import/export and customs bonded business.
Finance Dept.	Responsible for finance, accounting and stocks services.
IT Dept.	Responsible for setting up and maintaining various software and hardware of information system.
R&D Division	Responsible for coordinating the product, design, development, and facility services.
Sales & Marketing Dept.	Responsible for the Company's product sales and marketing.
Quality Control Dept.	Responsible for the quality policy, objectives and systems developed and implemented in order to meet customers' needs.

Dept.	Job Description
Product development Dept.	Responsible for the Company's product design and integration.
Production Planning Dept.	Responsible for production plan and operation performance management.
Factory Service Dept.	Responsible for maintenance of factory facilities and management of plant security.
Manufacturing Division	Responsible for substrates related products manufacturing and work objectives and effectiveness management, manufacturing cost control analysis and improvement and production planning. Responsible for assessing process operations, and developing the most appropriate manufacturing process, and improving production technology and yield analysis, and new product process import stability and optimization testing.
Legal & IP Dept.	Responsible for reviewing contracts, dealing with lawsuit and regulation compliance, and managing patents, including intellectual property rights.

(2) Information on the Company’s directors, general manager, assistant general managers, deputy assistant general managers, and the supervisors of all the Company's divisions and branch units.

(a) Directors as of March 31, 2018

Title	Nationality/Country of Origin	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse&Minor Shareholding		Shareholding by Nominee Arrangement		Experience(Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	R.O.C	Guo, Ming-Dong	Male	2015.6.11	3	2000.9.1	1,179,795	0.26%	1,069,795	0.24%	–	–	–	–	National Taipei Institute of Technology President/UNICAP ELECTRONICS	Note 1	–	–	–
Director	R.O.C	Tong,Zi-Xian	Male	2015.6.11	3	2000.9.1	200,000	0.04%	200,000	0.04%	-	–	–	–	Computer and Communication Engineering /Taipei Tech Chairman/PEGATRON Corp.	Note 2	–	–	–
Director	R.O.C	Chen, Ho-Shu	Male	2017.5.26	1	2017.5.26	361,002	0.08%	361,002	0.08%	–	–	–	–	Master of Physics/National Tsing Hua University General Maneger / Kinsus Interconnect Technology Corp.. Manufacturing Maneger/ Motorola	Note 3	–	–	–
Director	R.O.C	Hua Xu Investment Corp. Rep. : Su, Yan-Xue		2015.6.11	3	2000.9.1	58,233,091	13.06%	58,233,091	13.06%	–	–	–	–	Master of Industrial Engineering/Carnegie MellonUniv. Chief Investment Officer/ASUSTEK ComputerIncorp. Chief Investment Officer/PEGATRON Corp.	Note 4	–	–	–
Director	R.O.C	Su,Yan-Xue	Female	2015.6.11	3	2009.6.16	–	–	–	–	–	–	–	–	as above	as above	–	–	–
Director	R.O.C	Hua Xu Investment Rep : Wu, Xiang-Xiang		2015.6.11	3	2000.9.1	55,556,221	12.46%	55,556,221	12.46%	–	–	–	–	International Trade/Providence Univ. M.B.A./Univ. of St.Thomas Vice President/kun jian Consulting Co., Chief Investment Officer/PEGATRON Corp.	Note 5	–	–	–
Director	R.O.C	Wu,Xiang-Xiang	Female	2015.6.11	3	2003.9.1	–	–	–	–	–	–	–	–	as above	as above	–	–	–
Director	R.O.C	Zbeng,Zhong-Ren	Male	2015.6.11	3	2003.9.1	–	–	–	–	–	–	–	–	School of Law/Soochow Univ. PhD./Stanford University Dean&Professor/Law School of Shih Hsin Univ.	Note 6	–	–	–
Independent Director	R.O.C	Chen, Jin-Cai	Male	2015.6.11	3	2003.9.1	–	–	–	–	–	–	–	–	Graduate School/Tamkang Univ. M.P.A/Univ. of San Francisco President/Namchow Group	Note 7	–	–	–
Independent Director	R.O.C	Huang, Chun-Bao	Male	2015.6.11	3	2003.9.1	–	–	–	–	–	–	–	–	Electrical Engineering/National Taipei Institute of President& GM/HAVIX ELECTRONICS CO., LTD.	Note 8	–	–	–
Independent Director	R.O.C	Wu, Hui-Huang	Male	2015.6.11	3	2010.6.18	–	–	–	–	–	–	–	–	Board Director& President/UNIVERSAL SCIENTIFIC INDUSTRIAL CO., LTD Director/Taiwan Electrical and Electronic Director/Taiwan Federation of Industry Director/Taiwan Province Industry Asso.	Note 9	–	–	–

Note 1	CEO	Kinsus Interconnect Technology Corp.
	Chairman	Kinsus Corp. (USA).
	Director	Kinsus Investment, Pegavision Corp, Kinsus Holding (Samoa) Limited, Kinsus Holding (Cayman) Limited, Piotek Holding Ltd., Piotek Holdings Ltd. (Cayman), Piotek (HK) Trading Limited.
Note 2	Chief Strategy Officer	Kinsus Interconnect Technology Corp.
	Chairman	Pegatron Corp.(also the Executive CEO), Lumens Digital Optics Inc., Hua Wei Investment, Hua Yu Investment, Hua Xu Investment, Kinsus Investment, Pegavision Corp.and Ri-Kuan Metal Corporation.
	Director	Asrock Inc., Hua Yuan Investment, Hua Wei Investment, Hua Wei International, Ezhi Technologies, Inc., AS Fly Travel Service, Azurewave Technologies, Inc., FuYang Technology Corp, Pegatron Holding Ltd., Unihan Holding Ltd., Protek Global Holdings Ltd., Magnificent Brightness Ltd., Casetek Holdings Ltd., Casetek Holdings Limited(CAYMAN), Pegatron Holland Holding B.V., Digitek Global Holdings Ltd., AMA Holdings Ltd., Kinsus Corp.(USA), Powtek Holdings Limited, Cotek Holdings Limited, Grand Upright Technology Limited, Alliance Culture Foundation, Hanguang Education Foundation, Public Television Service, Ministry of Culture National Performing Arts Center, Koo Medical Foundation, Lung Yingtai Cultural Foundation, ASLINK PRECISION CO., LTD., Huang Da-fu Medical Education Promotion Foundation, Fair Winds Foundation, Relations Across the Taiwan Straits Development Research Foundation.
	Chairman	Taipei Computer Association,Chinese Cultural And Craeative Park Association
	Vice Chairman	Monte Jade Science and Technology Association
Note 3	Gernal Maneger	Kinsus Interconnect Technology Corp.
	Director	Pegavision Corp, FuYang Technology Corp
Note 4	Chairman	WYSE Research Inc.
	Director	KHL IV Venture Capital Corporation, Eslite Foundation for Culture and Arts, Yonyu Investment, Guang Dian Cinema
	Independent Director	TXC Corporation,JIMO Corporation
Note 5	Vice Gernal Maneger	Pegatron Corp.
	Director	Tong Hsing Electronics Industries Ltd, Eslite corp., Hua Wei Investment, Hua Xu Investment,Kinsus Investment.
Note 6	Independent Director	Wistron Corporation
	Supervisor	Apex Material Technology Corp, Apacer Technology Inc., OTO Photonics Inc.
Note 7	Chairman	Win Semiconductors Corp., Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd., Win-Win Venture Capital Co., Ltd.
	Assistant Chairman	Hiwin Technologies Corp.
	Director	CINamchow (Thailand), WIN Semi USA Inc., HIWIN Technologies Corp.(USA),Win Semiconductors Cayman Island Co., Ltd., Yong Ju (Thailand), ITEQ Corp, Jiangsu Chainwin Agrotech Corp.
	Independent Director	Tong Hsing Electronics Industries, Ltd.

	Supervisor	Inventec Solar Energy Corp., TAIPEI 101
Note 8	Chairman & G/M	HAVIX Electronics Co., Ltd.
	Independent Director	Pegatron Corp.
Note 9	Director	Taiwan Read Foundation
	Member of compensation committee & Mergers and Acquisitions committee	Merry Corp.
	Independent Director	Universal Microelectronics Co., Ltd.

Major shareholders of the institutional shareholders

Name of the Company's institutional shareholder	Major Shareholders of the Company's institutional shareholder
Hua Wei Investment	Pegatron Corp. (100.00%)
Hua Yu Investment	Pegatron Corp. (100.00%)
Hua Xu Investment	Pegatron Corp. (100.00%)

Major shareholders of the Company's institutional shareholders

Name of major institutional shareholders of the Company's institutional shareholder	Major Shareholders, if institutional, of major institutional shareholders of the Company's institutional shareholder
Pegatron Corp.	Asustek Computer Incorporation (17.42%)

Professional qualifications and independence analysis of directors

Qualification / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least 5 Years Work Experience			Independence Criteria(Remark 2)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Guo, Ming-Dong	-	-	YES			V	V	V	V	V	V	V	V	-
Tong, Zi-Xian	-	-	YES			V	V		V	V	V	V	V	-
Chen,Ho-Shu	-	-	YES			V	V	V	V	V	V	V	V	-
Su, Yan-Xue	-	-	YES	V	V	V	V	V	V	V	V	V		2
Wu, Xiang-Xiang	-	-	YES			V	V		V	V	V	V		-
Zheng, Zhong-Ren	YES	-	YES	V	V	V	V	V	V	V	V	V	V	1
Chen, Jin-Cai	YES	-	YES	V	V	V	V	V	V	V	V	V	V	1
Huang, Chun-Bao	-	-	YES	V	V	V	V	V	V	V	V	V	V	1
Wu, Hui-Huang	-	-	YES	V	V	V	V	V	V	V	V	V	V	1

Remark ：Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company’s affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary elected based on Security Act or local regulations.
3. Not a natural-person shareholder who holds shares, together with those held by the person’s spouse, minor children, or held by the person under others’ names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.
7. Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the “Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEx“.
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
9. Not been a person of any conditions defined in Article 30 of the Company Law.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

(b) The general manager, assistant general managers, deputy assistant general managers and the chief of all the Company's divisions and branch units

As of March 31, 2018

Title	Nationality/ Country of Origin	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Title Nominee		Experience(Education)	Other Position	Managers who are Spouses or Within Two Degrees		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
CSO	R.O.C	Tong, Zi-Xian	Male	2014.11.01	200,000	0.04%	–	–	–	–	Computer and Communication Engineering /Taipei Tech Chairman/PEGTRON Corp.	Page 10/Note 2	–	–	–
CEO	R.O.C	Guo, Ming-Dong	Male	2000.09.11	1,069,795	0.24%	–	–	–	–	Master of Physics/National Tsing Hua University Manufacturing Maneger/ Motorola	Page 10/Note 1	–	–	–
General Manager	R.O.C	Chen, Ho-Shu	Male	2000.09.11	361,002	0.08%	–	–	–	–	Physics/Qinghua Univ. Production Manger/Motorola	Director of Pegavision Corporation and FuYang Technology Corp.	–	–	–
CTO	R.O.C	Zhang, Qian-Wei	Male	2000.09.11	391,614	0.08%	–	–	–	–	Mechanics/National Central Univ. PCB Manager/MANZ Electronics	Director of Pegavision /FuYang Technology Corp.	–	–	–
COO	R.O.C	Hu, Gui-Qin	Female	2016.09.01	–	–	–	–	–	–	Chemical Engineering/Chung Yuan Christian General Manager/Tripod Technology Corporation	N/A	–	–	–
Senior Assistant GM	R.O.C	Huang, Geng-Fang	Male	2005.08.01	314,875	0.07%	–	–	–	–	Ta Hwa Univ. of Science&Technology Senior Manager/MITAC Int'l Corp.	N/A	–	–	–
Assistant GM	R.O.C	Lin, Zhi-Wei	Male	2001.03.01	24,909	0.01%	–	–	–	–	Material Science & Enginnering/Qinghua Univ. QC Manager/AU Optronics Corp	N/A	–	–	–
Assistant GM	R.O.C	Huang, Sheng-Chuan	Male	2015.02.01	–	–	–	–	–	–	Mechanical Engineering/Univ. of Cambridge Senior Manager/UNICAP Electronics	N/A	–	–	–
Assistant GM	R.O.C	Wu, Wei-Wen	Male	2016.09.01	–	–	–	–	–	–	Master of Management/Wichita State Univ. Assistant GM/Tripod Technology Corporation	N/A	–	–	–
Finance Supervisor	R.O.C	Liu, Su-Zhen	Female	2010.08.01	19,400	0.00%	–	–	–	–	M.B.A/National Central Univ. Junior Manager/EY Accounting Firm	N/A	–	–	–

(c) Remuneration paid during 2017 to directors, the general manager, and assistant general manager

Unit: NT$'000

<table>
<tr><th rowspan="4">Title</th><th rowspan="4">Name</th><th colspan="8">Remuneration</th><th colspan="2" rowspan="2">Ratio of Total Remuneration (A+B+C+D) to Net Income (%)(Rmk10)</th><th colspan="8">Relevant Remuneration Received by Directors Who are Also Employees</th><th colspan="2" rowspan="2">Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)(Rmk10)</th><th rowspan="4">Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiar (Rmk11)</th></tr>
<tr><th colspan="2">Base Compensation (A) (Rmk.2)</th><th colspan="2">Severance Pay (B)</th><th colspan="2">Bonus to Directors (C)(Rmk.3)</th><th colspan="2">Allowances(D)(Rmk.4)</th><th colspan="2">Salary, Bonuses, and Allowances (E) (Rmk5)</th><th colspan="2">Severance Pay Profit (F)</th><th colspan="4">Profit Sharing- Employee Bonus (G) (Rmk6)</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">Companies in the consolidated financial statements (Rmk7)</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the consolidated financial statements (Rmk7)</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the consolidated financial statements (Rmk7)</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the consolidated financial statements (Rmk7)</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the consolidated financial statements (Rmk7)</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the consolidated financial statements (Rmk7)</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the consolidated financial statements (Rmk7)</th><th colspan="2">The Company</th><th colspan="2">Companies in the consolidated financial statements (Rmk8)</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the consolidated financial statements (Rmk7)</th></tr>
<tr><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th></tr>
<tr><td>Chairman</td><td>Guo, Ming-Dong</td><td rowspan="9">-</td><td rowspan="9">-</td><td rowspan="9">-</td><td rowspan="9">-</td><td rowspan="9">4,912</td><td rowspan="9">6,418</td><td rowspan="9">240</td><td rowspan="9">240</td><td rowspan="9">1.05%</td><td rowspan="9">1.35%</td><td rowspan="9">25,769</td><td rowspan="9">25,769</td><td rowspan="9">90</td><td rowspan="9">90</td><td rowspan="9">4,341</td><td rowspan="9">-</td><td rowspan="9">4,341</td><td rowspan="9">-</td><td rowspan="9">7.19%</td><td rowspan="9">7.50%</td><td rowspan="9">N/A</td></tr>
<tr><td>Director</td><td>Tong, Zi-Xian</td></tr>
<tr><td>Director</td><td>Chen, Ho-Shu</td></tr>
<tr><td>Director</td><td>Hua Xu Investment Rep.: Su, Yan-Xue</td></tr>
<tr><td>Director</td><td>Hua Yu Investment Rep.:Wu, Xiang-Xiang</td></tr>
<tr><td>Director</td><td>Zheng, Zhong-Ren</td></tr>
<tr><td>Independent Director</td><td>Chen, Jin-Cai</td></tr>
<tr><td>Independent Director</td><td>Huang, Chun-Bao</td></tr>
<tr><td>Independent Director</td><td>Wu, Hui-Huang</td></tr>
</table>

Note:

1. Compensation to directors and employee for 2017 has been approved by a board meeting held on 2018/01/29 and will be reported in the coming shareholders' meeting. As of now, details of the proportion can't be decided yet while it is estimated by the actual distribution rate in prior year.
2. The Severance pay listed above is an accrual while the actual payment is zero.

Range of Remuneration

<table>
<tr><td rowspan="3">Range of Remuneration</td><td colspan="4">Name of Directors</td></tr>
<tr><td colspan="2">Total of (A+B+C+D)</td><td colspan="2">Total of (A+B+C+D+E+F+G)</td></tr>
<tr><td>The Company (Remark 8)</td><td>Companies in the consolidated financial statements (Remark 9) H</td><td>The Company (Remark 8)</td><td>Companies in the consolidated financial statements (Remark 9) I</td></tr>
<tr><td>Under NT$ 2,000,000</td><td>Guo,Ming-Dong
Tong,Zi-Xian
Chen, Ho-Shu
Hua Xu Investment Representative:
Su, Yan-Xue
Hua Yu Investment Representative:
Wu, Xiang-Xiang
Zheng, Zhong-Ren
Chen, Jin-Cai
Huang, Chun-Bao
Wu, Hui-Huang</td><td>Chen, Ho-Shu
Hua Xu Investment Representative:
Su, Yan-Xue
Hua Yu Investment Representative:
Wu, Xiang-Xiang
Zheng, Zhong-Ren
Chen, Jin-Cai
Huang, Chun-Bao
Wu, Hui-Huang</td><td>Hua Xu Investment Representative:
Su, Yan-Xue
Hua Yu Investment Representative:
Wu, Xiang-Xiang
Zheng, Zhong-Ren
Chen, Jin-Cai
Huang, Chun-Bao
Wu, Hui-Huang</td><td>Hua Xu Investment Representative:
Su, Yan-Xue
Hua Yu Investment Representative:
Wu, Xiang-Xiang
Zheng, Zhong-Ren
Chen, Jin-Cai
Huang, Chun-Bao
Wu, Hui-Huang</td></tr>
<tr><td>NT$2,000,000 ~ NT$5,000,000</td><td>—</td><td>Guo, Ming-Dong
Tong, Zi-Xian</td><td>Tong, Zi-Xian</td><td>Tong, Zi-Xian</td></tr>
<tr><td>NT$5,000,000 ~ NT$10,000,000</td><td>—</td><td>—</td><td>Guo, Ming-Dong
Chen, Ho-Shu</td><td>Guo, Ming-Dong
Chen, Ho-Shu</td></tr>
<tr><td>NT$10,000,000 ~ NT$15,000,000</td><td>—</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td>NT$15,000,000 ~ NT$30,000,000</td><td>—</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td>NT$30,000,000 ~ NT$50,000,000</td><td>—</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td>NT$50,000,000 ~ NT$100,000,000</td><td>—</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td>Over NT$100,000,000</td><td>—</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td>Total</td><td>9</td><td>9</td><td>9</td><td>9</td></tr>
</table>

Remark:

1. Board directors should be disclosed separately (Corporation-stockholder and Representative should be marked), and the payment should be displayed in a consolidated amount. The board directors who also act as Chairman or GM should fill in the following Form (3-1) or (3-2).
2. Refers to the latest pay which includes basic base compensation, professional allowance, severance pay, and the other bonuses.
3. Bonus to Directors had approved in board meeting before shareholder meeting.
4. Refers to the consolidated allowances which include honorarium, special disbursement, and the other allowances. The allowances which include housing, cars, and the other vehicles should be listed the nature and the cost of asset on actual or market value. If accompanied with drivers, plese remarktheir payment excluded from personal payment.
5. Refers to the consolidated remuneration received by directors who are also employees which include honorarium, special disbursement, and the other allowances. The allowances which include housing, cars, and the other vehicles should be listed the nature and the cost of asset on actual or market value. If accompanied with drivers, the drivers' salary shall be remarked but excluded from the persons' compensation. In addition, acquiring employee stock options, employee's restricted stocks right and the right to subscribe in cash offerings shall be taken into consideration in recognizing the compensation cost based on IFRS#2, Share-based Compensation.
6. Refers to the consolidated remuneration received by directors who are also employees (GM, assistant GM, and the other managers) which include stock bonus and cash bonus should be listed the approved number in board meeting before shareholder meeting. If unable to forecast, take reference to the last year, and fill in the Form 1-3.
7. Disposed the consolidated payment of our company and all the other companies in this report.
8. The payment to all the board directors by our company would be disclosed.in the form of range of remuneration.
9. The consolidated payment to all the board directors by our company and the other companies would be listed in the form of range of remuneration.
10. The after-tax net profit refers to the one happened in personal or individual financial statement in the latest year.
11. a. This column should dispose the remuneration to the board directors from our affiliates and the other investments.
    b. The remuneration to the board directors from our affiliates and the other investments should be including the column J and defined as other investment.
    c. The remuneration received by directors refers to the one paid by other investment other than the Company's Subsidiary in the positions of the board director, supervisor, or manager which include honorarium, special disbursement and the other allowances.

*The forms here are for the purpose of information disposal, not applicable for taxation if conflicts aroused with law.

Remuneration of the general manager and assistant general managers

Unit: NT$'000

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="2">Base Compensation (A) (Remark 2)</th><th colspan="2">Severance Pay (B)</th><th colspan="2">Bonus and Special Allowance (Remark 3)</th><th colspan="4">Disposition of Net Earnings (D) (Remark 4)</th><th colspan="2">Ratio of Total Remuneration (A+B+C+D) to Net Income (%)(Remark 8)</th><th rowspan="3">Compensation Paid to Supervisors from an Invested Company Other than the Company's Subsidiary (Remark 9)</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">Companies in the consolidated financial statements (Remark 5)</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the consolidated financial statements (Remark 5)</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the consolidated financial statements (Remark 5)</th><th colspan="2">The Company</th><th colspan="2">Companies in the consolidated financial statements (Remark 5)</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the consolidated financial statements (Remark 5)</th></tr>
<tr><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th></tr>
<tr><td>CSO</td><td>Tong, Zi-Xian</td><td rowspan="10">29,243</td><td rowspan="10">29,243</td><td rowspan="10">851</td><td rowspan="10">851</td><td rowspan="10">6,227</td><td rowspan="10">6,227</td><td rowspan="10">9,242</td><td rowspan="10">-</td><td rowspan="10">9,242</td><td rowspan="10">-</td><td rowspan="10">9.27%</td><td rowspan="10">9.27%</td><td rowspan="10">N/A</td></tr>
<tr><td>CEO</td><td>Guo, Ming-Dong</td></tr>
<tr><td>General Manger</td><td>Chen, Ho-Shu</td></tr>
<tr><td>CTO</td><td>Zhang, Qian-Wei</td></tr>
<tr><td>COO</td><td>Hu, Gui-Qin</td></tr>
<tr><td>Senior Assistant GM</td><td>Huang, Geng-Fang</td></tr>
<tr><td>Assistant GM</td><td>Lin, Zhi-Wei</td></tr>
<tr><td>Assistant GM</td><td>Huang, Sheng-Chuan</td></tr>
<tr><td>Assistant GM</td><td>Wu, Wei-Wen</td></tr>
<tr><td>Finance Supervisor</td><td>Liu, Su-Zhen</td></tr>
</table>

*It is required to be disclosed for a position equivalent to the General Manager, Assistant General Manager (example: President, CEO, Executive supervisor, etc.)

Note:

1. Compensation to directors and employee for 2017 has been approved by a board meeting held on 2018/01/29 and will be reported in the coming shareholders' meeting. As of now, details of the proportion can't be decided yet while it is estimated by the actual distribution rate in prior year.
2. The retirement pay listed above is based on an accrual only while the actual payment was zero.

Range of Remuneration

Range of Remuneration	Name of the general manager and assistant general managers	
	The Company (Remark 6)	Companies in the consolidated financial statements (Remark 7)
Under NT$2,000,000	Tong, Zi-Xian	Tong, Zi-Xian
NT$2,000,000 ~ NT$5,000,000	Huang, Geng-Fang Lin, Zhi-Wei Huang, Sheng-Chuan Wu, Wei-Wen Liu, Su-Zhen	Huang, Geng-Fang Lin, Zhi-Wei Huang, Sheng-Chuan Wu, Wei-Wen Liu, Su-Zhen
NT$5,000,000 ~ NT$10,000,000	Guo, Ming-Dong Chen, Ho-Shu Zhang, Qian-Wei Hu, Gui-Qin	Guo, Ming-Dong Chen, Ho-Shu Zhang, Qian-Wei Hu, Gui-Qin
NT$10,000,000 ~ NT$15,000,000	-	-
NT$15,000,000 ~ NT$30,000,000	-	-
NT$30,000,000 ~ NT$50,000,000	-	-
NT$50,000,000 ~ NT$100,000,000	-	-
Over NT$100,000,000	-	-
Total	10	10

Remark:

1. GM, assistant GM should be disclosed separately, and the payment should be displayed in a consolidation. The board directors who also act as Chairman or GM should fill in this form and the following Form (1-1) or (1-2).
2. Refers to the latest pay of the GM, assistant GM which include basic base compensation, professional allowance, and severance pay.

3. Refers to the consolidated allowances of the GM, assistant GM which include honorarium, special disbursement, and the other allowances. The allowances which include housing, cars, and the other vehicles should be listed the nature and the cost of asset on actual or market value. If accompanied with drivers, the drivers' salary shall be remarked but excluded from the persons' compensation. In addition, acquiring employee stock options, employee's restricted stocks right and the right to subscribe in cash offerings shall be taken into consideration in recognizing the compensation cost based on IFRS#2, Share-based Compensation.
4. Refers to the consolidated remuneration received by the GM, assistant GM who are which include stock bonus and cash bonus should be disposed the approved number in board meeting before shareholder meeting. If unable to forecast, take reference to the last year, and fill in the Form 1-3. The after-tax net profit refers to the one happened in personal or individual financial statement in the latest year.
5. Disposed the consolidated payment of our company and all the other companies in this report.
6. The payment to all the GM, assistant GM by our company would be disclosed.in the form of range of remuneration.
7. The payment to all the GM, assistant GM by our company and the other companies should be disclosed.in the form of range of remuneration.
8. The after-tax net profit refers to the one happened in personal or individual financial statement in the latest year.
9. a. This column should dispose the remuneration to the GM, assistant GM from our affiliates and the other investments.
   b. The remuneration to the GM, assistant GM from our affiliates and the other investments should be included in column and defined as other investment.
   c. The remuneration received by GM, assistant GM from our subsidiaries and the other investments other than the Company's in the positions of the board director, supervisor, or manager which include honorarium, special disbursement, and the other allowances.

*The forms here are for the purpose of information disposal, not applicable for taxation if conflicts aroused with law.

The name of each individual and the corresponding remuneration amount

Unit: NT$'000

	Title	Name	Stock Bonus	Cash Bonus	Total	% of Net income (%)
Managers	CSO	Tong, Zi-Xian	-	9,242	9,242	1.88%
	CEO	Guo, Ming-Dong				
	General Manager	Chen, Ho-Shu				
	CTO	Zhang, Qian-Wei				
	COO	Hu, Gui-Qin				
	Senior Assistant GM	Huang, Geng-Fang				
	Assistant GM	Lin, Zhi-Wei				
	Assistant GM	Huang, Sheng-Chuan				
	Assistant GM	Wu, Wei-Wen				
	Finance Supervisor	Liu, Su-Zhen				

Note: Compensation to employees for 2017 had been approved in Board meeting on 2018/01/29 and will be reported in shareholders' meeting. As of now, details of the proportion as proposed above hadn't been decided yet while it is estimated by the actual distribution rate in prior year.

Remark:

1. Names and titles should be disclosed individually and the earning distribution may be disclosed in consolidation.
2. The earnings distribution for the managers approved in board meeting which include stock bonus and cash bonus will be estimated by the numbers given last year. The after-tax net profit refers to the one happened in personal or individual financial statement in the latest year.
3. Scope of application of the Manager is regulated by TWSE file No.0920001301 on March 27, 2003 and defined as：(1) President and equivalent rank (2) Vice President and equivalent rank (3) Junior President and equivalent rank (4) Financial Supervisor(5)Accounting Supervisor(6) Other signed for management services and the rights of man.
4. Board directors, GM and assistant GM who receive employee bonuses (including stock dividends and cash bonus) should fill in this form and Form1-2.

(d) Separately compare and describe total remuneration, as a percentage of net income stated in the parent company only financial reports or individual financial reports, as paid by this company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, supervisors, general managers, and assistant general managers, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure.

a. The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, presidents and vice presidents of the Company, to the net income.

Unit: NT$'000

Year / Title	2017		2016	
	Total remuneration	Total remuneration to net income (%)	Total remuneration	Total remuneration to net income (%)
Director	5,152	1.05%	21,151	0.95%
GM and Assistant GM	45,563	9.27%	94,010	4.21%

Note: Compensation to employees for 2017 had been approved in Board meeting on 2018/01/29 and will be reported in the annual shareholders' meeting. As of now, details of the proportion as proposed above hadn't been decided yet while it is estimated by the actual distribution rate in prior year.

b. The ratios of remuneration paid to directors, presidents and vice presidents of the Company in the last two years, and the percentage to net income, in 2017 and 2016. The policy, standards, and portfolios for the payment of remuneration have been complied with the Company's Article of Incorporation. The compensation to management employees is measured based on the employees' personal achievements, contribution made to the business operation, and the market averages. The compensations to directors and management employees have been reviewed by the Company's Compensation Committee, proposed to the Board of Directors and to be reported in annual stockholders' meeting.

(3) The state of the Company's implementation of corporate governance

(A) The state of operations of the board of directors

A total of 6 (A) meetings of the Board of Directors were held in 2017. The attendance of directors was as follows:

Title	Name (Remark 1)	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】(Remark 2)	Note
Chairman	Guo, Ming-Dong	6	0	100%	Chen, Ho-Shu has been elected as a director since 2017/05/26 and the number of his attending in board meetings was 3.
Director	Tong, Zi-Xian	4	1	67%	
Director	Chen, Ho-Shu	3	0	100%	
Director	Hua Xu Investment Representative: Su, Yan-Xue	5	1	83%	
Director	Hua Yu Investment Representative: Wu, Xiang-Xiang	6	0	100%	
Director	Cheng, Zhong-Ren	6	0	100%	
Independent director	Chen, Jin-Cai	4	2	67%	
Independent director	Huang, Chun-Bao	6	0	100%	
Independent director	Wu, Hui-Huang	6	0	100%	

Other mentionable items:

1.The date of board meeting, the term, the content of proposal in board meeting, the opinions of all independent directors, and the Company's response or action to the independent directors' opinions shall be specified in the meeting minutes if one of the following situations is met:

(1) The items listed in article #14-3 of Security Act. (None)

(2) In addition to Item # (1) above, those resolutions accompanying with independent directors' written objection or qualification. (None)

2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: For the proposed 2017 adjustment on managers' compensations and the amounts of employee compensation for managers, 9 directors attended (1 person was substituted for attendance), and 3 persons were deducted due to conflict of interest (Tong, Zi-Xian (acting by Guo, Ming-Dong), Guo, Ming-Dong, Chen, Ho-Shu). The voting result was 6 people favorable. The proposal was approved.

3. Measures taken to strengthen the functionality of the board: None

Remark:

1. Director or supervisor, who is an institutional shareholder and its representative, should be revealed of the names.
2. (1) Supervisors resigning prior to the end of the year should be indicated in the notes column the date of resign. The actual attendance rate (%) is calculated based on the accumulation of attendance in Board meeting divided by the times of board meeting before his/her resigning.

   (2) For any re-election of director/supervisor, the old and the new one should be revealed with remarks and the actual attendance rate (%) based on the accumulation of attendance in board meeting divided by the times of board meeting after his/her election.

(B)The state of operations of the audit committee

A total of 6 (A) Audit Committee meetings were held in the previous period. The attendance of the independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%)【B/A】(Remark)	Note
Independent director	Chen, Jin-Cai	4	2	67%	
Independent director	Huang, Chun-Bao	6	0	100%	
Independent director	Wu, Hui-Huang	6	0	100%	

Other mentionable items:

1. The date of board meeting, the term, the content of proposal in board meeting, the opinions of all independent directors, and the Company's response or action to the independent directors' opinions shall be specified in the meeting minutes if one of the following situations is met:
   (1) The items listed in article #14-5 of Security Act. (None)
   (2) In addition to Item # (1) above, those resolutions accompanying with independent directors' written objection or qualification. (None)
2. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: NA
3. Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the items, methods and results of audits of corporate finance or operations, etc.) The independent directors periodically meet with the internal auditors and CPAs for reviewing operational performance, financial statements, internal control, as well as internal audit plan and execution. In addition internal auditors' reports, the independent directors also obtained auditors' review or audit reports. The communications were recorded in audit committee meeting minutes and reported the material items or resolutions to the board of directors periodically.

Remark:

1. Independent Director resigning before the end of the year should be indicated in the notes column date of release. The actual attendance rate (%) is calculated based on the accumulation of attendance in board meeting divided by the times of board meeting before his/her resigning.
2. For any re-election of independent director, the old and the new one should be revealed with remarks and the actual attendance rate (%) based on the accumulation of attendance in board meeting divided by the times of board meeting after his/her election.

(C) The state of the Company's implementation of corporate governance, any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such departure

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1. Does the Company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?	Yes		"Code of practice for corporate governance" has been exposed on the Company Web site and public observatories.	No obvious deviation
2. Shareholding structure & shareholders' rights				
(1) Does the Company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?	Yes		(1)Spokesman system has been established according to regulations and the will handle related issues.	No obvious deviation
(2) Does the Company possess the list of its major shareholders as well as the ultimate owners of those shares?	Yes		(2)The board directors and the shareholders who hold more than 10%-owned holdings will be declared in accordance with the provisions of Declaration of Directors.	No obvious deviation
(3) Does the Company establish and execute the risk management and firewall system within its conglomerate structure?	Yes		(3)According to the Company "internal control system", "internal audit system" and other related laws and regulations.	No obvious deviation
(4) Does the Company establish internal rules against insiders trading with undisclosed information?	Yes		(4)According to the Company "for possible insider trading, operating procedures", "code of conduct" and other related laws and regulations.	No obvious deviation

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
3. Composition and Responsibilities of the Board of Directors				
(1) Does the Board develop and implement a diversified policy for the composition of its members?	Yes		(1)Member diversification is considered by the Board members.	(1)No obvious deviation
(2) Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?		No	(2)Functional commissions will be created in order to meet the need of operating situation of the Company and other various.	(2)Will actively assessing the need of functional commissions.
(3) Does the Company establish a standard to measure the performance of the Board, and implement it annually?		No	(3)Will actively assessing relevant stipulations.	(3)Will actively assessing relevant stipulations.
(4) Does the Company regularly evaluate the independence of CPAs?	Yes		(4)Board in assessing the independence of accountants and by appointment on 2017.12.26.	(4)No obvious deviation
4. Has a listed company assigned a specific or other department to take in-charge of detailed matters of implementing corporate governance? (including, but not limited to, furnishing directors or supervisors with information needed, preparing the data for board meeting and shareholders' meeting, executing business registration, preparing the minutes of board and shareholders' meeting.)	Yes		The Company has assigned the HR department and the finance department for taking responsibility of detailed matters of implementing corporate governance.	No obvious deviation

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td>5. Does the Company establish a communication channel and build a designated section on its website for stakeholders (Including, but not limited to, shareholders, employees, customers and suppliers, etc.), as well as handle all the issues they care for in terms of corporate social responsibilities?</td><td>Yes</td><td></td><td>Spokesman system has been established according to regulations and the will handle related issues. Aggressively assess to establish zones of the interested on website.</td><td>No obvious deviation</td></tr>
<tr><td>6. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?</td><td>Yes</td><td></td><td>Companies entrust KGI stock agency to handle the relevant Affairs of the Department.</td><td>No obvious deviation</td></tr>
<tr><td>7. Information Disclosure
(1) Does the Company have a corporate website to disclose both financial standings and the status of corporate governance?

(2) Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?</td><td>
Yes

Yes</td><td></td><td>
(1)The Company has set up a Chinese/English website to disclose information regarding the Company’s financials, business and corporate governance status.
(2)Spokesman system has been established.</td><td>
(1)No obvious deviation

(2)No obvious deviation</td></tr>
<tr><td>8. Is there any other important information to facilitate a better understanding of the Company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and</td><td>Yes</td><td></td><td>(1)The Company in accordance with the relevant statutes provide personnel regulations to protect employees’ rights.
(2)Spokesman system and company website have been established to keep good</td><td>No obvious deviation</td></tr>
</table>

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td>supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?</td><td></td><td></td><td>relationship with the interests.
(3)Directors decree training are held as regulated.
(4)Company crisis management policy、crisis measurement standard and relevant customer policy have been stipulated and put into practice.
(5)Company directors have been appropriated liability insurance.</td><td></td></tr>
<tr><td colspan="5">9. The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange.

Achievements:
The Company has disclosed in its web-side Information regarding corporate governance, including the Article of Incorporation and the comprehensive corporate governance framework. Complete English version of all financial statements, annual reports, notification of shareholders’ meeting, Handbooks for shareholders’ meeting as well as the meeting minutes have been well-disclosed and announced to the public prior to the required timing. In addition, the Company’s material information in both Chinese and English versions have always announced at the same time.

To be enhanced in priority:
To establish a specific whistleblower system for public use in the Company’s web-side.</td></tr>
</table>

(D)If the Company has a compensation committee in place, the composition, duties, and operation of the compensation committee shall be disclosed

a. Professional Qualifications and Independence Analysis of Remuneration Committee Members

Title (Remark 1)	Criteria / Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Remark 2)								Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Note
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8		
Independent Director	Chen, Jin-Cai	Yes	-	Yes	V	V	V	V	V	V	V	V	1	
Independent Director	Huang, Chun-Bao	-	-	Yes	V	V	V	V	V	V	V	V	1	
Independent Director	Wu, Hui-Huang	-	-	Yes	V	V	V	V	V	V	V	V	2	

Remark: 1. Please fill columns for directors, independent directors, respectively, or others.

2. Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

(1)Not an employee of the Company or any of its affiliates.

(2)Not a director or supervisor of affiliated companies. Not applicable in cases where the person is set up as an independent director of the parent company, the Company, or any subsidiary in accordance with this Act or local regulations.

(3)Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.

(4)Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three sub-paragraphs.

(5)Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranked in the top five holdings.

(6)Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company.

(7)Not a professional individual, who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.

(8) Not a person of any conditions defined in Article 30 of the Company Law.

b. Attendance of Members at Remuneration Committee Meetings

(a)There are 3 members in the Remuneration Committee.

(b)Current member tenure: 2015/06/11-2018/06/10. A total of 2 (A) Remuneration Committee meetings were held in the previous period. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%)【B/A】	Note
Convener	Chen, Jin-Cai	2	0	100%	
Committee Member	Huang, Chun-Bao	2	0	100%	
Committee Member	Wu, Hui-Huang	2	0	100%	
Other mentionable items: 1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (e.g. the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): N/A 2. Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: N/A					

Remark:

1. Remuneration committee member resign before the end of the year should be indicated in the notes column date of release, the actual attendance rate (%) based on the accumulation of attendance in board meeting.
2. If any Remuneration committee member re-election, the old and the new one should be revealed with remarks and the actual attendance rate (%) based on the accumulation of attendance in board meeting in the column.

(E)The state of the Company's performance of corporate social responsibilities

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
1. Corporate Governance Implementation				
(1)Does the Company declare its corporate social responsibility policy and examine the results of the implementation?	Yes		(1)We have established the Corporate Social and Environmental Responsibility Regulation and examine regularly.	(1)No obvious deviation
(2)Does the Company provide educational training on corporate social responsibility on a regular basis?	Yes		(2)Holding on-the-job training and Environmental Safety training regularly.	(2)No obvious deviation
(3)Does the Company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?		No	(3)The Company's charity activities, including Donation to the Metropolitan Association of Police, John Tung Foundation, Bureau of Social Affairs of Tainan City Government, Public Televison Service Foundation, Hualien earthquake disaster and purchase the New Year's gifts from vulnerable groups, etc., were exercised by personnel and administration department.	(3)Not submitting to the Board yet
(4)Does the Company declare a reasonable salary remuneration policy, and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and disciplinary system?	Yes		(4)Company regularly conducts employee education and training for enhancing corporate ethics. According to the assessment results, reward or punishment will be given along with for inspire growth altogether.	(4)No obvious deviation

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
2.Sustainable Environment Development				
(1)Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	Yes		(1)Companies are implementing garbage classification and recycling to reducing environmental impact.	(1)No obvious deviation
(2)Does the Company establish proper environmental management systems based on the characteristics of their industries?	Yes		(2)Establishing industrial characteristics of waste water and air pollution prevention and control regulations and exercise by environmental safety management Department.	(2)No obvious deviation
(3)Does the Company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy conservation and carbon reduction?	Yes		(3)Implementing Paperless offices, advocating for energy saving in air conditioning in summer and turning off the lights. Checking greenhouse gas emissions on a regular basis, and obtaining the ISO 14064 certification. Expanding the water resource recycle system to enhance recycle rate to 30%.	(3)No obvious deviation
3.Preserving Public Welfare				
(1)Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	Yes		(1) The Company has submitted the working rules to the Labor Bureau for approval, holds the labor conference quarterly in accordance with the "Procedures for the implementation of the labor conference" and reported the conference minutes to the Labor Bureau for review.	(1)No obvious deviation
(2)Has the Company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?	Yes		(2)HR suggestion boxes are available for suggestions to the Company.	(2)No obvious deviation

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
(3)Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	Yes		(3)In compliance with ISO14001 and OHSAS18001 international standards. Safety management plan is developed yearly, and carried out through meetings for self-inspection and occupational safety and health education training.	(3)No obvious deviation
(4)Does the Company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?	Yes		(4)HR suggestion boxes are available for suggestions to the Company. Significant impacts on the Company's operation will be issued in public timely.	(4)No obvious deviation
(5)Does the Company provide its employees with career development and training sessions?	Yes		(5)Company regularly conducts employee education and training to enhance staff career development.	(5)No obvious deviation
(6)Does the Company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?	Yes		(6)Company does not supply products or service directly to consumers. The operational staff will be responsible for follow-up services. Company products are clearly labeled.	(6)No obvious deviation
(7)Does the Company advertise and label its goods and services according to relevant regulations and international standards?	Yes		(7)Yes.	(7)No obvious deviation
(8)Does the Company evaluate the records of suppliers' impact on the environment and society before taking on business partnerships?	Yes		(8)Adopting EICC Enterprise Social Responsibility System and implementing Green thinking through purchase capacity. Prohibiting polluted materials expanding purchase environment to protect products, prohibiting use of materials from conflicting regions. Requesting the	(8)No obvious deviation

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
(9)Do the 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 appreciable impact on the environment and society?		NO	suppliers to furnishing RoHS testing reports and the guaranty for products not to contain REACH SVHC. The Company includes conflict-free-minerals in supplier management system to exclude the materials production nations and respects EICC ethic standards and accepting the audit from its delegated parties. Complete evaluations are completely appropriated before collaborating with suppliers. (9)Contracts are not stipulated to terminate or cancel at any time.	(9)It's not stipulated that the contract can be suspended or terminated at any time.
4. Enhancing Information Disclosure (1)Does the Company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?	Yes		(1)The corporate social responsibilities(CSR) are revealed on its website and the Market Observation Post System (MOPS).	(1)No obvious deviation
5. If the Company has established the corporate social responsibility principles based on "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies", please describe any discrepancy between the Principles and their implementation: No obvious deviation				
6. Other important information to facilitate better understanding of the Company's corporate social responsibility practices: None				
7. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions: The 2016 annual CSR report was verified by SGS using the GRI G4 AA1000 standard. The 2017 annual CSR report was not published as to the completion date of the annual report.				

(F)The state of the Company's performance in the area of good faith management and the adoption of related measures

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1.Establishment of ethical corporate management policies and programs				
(1)Does the Company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?	Yes		(1)The "Code of conduct for Integrity" approved at board meeting are revealed on its website and the Market Observation Post System (MOPS)	(1)No obvious deviation
(2)Does the Company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?	Yes		(2)The "Code of conduct for Integrity" prohibits any dishonest behavior and prevention programs.	(2)No obvious deviation
(3)Does the Company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies?	Yes		(3)The "Code of conduct for Integrity" stipulates the scope in the prohibition of any dishonest behavior and prevention programs.	(3)No obvious deviation
2.Fulfill operations integrity policy				
(1)Does the Company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	Yes		(1)The Company evaluates business partners' ethical records and include ethics-related clauses in business contracts	(1)No obvious deviation

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(2)Does the Company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?	Yes		(2)HR should implement credit management, and exercises investigation when receiving any of the acts referred to questioned, prosecutors to the Company. And the result will be published, if necessary, through legal channels to seek solutions.	(2)No obvious deviation
(3)Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	Yes		(3)The "Code of Conduct for Integrity" is made as the business standard for the employees, contractors, suppliers, and business partners.	(3)No obvious deviation
(4)Has the Company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?	Yes		(4)Sound corporate accounting and internal control system, and audit plan is made and exercised by internal auditors every year.	(4)No obvious deviation
(5)Does the Company regularly hold internal and external educational trainings on operational integrity?	Yes		(5)Company regularly conducts employee education and training, including for business ethical business courses.	(5)No obvious deviation
3.Operation of the integrity channel (1)Does the Company establish both a reward or punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	Yes		(1)"Employee reporting and complaint handling procedures" is made for the protection of supplier and employee reporting and complaint rights.	(1)No obvious deviation

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(2)Does the Company establish standard operating procedures for confidential reporting on investigating accusation cases? (3)Does the Company provide proper whistleblower protection?	Yes Yes		(2)"Employee reporting and complaint handling procedures" is clearly stipulated the relevant procedure and confidentiality. (3)"Employee reporting and complaint handling procedures" render protection to the petitioner from any possible revenge.	(2)No obvious deviation (3)No obvious deviation
4.Strengthening information disclosure (1)Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company's website and MOPS?	Yes		(1)The "Code of Conduct for Integrity" has been revealed on corporate website. (http://www.kinsus.com.tw)	(1)No obvious deviation
5.If the Company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation: None				
6.Other important information to facilitate a better understanding of the Company's ethical corporate management policies: None				

(G)If the Company has adopted corporate governance best-practice principles or related bylaws, disclose how these are to be searched.

Please refer to the Company’s website at http://www.kinsus.com.tw/zh-TW/Download/other-information.

(H)Other significant information that will provide a better understanding of the state of the Company's implementation of corporate governance: None

(I)The state of implementation of the Company’s internal control system

a. For a Statement on Internal Control: Please refer to page 47 of the Statement of internal control.
b. A CPA has been hired to carry out a special audit of the internal control system: None

(J)For the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report, disclose any sanctions imposed in accordance with the law upon the Company or its internal personnel, any sanctions imposed by the Company upon its internal personnel for violations of internal control system provisions, principal deficiencies, and the state of any efforts to make improvements: None

(K)Material resolutions of a shareholders meeting or a board of directors meeting during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report.

a. Material resolutions of 2017 shareholders meeting (at May 26, 2017)

Item	Date	Major resolutions
Shareholders’ meeting	May 26, 2017	A. Approval of the 2016 business report, financial statements and consolidated financial statements: Attending votes: 340,102,737(Of which the exercise of the voting rights by electronic means: 332,136,388) Favorable votes: 314,800,806(Of which the exercise of the voting rights by electronic means: 311,814,051) Unfavorable votes:38,817 (Of which the exercise of the voting rights by electronic means: 38,817) Invalid votes: 0 Abstention and Not votes: 25,263,114 (Of which the exercise of the voting rights by electronic means: 20,283,520) Implementation of the situation: The resolution was adopted.

		B. Approval of the distribution of 2016 retained earnings: (see Table 1 below) Attending votes: 340,102,737 (Of which the exercise of the voting rights by electronic means: 332,136,388) Favorable votes: 315,287,806 (Of which the exercise of the voting rights by electronic means: 312,301,051) Unfavorable votes: 39,822 (Of which the exercise of the voting rights by electronic means: 39,822) Invalid votes: 0 Abstention and Not votes:24,775,109 (Of which the exercise of the voting rights by electronic means: 19,795,515) Implementation of the situation: The resolution was adopted and the dividends have been distributed on September 6, 2017 accordingly.
		C. Amend the Article of Incorporation Attending votes: 340,102,737 (Of which the exercise of the voting rights by electronic means: 332,136,388) Favorable votes: 299,612,806 (Of which the exercise of the voting rights by electronic means: 296,626,051) Unfavorable votes: 40,817 (Of which the exercise of the voting rights by electronic means: 40,817) Invalid votes: 0 Abstention and Not votes: 40,449,114 (Of which the exercise of the voting rights by electronic means: 35,469,520) Implementation of the situation: The resolution was adopted and has been implemented in accordance with the revised charter.
		D. Amend Practice Guidance for Loaning to Others Attending votes: 340,102,737 (Of which the exercise of the voting rights by electronic means: 332,136,388) Favorable votes: 298,323,536 (Of which the exercise of the voting rights by electronic means: 295,336,781) Unfavorable votes: 48,092(Of which the exercise of the voting rights by electronic means: 48,092) Invalid votes: 0 Abstention and Not votes: 41,731,109 (Of which the exercise of the voting rights by electronic means: 36,751,515) Implementation of the situation: The resolution was adopted and has been implemented in accordance with the revised charter.

		E. Amend "Practice Guidance for Providing Endorsement/Guarantee" Attending votes: 340,102,737 (Of which the exercise of the voting rights by electronic means: 332,136,388) Favorable votes: 298,332,811 (Of which the exercise of the voting rights by electronic means: 295,346,056) Unfavorable votes: 40,817 (Of which the exercise of the voting rights by electronic means: 40,817) Invalid votes: 0 Abstention and Not votes: 41,729,109 (Of which the exercise of the voting rights by electronic means: 36,749,515) Implementation of the situation: The resolution was adopted and has been implemented in accordance with the revised charter.
		F. Amend "Procedures for Acquisition and Disposal of Assets" Attending votes: 340,102,737 (Of which the exercise of the voting rights by electronic means: 332,136,388) Favorable votes: 299,612,806 (Of which the exercise of the voting rights by electronic means: 296,626,051) Unfavorable votes: 40,817 (Of which the exercise of the voting rights by electronic means: 40,817) Invalid votes: 0 Abstention and Not votes: 41,729,109 (Of which the exercise of the voting rights by electronic means: 36,749,515) Implementation of the situation: The resolution was adopted and has been implemented in accordance with the revised charter.
		G. By-electing a director Election results: According to the attending shareholders' votes, the chairman announced the elected director is: Title / Account Number / Name / Election Votes Director / 17 / Chen, Ho-Shu / 253,678,616 Votes Implementation of the situation: The resolution was adopted and has been change registration.
		H. Discuss of releasing the newly by-elected director from prohibition of non-compete. Attending votes: 340,102,737 (Of which 332,136,388 were exercised electronically.) Favorable votes: 239,248,597 (Of which 236,259,842 were

Title	Account Number	Name	Election Votes
Director	17	Chen, Ho-Shu	253,678,616 Votes

		exercised electronically.) Unfavorable votes: 50,400,067 (All were exercised electronically.) Invalid votes: 0 Abstention and Not votes: 50,454,073 (Of which 45,476,479 were exercised electronically.) Implementation of the situation: The resolution was adopted and has been implemented in accordance with the revised charter.

Table 1

Kinsus Interconnect Technology Corporation

2016 Earnings Distribution Table

Item	Total (in NT$)
Beginning retained earnings	12,930,624,282
Add: Other comprehensive income and loss - the impact of the actuarial gains and losses of benefits	(958,296)
Add: Net profit after tax	2,233,704,590
Distributable earnings	15,163,370,576
Less: 10% Legal reserve	(223,370,459)
Speaial reserve	(613,195)
Shareholder cash dividend (NT$3/share)	(1,336,350,000)
Subtotal:	(1,560,333,654)
Ending unappropriated retained earnings	13,603,036,922

b. Material resolutions from the meetings of board of directors

Date of board meeting	Major resolutions
2017/02/08	1. 2016 Business report, parent-company-only financial statements, and consolidated financial statements 2. 2016 earnings distribution 3. Approve 2016 compensation to employee and directors 4. 2016 representation letter for effectiveness on internal control structure 5. Amend the Article of Incorporation 6. Amend “Practice Guidance for Loaning to Others” 7. Amend “Practice Guidance for Providing Endorsement/Guarantee” 8. Amend “Procedures for Halt and Resumption Applications” 9. Amend “Practical Guidance for Corporate Governance” 10. By-electing a director 11. List of candidates for nomination of directors 12. To release the newly by-elected director from prohibition of non-compete. 13. The 2017 annual shareholders’ meeting convened and related matters
2017/03/30	1. To review the qualifications of the nominee for director to be by-elected 2. Amend “Procedures for Acquisition and Disposal of Assets” 3. Approve the revision of 2017 annual shareholders’ meeting convened and related matters 4. Amend “The Rule for Establishing Audit Committee”
2017/04/28	1. Participate in cash offering of the subsidiary, KINSUS INVESTMENT CO., LTD. 2. Resolve the addition and continuance of bank facility 3. Amend “Internal Control Systems” 4. Approve an acquisition of real estate
2017/07/24	1. Determine the measurement date for 2016 distribution of dividend 2. Distribution of 2016 compensation to directors 3. Propose the 2017 adjustment on managers’ compensations 4. Propose the amounts of employee compensation for managers
2017/10/30	1. Resolve a renewal of credit line of bank facility 2. Internal audit manager rotation 3. Amend “Internal Control Systems” 4. Approve the 2018 internal audit plan
2017/12/26	1. Approve the 2018 business plan and budget 2. Assess auditors’ independency, approve the engagement of auditors and the audit fee

	3. Amend "Accounting Rule" 4. Amend "The Rules of Board Procedure" 5. Amend "Audit Committee Procedures"
2018/01/29	1. Approve 2017 compensation to employee and directors 2. 2017 Business report, parent-company-only financial statements, and consolidated financial statements 3. 2017 earnings distribution 4. Determine the distribution of 2017 managers' year-end bonus 5. Issuance of restricted stock awards in 2018 6. Approve the 2016 Management's Reports on Internal Control 7. Re-election of all directors 8. List of candidates for nomination of directors (including independent director) 9. To release the newly by-elected director from prohibition of non-compete 10. The 2018 annual shareholders' meeting convened and related matters

(L)Where, during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report, a director or supervisor has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof: None

(M)A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report, of the Company's chairman, general manager, principal accounting officer, principal financial officer, chief internal auditor, and principal research and development officer:

Title	Name	Inauguration date	Resignation date	Reason
Chief internal auditor	Yeh, Zong-Zheng	2009/05/06	2017/10/30	Internal organizational rotation

(4) Information on CPA professional fees

Name of Accounting Firm	Name of CPA	Audit Period	Note
Ernst & Young	Huang, Yi-Hui	2017	
	Zhang, Zhi-Ming		

Range	Category	Audit Fee	Non- Audit Fee	Total
1	Less than $2,000 thousand		V	
2	$2,000 thousand (inclusive) - $4,000 thousand			
3	$4,000 thousand (inclusive) - $6,000 thousand	V		V
4	$6,000 thousand (inclusive) - $8,000 thousand			
5	$8,000 thousand (inclusive) - $10,000 thousand			
6	$10,000 thousand and more			

(A)The amount of non-audit fees paid to the CPAs, their firm, and its affiliated enterprises accounting for at least one-fourth of the amount of audit fees: Non-audit fee are mainly tax advice, accounting for less than a quarter of audit fee.

(B) Change of the accounting firm with a decrease in the audit fees paid in the year of change compared to the year before the change: None

(C) The audit fees reduced by 15% or more compared to the previous year: None

(5) Information on replacement of certified public accountant: None

(6) Where the Company's chairperson, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm, the name and position of the person, and the period during which the position was held: None

(7) Any transfer of equity interests and/or pledge of or change in equity interests (during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report) by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report.

(A)Changes in equity due to transfer and pledge by directors, supervisors, officers, and greater-than-10-percent shareholders

a. Changes in shareholdings of Directors, Officers, and Major Shareholders

Unit: Shares

Title	Name	2017		As of March 31, 2018	
		Increase (Decrease) in # of Shares Held	Increase (Decrease) in # of Shares Pledged	Increase (Decrease) in # of Shares Held	Increase (Decrease) in # of Shares Pledged
Chairman & CEO	Guo, Ming-Dong	–	–	–	–
Director & CSO	Tung, Tzu-Hsien	–	–	–	–
Director & GE	Chen Ho-Shu	–	–	–	–
Director (major shareholder)	Hua Xu Investment Co., Ltd. Corporate, rep: Su, Yan-Xue	–	–	–	–
	Su, Yan-Xue	–	–	–	–
Director (major shareholder)	Hua Yu Investment Co., Ltd. Corporate, rep.: Wu, Xiang-Xiang	–	–	–	–
	Wu, Xiang-Xiang	–	–	–	–
Director	Cheng, Zhong-Ren	–	–	–	–
Independent Director	Huang, Chun-Bao	–	–	–	–
Independent Director	Chen, Jin-Cai	–	–	–	–
Independent Director	Wu, Hui-Huang	–	–	–	–
Major Shareholder	Hua Wei Investment Co., Ltd.	–	–	–	–
Technical Director	Chang, Chien-Wei	–	–	–	–
COO	Hu, Gui-Qin	–	–	–	–
Senior assistant GM	Huang, Geng-Fang	–	–	–	–
Assistant GM	Lin, Zhi-Wei	(17,000)	–	–	–
Assistant GM	Huang, Sheng-Chuan	–	–	–	–
Assistant GM	Wu, Wei-Wen	–	–	–	–
Chief FIN/ACC manager	Liu, Su-Zhen	–	–	–	–

(B) Where the counterparty in any transfer or pledge of equity is a related party, disclose the counterparty's name, its relationship with the Company as well as the Company's directors, supervisors, and greater-than-10-percent shareholders, and the number of shares acquired or pledged: None

(8) Relationship information, if among the Company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another:

Name	Shares Held		Shares Held by Spouse or Minor Children		Total Shares Held in the Name of Others		Title or Name of Its Related Party, Spouse, or Relative Within the Second Degree of Kinship That Is Among Ten Largest Shareholders and Their Relationship		Note
	# of Shares	Shareholding Percentage	# of Shares	Shareholding Percentage	# of Shares	Shareholding Percentage	Title (or Name)	Relationship	
Hua Wei Investment Co., Ltd.	60,128,417	13.48%	-	-	-	-	Hua Xu Investment Co., Ltd., Hua Yu Investment Co., Ltd.	All are 100% owned by Pegatron Corp.	-
Hua Xu Investment Co., Ltd. (Representative: Su, Yan-Xue)	58,233,091	13.06%	-	-	-	-	Hua Wei Investment Co., Ltd., Hua Yu Investment Co., Ltd.	All are 100% owned by Pegatron Corp.	-
Su, Yan-Xue	-	-	-	-	-	-	-	-	-
Hua Yu Investment Co., Ltd. (Representative: Wu, Xiang-Xiang)	55,556,221	12.46%	-	-	-	-	Hua Wei Investment Co., Ltd., Hua Xu Investment Co., Ltd.	All are 100% owned by Pegatron Corp.	-
Wu, Xiang-Xiang	-	-	-	-	-	-	-	-	-
Nan Shan Life Insurance Company Ltd.	22,730,000	5.10%	-	-	-	-	-	-	-
Taiwan Bank in custody of Mars Investment Limited	18,876,000	4.23%	-	-	-	-	-	-	-
Fubon Life Assurance Co., Ltd.	12,200,000	2.74%	-	-	-	-	-	-	-
Cathay Life Insurance Co., Ltd.	8,262,000	1.85%	-	-	-	-	-	-	-
Chunghwa Post	6,752,000	1.51%	-	-	-	-	-	-	-
Vanguard Emerging Markets Stock Index Fund, a series of vanguard international equity index funds	4,625,000	1.04%	-	-	-	-	-	-	-
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Fund	3,716,000	0.83%	-	-	-	-	-	-	-

(9) The total number of shares and total equity stake held in any single enterprise by the Company, its directors and supervisors, managers, and any companies controlled either directly or indirectly by the Company

Consolidated Shareholding Percentage

Measurement date: Dec. 31, 2017; Unit: Shares; %

Invested Enterprise	Investment by the Company		Investment by Directors, Supervisors, Officers, and Directly or Indirectly Controlled Companies		Consolidated Investment	
	# of Shares	Shareholding Percentage	# of Shares	Shareholding Percentage	# of Shares	Shareholding Percentage
KINSUS CORP.(USA)	500,000	100%	—	—	500,000	100%
KINSUS HOLDING (SAMOA) LIMITED	166,308,720	100%	—	—	166,308,720	100%
KINSUS HOLDING (CAYMAN) LIMITED	—	—	72,000,000	100%	72,000,000	100%
KINSUS INTERCONNECT TECHNOLOGY (SUZHOU) CORP.	—	—	—	100%	—	100%
KINSUS INVESTMENT CO., LTD.	160,000,000	100%	—	—	160,000,000	100%
PEGAVISION CORP.	—	—	36,549,909	60.92%	36,549,909	60.92%
PIOTEK HOLDINGS LTD.(CAYMAN)	—	—	187,755,000	100%	187,755,000	100%
PIOTEK HOLDING LTD.	—	—	139,840,790	100%	139,840,790	100%
PIOTEK (H.K.) TRADING LIMITED.	—	—	200,000	100%	200,000	100%
PIOTEK COMPUTER (SUZHOU) CO. LTD.	—	—	—	100%	—	100%
PEGAVISION HOLDINGS CORPORATION	—	—	2,130,000	100%	2,130,000	100%
PEGAVISION CONTACT LENSES (SHANGHAI) CORPORATION	—	—	—	100%	—	100%
XIANG SHUO (SUZHOU) TRADING LIMITED	—	—	—	100%	—	100%
PEGAVISION JAPAN INC.		—	198	100%	198	100%

Kinsus Interconnect Technology Corp.
Statement on Internal Control Systems

Date: Junuary 29th, 2018

Based on the results of self-inspection of the Company's internal control system in 2017, the Company hereby states the following:

(1) The Company is fully aware that establishing, implementing, and maintaining an internal control system are the responsibilities of its board of directors and officers. The Company has established such a system to provide reasonable assurance regarding the achievement of such objectives as effectiveness and efficiency of operations (including profits, performance, and safeguarding of assets), reliability of financial reporting, and compliance with applicable laws and regulations.

(2) There are inherent limitations to every internal control system. An effective internal control system can only provide reasonable assurance regarding the achievement of the aforesaid three objectives in spite of how well-designed it is. Moreover, the effectiveness of an internal control system may vary with changes in environments or circumstances. Nevertheless, the internal control system of the Company comes with a self-supervision mechanism. The Company will take corrective actions immediately after a deficiency is identified.

(3) The Company determines whether the design and implementation of its internal control system are effective according to the criteria for effectiveness of internal control systems as prescribed in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as "the Regulations"). The internal control system criteria adopted in the Regulations divide an internal control system into five constituent elements based on the management and control processes: a. control environment; b. risk assessment; c. control activities; d. information and communications; and e. monitoring. Each constituent element also comprises several items. See the Regulations for the above-mentioned items.

(4) The Company has adopted the aforesaid internal control system criteria to inspect the effectiveness of the design and implementation of its internal control system.

(5) According to the results of the inspection mentioned above, the Company believes that its internal control system (the supervision and management of its subsidiaries are included) as of December 31, 2017, including the design and implementation of the internal control system regarding the perceived level of achievement of the objectives of operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable laws and regulations, is effective, and that it can reasonably assure the achievement of the aforesaid objectives.

(6)This statement will become an essential part of the Company's annual report and prospectus and be disclosed to the public. If the Company is found to make a false statement, conceal information, or violate regulations regarding the disclosed content, it will be subject to the legal liabilities of Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

(7)This statement was adopted by the board of directors of the Company on Junuary 29th, 2018. None of the nine attending directors objected to this statement as all of them approved the content of this statement. Thus, a pronouncement is made herein.

Kinsus Interconnect Technology Corp.

The Chairman: Guo, Ming-Dong

The General Manager: Chen, Ho-Shu

4. Information on Capital Raising Activities

(1) Capital and Shares

(A)Sources of Capital Stock

a. Types of Shares

As of March 31, 2018; Unit: Shares

Type of Shares	Authorized Capital Stock			Remark
	Outstanding Shares (Note)	Unissued Shares	Total	
Registered common stock	446,000,000	104,000,000	550,000,000	Note

Note: The Company has gone public since Nov. 1, 2004. The shares outstanding are all listed.

b. Formation of Capital Stock

As of March 31, 2018

Month & Year	Issue Price ($)	Authorized Capital Stock		Paid-Up Capital Stock		Note		
		# of Shares (Thousand Shares)	Amount (Thousand Dollars)	# of Shares (Thousand Shares)	Amount (Thousand Dollars)	Source of Capital Stock	Offsetting Payment of Shares with Properties Other Than Cash	Others
Sep. 2000	10	250,000	2,500,000	120,000	1,200,000	Startup capital 1,200,000	None	—
Dec. 2000	10	250,000	2,500,000	130,000	1,300,000	Cash addition 100,000	None	Note 1
April 2001	10	250,000	2,500,000	190,000	1,900,000	Cash addition 600,000	None	Note 2
Nov. 2002	10	250,000	2,500,000	200,000	2,000,000	Cash addition 100,000	None	Note 3
July 2004	10	288,000	2,880,000	222,000	2,220,000	Capitalization of earnings 220,000	None	Note 4
Aug. 2005	10	370,000	3,700,000	259,800	2,598,000	Capitalization of earnings 378,000	None	Note 5
Sep. 2005	10	370,000	3,700,000	289,800	2,898,000	Cash addition 300,000	None	Note 6
June 2006	10	550,000	3,700,000	339,800	3,398,000	Cash addition 500,000	None	Note 7
Sep. 2006	10	550,000	5,500,000	389,000	3,890,000	Capitalization of earnings 492,000	None	Note 8
Sep. 2007	10	550,000	5,500,000	435,400	4,354,000	Capitalization of earnings 464,000	None	Note 9
Sep. 2008	10	550,000	5,500,000	446,000	4,460,000	Capitalization of earnings 106,000	None	Note 10

Note 1: Approved by the Ministry of Economic Affairs with the Letter of Jing-(090)-Shang No. 09001013780 dated January 15, 2001

Note 2: Approved by the Ministry of Economic Affairs with the Letter of Jing-(090)-Shang No. 09001129300 dated April 17, 2001

Note 3: Letter of (91)-Tai-Cai-Zheng-(Yi)-Zi No. 0910149830 issued by the Securities and Futures Commission, Ministry of Finance on September 11, 2002

Note 4: Letter of (93)-Tai-Cai-Zheng-(Yi)-Zi No. 0930124569 issued by the Securities and Futures Commission, Ministry of Finance on June 2, 2004

Note 5: Letter of Jin-Guan-Zheng-Yi-Zi No. 0940126584 issued by the Financial Supervisory Commission, Executive Yuan on July 1, 2005

Note 6: Letter of Jin-Guan-Zheng-Yi-Zi No. 0940130374 issued by the Financial Supervisory Commission, Executive Yuan on August 2, 2005

Note 7: Letter of Jin-Guan-Zheng-Yi-Zi No. 0950108623 issued by the Financial Supervisory Commission, Executive Yuan on March 24, 2006

Note 8: Letter of Jin-Guan-Zheng-Yi-Zi No. 0950128559 issued by the Financial Supervisory Commission, Executive Yuan on July 5, 2006

Note 9: Letter of Jin-Guan-Zheng-Yi-Zi No. 0960031093 issued by the Financial Supervisory Commission, Executive Yuan on June 21, 2007

Note 10: Letter of Jin-Guan-Zheng-Yi-Zi No. 0970030373 issued by the Financial Supervisory Commission, Executive Yuan on June 18, 2008

(B)Shareholder Structure

As of March 31, 2018; Unit: Shares

Shareholder Structure / Quantity	Government Agencies	Financial Institutions	Other Corporations	Individuals	Foreign Institutions & Foreigners	Total
# of Persons	0	8	114	30,432	168	30,722
# of Shares Held	0	51,251,000	189,499,775	149,087,618	56,161,607	446,000,000
Shareholding Percentage	0.00%	11.49%	42.49%	33.43%	12.59%	100%
Note: No shares are held by investors in Mainland China.						

(C)Diffusion of Ownership

Par at NT$10 per share; As of March 31, 2018

Scale of Shareholding			# of Shareholders	# of Shares Held	Shareholding Percentage
1	to	999	3,613	433,987	0.10%
1,000	to	5,000	21,597	43,936,922	9.85%
5,001	to	10,000	2,977	23,644,927	5.30%
10,001	to	15,000	840	10,842,715	2.43%
15,001	to	20,000	574	10,803,029	2.42%
20,001	to	30,000	399	10,359,572	2.32%
30,001	to	50,000	345	13,880,457	3.11%
50,001	to	100,000	198	13,756,272	3.09%
100,001	to	200,000	86	12,423,108	2.79%
200,001	to	400,000	42	11,476,083	2.58%
400,001	to	600,000	11	5,408,469	1.21%
600,001	to	800,000	8	5,408,312	1.21%
800,001	to	1,000,000	7	6,299,379	1.41%
1,000,001	to	1,000,000,000	25	277,326,768	62.18%
Total			30,722	446,000,000	100.00%

(D)List of principal shareholders

The names, numbers of owned shares, and shareholding percentages of those who own 5% or more of the total issued shares or whose shareholding percentage is among the top ten.

As of March 31, 2018; Unit: Shares

Shares / Name of Major Shareholders	# of Shares Held	Shareholding Percentage
Hua Wei Investment Co., Ltd.	60,128,417	13.48%
Hua Xu Investment Co., Ltd.	58,233,091	13.06%
Hua Yu Investment Co., Ltd.	55,556,221	12.46%
Nan Shan Life Insurance Company, Ltd.	22,730,000	5.10%
Taiwan Bank in custody of Mars Investment Limited	18,876,000	4.23%
Fubon Life Assurance Co., Ltd.	12,200,000	2.74%
Cathay Life Insurance Co., Ltd.	8,262,000	1.85%
Chunghwa Post	6,752,000	1.51%
Standard Chartered Bank in custody for Vanguard Emerging Markets Stock Index Fund	4,625,000	1.04%
JPMorgan Chase Bank N.A. Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	3,716,000	0.83%

(E)Share prices for the past 2 fiscal years, together with the Company's net worth per share, earnings per share, dividends per share, and related information.

Unit: NT$

Item			2017	2018
Market Price per Share	Highest		80.8	87.9
	Lowest		58.9	53.5
	Average		70.26	76.97
Net Worth per Share	Before Distribution		64.73	62.78
	After Distribution		61.73	(Note)
Earnings per Share	Weighted Average # of Shares		446,000,000	446,000,000
	Earnings per Share	Before Adjustment	5.01	1.10
		After Adjustment	5.01	(Note)
Dividends per Share	Cash Dividends		3	(Note)
	Stock Dividends	Stock Dividends from Retained Earnings	—	(Note)
		Stock Dividends from Capital Reserves	—	(Note)
	Accumulated Unpaid Dividends		—	—
Analysis of Return on Investment	Price/Earnings Ratio		14.02	69.97
	Price/Dividend Ratio		23.42	(Note)
	Cash Dividend Yield		4.27%	(Note)

Note: The distribution of earnings in 2017 has been approved by the board of directors, but has not been resolved at the shareholders' meeting.

(F)The Company's dividend policy and implementation

a. The Company's Dividend Policy

The Company, if making profits in current year, shall distribute the earnings in the following order:

1. Payment of all taxes and dues;
2. Offset prior years' operation losses;
3. Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
4. Set aside or reverse special reserve in accordance with law and regulations;
5. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

The Company is in an industry with versatile environment. For long-term finance planning requirements and to meet the shareholders' demand for cash, dividend policy aims for a steady balance. Cash dividends distributed each year cannot be less than 10% of the total dividends paid.

b. Dividend Distributions to Be Proposed at the Shareholders' Meeting

In 2017, the Company had a distributable earning of NT$491,676,522 after taxes, and set aside 10% of the amount, that is NT$49,167,652, as legal reserve, and special reserve of NT$77,064,301. The following distribution is proposed in accordance with the Articles of Incorporation:

(a)Shareholder dividends: NT$669,000,000, all distributed in the form of cash.

(b)Unappropriated retained earnings at the end of the period: NT$13,300,485,569.

Kinsus Interconnect Technology Corp.

Earnings Distribution Schedule

2017

Unit:NT$

Item	Amount
Unappropriated retained earnings (at beginning of period)	13,603,036,922
Less: Other comprehensive income in 2017 - actuarial gains of defined benefit plans	1,004,078
Add: Net income in 2017	491,676,522
Distributable earnings	14,095,717,522
Less: 10% legal reserve	(49,167,652)
Special reserve	(77,064,301)
Shareholder bonuses ($1.5 per share in cash)	(669,000,000)
Subtotal	(795,231,953)
Unappropriated retained earnings (at end of period)	13,300,485,569

Note: the number of shares allocated 446,000,000

Calculation Description:

The current paid-up capital of NT$ 4,460,000,000

c. Explanation of Expected Material Changes in the Dividend Policy: None

(G)Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting

Regarding the distribution of earnings of the Company for 2017, the board of directors approved the proposal on January 29th, 2018 to distribute shareholder bonuses totaling NT$669,000 thousand in the form of cash only. Thus, it is not applicable.

(H)Compensation of employees, directors, and supervisors

a. The percentages or ranges with respect to employee, director, and supervisor compensation, as set forth in the Company's articles of incorporation:

   The Company, if making profits in current year, shall provide the ratio of employee compensation to "income before tax and the employee and directors' compensation to be provided" at less than 10% and the ratio of directors' compensation to "income before tax and the employee and directors' compensation to be provided" at be more than 1%, provided that all accumulated deficits, if any, are fully offset.

   The employees' compensation can be distributed in cash or stocks. The employees receiving the stock dividends may include employees in affiliated companies who met certain conditions stipulated by the Board of Directors.

   Employee and directors' compensation is to report in the shareholders' meeting.

b. The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period: None

c. Information on any approval by the board of directors of distribution of compensation:

   (a) Regarding the compensation to employee and directors of the Company for 2017 the board of directors approved the proposal on January 29th, 2018 to distribute NT$80,693 thousand and NT$4,912 thousand for employee and director compensation respectively.

   (b) The proposed amount of employee stock bonuses to be distributed, and the size of such an amount as a percentage of the sum of the after-tax net income stated in the separate or individual financial reports for the current period and total employee bonuses: N/A

d. The actual distribution of employee, director, and supervisor compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor compensation, additionally the discrepancy, cause, and how it is treated.

The actual distribution of employee bonuses and director/supervisor compensation by the Company for 2016 is as follows:

	Earnings Distribution for 2016			
Item	Adopted at Shareholders' Meeting on May 26, 2017	Actual Distribution	Discrepancy	Cause and Explanation of Discrepancy
Director/Supervisor Compensation	NT$20,911 thousand	NT$20,911 thousand	-	-
Employee Cash Bonuses	NT$343,533 thousand	NT$343,533 thousand	-	-

(I)Share repurchases: None

(2)Issuance of corporate bonds: None

(3)Issuance of preferred shares: None

(4)Issuance of global depository receipts: None

(5)Issuance of employee share subscription warrants: None

(6)New restricted employee Shares: The Company resolved an issuance of restricted stock awards by the board of directors on January 29th, 2018 and submitted it for a discussion and final approval in Shareholder Meetings on May 29th, 2018.

(7)Mergers, acquisitions, and issuance of new shares due to acquisition of shares of other companies

(A)Where the Company completed a merger, acquisition, or issuance of new shares due to acquisition of shares of other companies in the most recent year and during the current period up to the date of printing of the annual report, the following matters shall be disclosed: None

(B)Where, in the most recent year and during the current period up to the date of printing of the annual report, the board of directors adopted a resolution approving a merger, acquisition, or issuance of new shares due to acquisition of shares of other companies, the state of the plan's implementation together with the basic information of the Company (or companies) to be merged, acquired, or purchased through acquisition of shares shall be disclosed. Where a merger, acquisition, or issuance of new shares due to acquisition of shares of other companies is currently in progress, the state of the plan's implementation and its effect on shareholders' equity shall be disclosed: None

(8)Implementation of the Company's capital allocation plans

(A)Description of the plans: Each uncompleted public issue or private placement of securities, and issues or placements that were completed in the most recent three years but have not yet fully yielded the planned benefits: N/A

(B)Status of implementation: N/A

5. An Overview of Operations

(1)A description of the business

(A)Scope of Business

a. Primary Business Areas

(a)CC01080 Manufacturing of electronic components.
(b)CC01990 Manufacturing of other electrical and electronic mechanical equipment.
(c)CB01990 Manufacturing of other machinery.
(d)CQ01010 Manufacturing of dies.
(e)F401010 International trade.

b. Sale Percentages of Primary Products

Unit: NT$'000

Percentage / Primary product	2017	
	Sales	Percentage
Division of substrates	16,262,695	72.81%
Division of PCBs	6,072,791	27.19%
Total	22,335,486	100.00%

c. Current Products

(a) Manufacturing & sales of PBGA (Plastic Ball Grid Array) substrates.
(b) Manufacturing & sales of MCM (Multi-Chip-Module) BGA substrates.
(c) Manufacturing & sales of CSP (Chip Scale Package) mini-BGA substrates.
(d) Manufacturing & sales of High Dissipation Cavity Down substrates and TEBGA (Thermal Enhanced-BGA) substrates.
(e) Manufacturing & sales of Flip Chip substrates and Flip Chip CSP substrates.
(f) Manufacturing & sales of Flip Chip Film COF (Chip on Flex).
(g) Manufacturing & sales of Core-less substrates.
(h) Manufacturing & sales of All Layer Build Up substrates.
(i) Manufacturing & sales of Embedded Pattern substrates.
(j) Manufacturing & sales of Embedded Passive substrates.
(k) Manufacturing & sales of High Density Copper Bump substrates.
(l) Manufacturing & sales of High Band Width Package-On-Package substrates.
(m) Manufacturing & sales of Core-less Embedded Passive substrates.

d. New Products to Be Developed

Since the founding of the Company, we have always maintained the principle of "Satisfy customers; pursue excellence". Furthermore, we also positioned our R&D to achieve technology leadership and satisfy market demands. We always strive to increase the profitability of our products by entering the market early, as well as plan future investments of engineering resources by fully grasping the requirements of new generation products. Listed below are new products that we plan to develop in the future:

(a) Introduction of Ultra-low Expansion/Shrinkage, High Tg, High Young's Modulus base materials
(b) Development of Fine Pitch Copper Pillar and Solder Bump substrate technology.
(c) Development of High Layer Count Core-less substrate manufacturing technology.
(d) Development of Embedded Passive substrate technology.
(e) Cooperative project of 20~14 nanometer chip packaging.
(f) Development of automatic production technology for ultra-thin boards.
(g) Development of integration technology of Embedded Active and Embedded Passive components.
(h) Development of ultra-fine circuit (<8um), and high contact density products (<30um pitch).
(i) Development of ultra-micropore (diameter<=30um) technology.
(j) Development of low-cost fine circuit (<=20um) technology.
(k) Development of Via Filling technology.

(B)Overview of the Industry

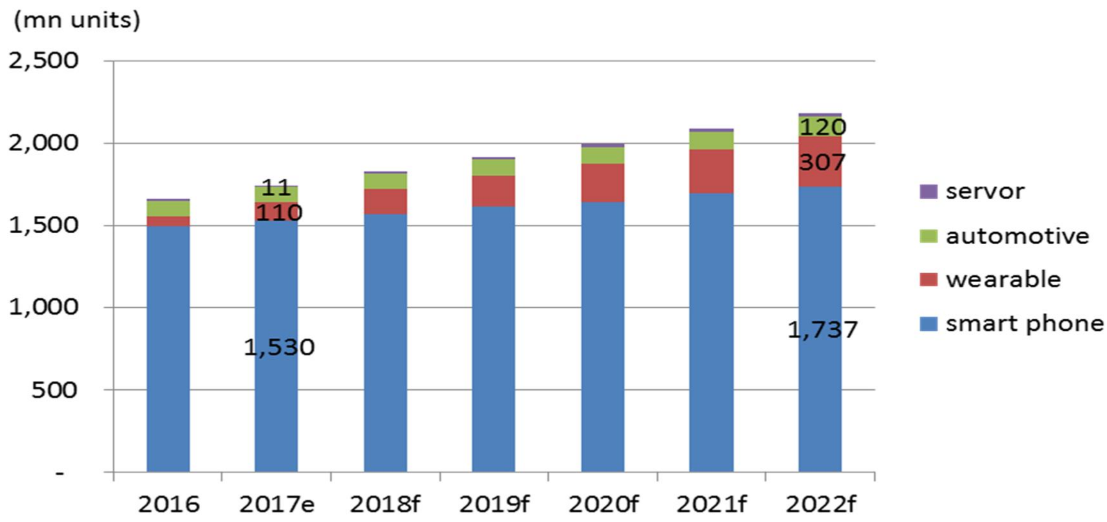
a. Overview and Development of the Industry

Looking to the future several years, the most important direction of electronic technology products is the “Cloud”, which the future of human life is closely linked to. All lifestyle, including eating, clothing, accommodation, transportation, education and entertainment, substantially are changed by using various hand-held or wearable devices to execute communication and computation in Cloud servers through the interface of AI. An example is the smart shop. It combines with artificial intelligence network to grasp customer preferences, distributes products by using self-driving vehicle, completes transactions with electronic payment, and sends goods to households by using automated taxis or drones. Another examples include smart health care, share traffic and economic, blockchain economy, etc. It seems that human living remains the same. However, the interface between people and between groups has evolved from traditional language communication to a powerful interactive network of digital neural network framework.

Eventually, such a large-scale transition or evolution is the momentum accumulated by the development of network technology in the past 10 or more years. Miniature semiconductor technology enhances the speed of server computing ability while huge memory technology extends the capacity and scope of network coverage and indirectly promotes the development of numerous community sites and applications software.

Today we are able to complete in any corner of the world a work that should be done in certain digit-dealing center building within the downtown area of a city before. Furthermore, such an unlimited connecting capacity and scope are continuously growing in a stunning speed.

From a relatively narrow point of view, certain electronic products, including smart phone, wearable devises, automobiles and servers, meet and help in the formation of Cloud world (as shown below). The growth and technology development trends of these products is the most important to technology and also the product trend that the involving semiconductor supply chain companies shall grasp.



Picture：Demand estimation of important electronic products in the world. (Unit: Millions) Source: CLSA 2018

Indeed the development trends of electronic hardware are inter-connected. AI chips are widely applied in the terminal devices mentioned above. Chips for image/face recognition are utilized in smart phone while chips for health related/internet access in wearable devices. In automobile, chips for Auto-driving/assisting driving, image recognition chips for radar/Lidar/photographic lens, and chips for internet access/V2V communication are used. Wearable devices use chips for voice-interacting, chips for vehicle and smart phone access, and individual preference analysis chips for health/entertainment, etc. These applications have accumulated huge momentum and, driven by gradually completed 5G communication, wide-spread server endpoints, construction of mass memory information center, will make possible to speedily build up the AI-based smart city, smart manufacture, and smart lifestyle.

In contrast, we can’t see any growth momentum in traditional computer, cell phone, TV, and consumer commodities mainly because these products are not in the trend of internet cloud development and, accordingly, related technology evolution and product upgrading will not happen either.

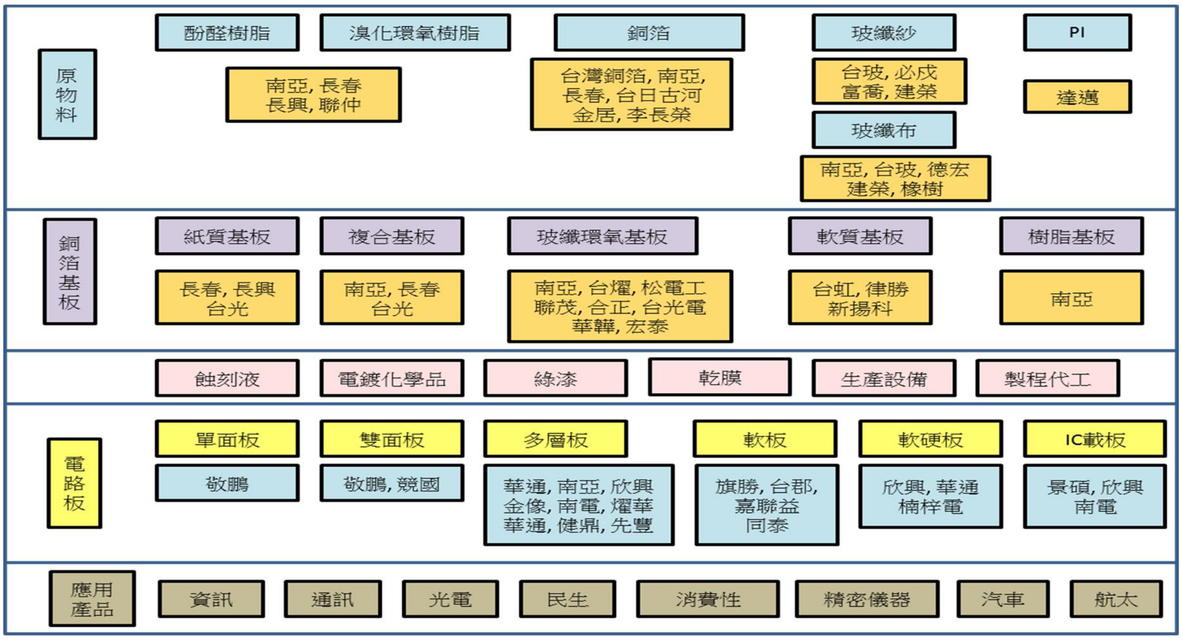
Forecast for electronic system market

		2015	2016(F)	2020(F)	CAAGR 15 ~ 20
Computer	Personal computer	240	221	200	-3.6
	Server / Data storage	118	125	153	5.3
	Other computer	104	102	113	1.7
Communication	Mobile phone	377	359	423	2.3
	Wired infrastructure	118	121	134	2.6
	Wireless infrastructure	70	70	83	3.5
Consumer	TV	103	107	112	1.7
	Home audio / personal equipment	70	72	92	5.6
	Other consumer products	48	49	58	3.9
Car		177	184	232	5.6
Industry	Automation / control	48	50	58	3.9
	Other industrial products	116	115	144	4.4
	Solar energy	35	37	49	7.0
Medical		102	104	118	3.0
Military / aerospace		139	142	166	3.6
Total (billions of dollars)		$1,865	$1,858	$2,135	2.7%

Source: Prismark 2017

b. Interrelationships between the Upstream, Midstream and Downstream of the Industry

The relative relationships between the upstream and downstream sectors of the industrial chain of PCB and IC substrate are shown in the figure below. Our company is positioned in the sector of “Circuit board”. Upstream suppliers include Epoxy CCL (Copper Clad Laminate), copper foil, and various specialty chemicals suppliers. Downstream clients include IC packaging industry, and electronic product assembly EMS companies. The biggest changes and events in the PCB and IC carrier board industry chain were raw material price increase in 2017, including copper foil, fiberglass and resin. It affects PCB manufacturers’ profit to certain extent, especially on those whose product mixture is exposed in needing thicker and more copper foil, such as manufacturers of car board and server backboard. In 2018, the risk of rising raw material prices still exists PCB manufacturers still need to be cautious and keep the flexibility to adjust product mix.



Source:IEK

原物料: Raw materials	酚醛樹脂: Phenolic resin；溴化環氧樹脂: Brominated epoxy resin；銅箔: Copper foil; 玻纖紗: Fiberglass yarn；PI (Polymide)；玻纖布: Fiberglass cloth 南亞: Nan Ya Plastics Corporation；長春: Chang Chun Group; 長興: Eternal Materials Co., Ltd.；聯仲: UPC Group；台灣銅箔: Taiwan Copper Foil Corporation, Ltd.；台日古河；FCFT (Furukawa Circuit Foil Taiwan) Corporation；金居: Co-Tech Development Corporation；李長榮: LCY Chemical Corporation；台玻: Taiwan Glass Group；必成: PFG Fiber Glass Corporation；富喬: Fulltech Fiber Glass Corporation；建榮: Baotek Inc.；德宏: Glotech Industrial Corp.；橡樹: Asahi-Schwebel Taiwan；達邁: Taimide Technology, Ltd.
銅箔基板: Copper clad laminate	紙質基板: Paper-based substrate；複合基板: Composite substrate；玻纖環氧基板: Fiberglass epoxy substrate；軟質基板: Flexible substrate；樹脂基板: Resin substrate 台光: Elite Material Co., Ltd.；台燿: Taiwan Union Technology Corporation；松電工: Song Dian Gong/Taiwan Song Electrical Multi-layer Materials Co., Ltd.；聯茂: ITEQ Corporation；合正: Uniplus Electronics Co., Ltd.；台光電: Elite Material Co., Ltd.；華韡: Hwa Woei Laminate Corporation；宏泰: Hong Tai Electric Industrial Co., Ltd.；台虹: Taiflex Scientific Co., Ltd.；律勝: Microcosm Technology Co., Ltd.；新揚科: ThinFlex
	蝕刻液: Etching solution；電鍍化學品: Electroplating chemicals；綠漆: Green paint；乾膜: Dry film；生產設備: Production equipment；製程代工: Process OEM
電路板: Circuit boards	單面板: Single sided boards；雙面板: Double sided boards；多層板: Multi-layer boards；軟板: Flexible boards；軟硬板: Rigid-flex boards；IC載板: IC substrates 敬鵬: Chin Poon Industrial Co., Ltd.；競國: APCB Group；華通: Compeq Manufacturing Co., Ltd.；欣興: Unimicron Technology Corporation；金像: Gold Circuit Electronics Co., Ltd.；南電: Nan Ya Printed Circuit Board Corporation；燿華: Uniteh Printed Circuit Board Corporation；健鼎: Tripod Technology Corporation；先豐: BoardTek Chemical Engineering Corporation；旗勝: Mektek Industrial Corporation, Ltd.；台郡: Flexium Interconnect, Inc.；嘉聯益: Career Technology Co., Ltd.；同泰: Uniflex Technology Inc.；楠梓電: WUS Printed Circuit Co., Ltd.； 景碩: Kinsus Interconnect Technology Corporation
應用產品: Application products	資訊: Information； 通訊: Communication；光電: Photoelectric；民生: Daily necessities；消費性: Consumer products；精密儀器: Precision instruments；汽車: Automobiles；航太: Aerospace

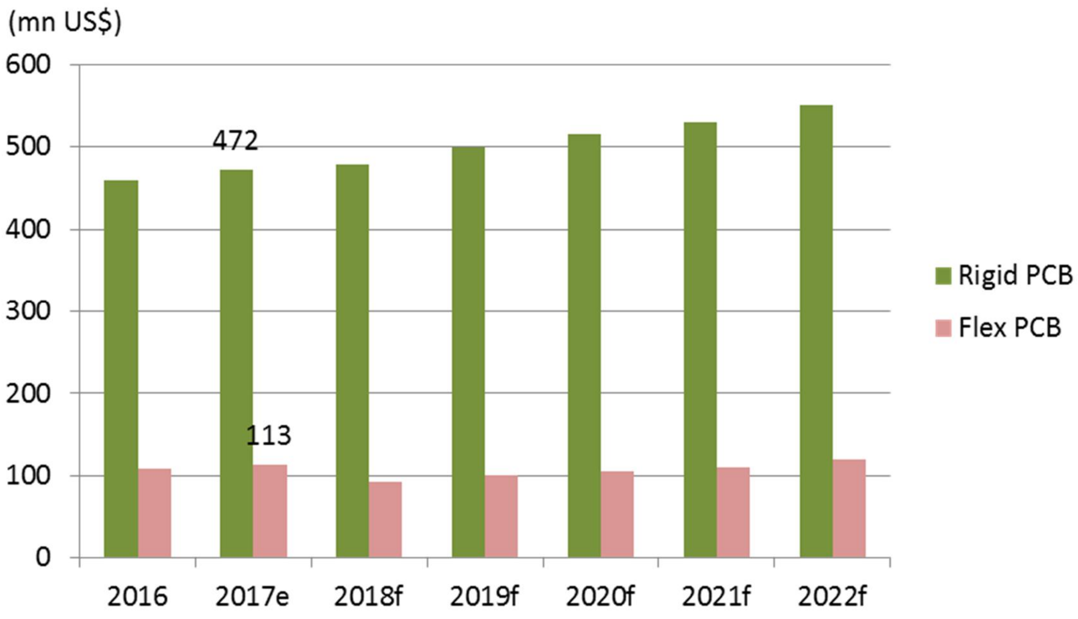
c. Various Product Development Trends

The Company manufactures and sells products, including Rigid PCB (Printed Circuit Board, IC Substrate, Substrate-Like PCB) and Flexible PCB. Their market size and growth trend is as following diagram. The Flexible PCB is the most attractive product type, which grows strongly by a compound rate of 2.8%. Therefore, the Company invests capital in FuYang

Technology Corp. to manufacture Flexible PCB together with Pegatron Corp.

Substrate Like PCB, a new high-density PCB, is not listed in below diagram mainly because there is still not specific developing schedule available for reference up to date. However, we have commenced mass production of Substrate Like PCB for high-end smart phone in the second half of 2017. In expectation of more demand of Substrate Like PCB in high-end smart phone, PCB manufacturers shall timely prepare more capacity to satisfy the need of product enhancement.

Global PCB market size



Source: CLSA 2018

PCB production forecast by product type

Unit: Millions of US dollars

Product type	2015	16E/15	2016(E)	2020(F)	CAAGR 15 ~ 20
Single-Layer PCB	7,905	-2.0%	7,745	8,432	1.30%
Multi-Layer PCB	20,689	-2.3%	20,204	23,180	2.30%
HDI	8,011	-5.9%	7,539	8,885	2.10%
IC substrate	6,922	-6.3%	6,487	6,946	0.10%
FPC	11,798	-6.6%	11,017	13,545	2.80%
Total	55,325	-4.2%	52,992	60,988	2.00%

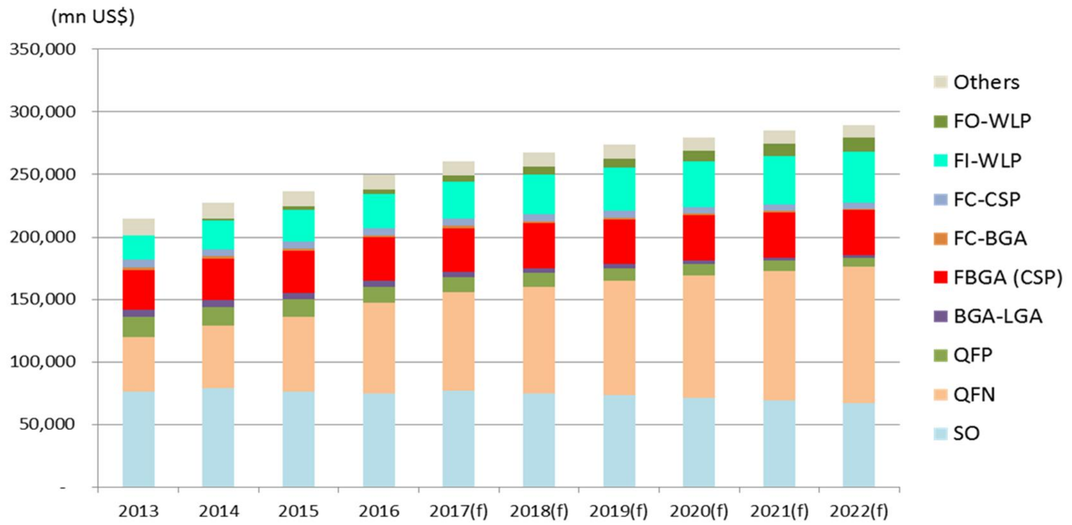
Source: Prismark 2017

IC Substrate is still the Company’s core business, and the evolution of semiconductor wafer technology and the upgrade of packaging substrate are the most important technological evolution drivers. As shown in the following diagram, among the demand for packaging industry, some packaging structural demands may benefit to PCB industry but some technologies will erode business opportunities. The most unfavorable to BGA substrate market is the WLP, Wafer Level Package. This structure does not require a BGA substrate and its compound growth rate could reach 32%. It will keep unfavorable against substrate market for the future few years.

FC-CSP is the most growing product with a more than 4% of revenue compound growth and an even more quantity (number of Die) growth rate among substrates. FC-CSP is still an important product in the substrate industry following the explosive growth of smart phone and wearable devices accompanied with AI. The most importance of FC-CSP among substrate products is sustained also by recent mining upsurge of virtual currency and demands from the development of mega internet/storage industry in China.

The medium term of focus would be on FC-BGA. It will definitely become a rapid growing area in the application of 5G tele-communication (around 2020), AI, cloud networking and automated robot.

Growth trend of packaging structural products



Source: Macquarie 2018

Conclusively, there are several area in electronic products market, including PCB, IC substrate and FPC, that deserves more investments.

1. IC Substrate and next generation higher density PCB's opportunity
2. SiP Packaging Substrate
3. AI related GPU, CPU
4. Memory
5. FPCB module

The Company will continuously invests in the growth area and watches out the impacts from competitive technology in order to innovate and manufacture the new products that can meet with the demand of market and clients.

d. Product Competitions

There is no doubt that Fan-Out Wafer-Level-Package, i.e. FO-WLP, would be the most competitive technology toward BGA packaging substrate. Many substrate manufacturers have developed all kind of technologies, such as ultra-thin substrate, stacked substrate, and embedded structure, to mitigate the impact from FO-WLP. While the effect is limited.

Diversification to SiP module, substrate-like PCB and flexible PCB module would be the solution and may keep the enterprises growing and mature.

(C)Overview of Technology and R&D

a.R&D expenses during recent years and up to the publication date of this annual report

Unit: NT$’000; %

Item / Year	2017	As of March 31, 2018
R&D expenses	1,445,377	545,203
Net income	22,335,486	5,251,757
Percentage of R&D expenses (%)	6.47%	10.38%

b. Successfully developed technology or products

(a) Manufacturing technology and products of PBGA (Plastic Ball Grid Array) substrates.
(b) Manufacturing technology and products of MCM (Multi-chip-Module) BGA substrates.
(c) Manufacturing technology and products of CSP (Chip Scale Package) substrates.
(d) Manufacturing technology and products of High Dissipation Cavity Down substrates, and TEBGA (TEBGA-Thermal Enhanced BGA) substrates.
(e) Manufacturing technology and products of Flip Chip substrates, and Flip Chip CSP substrates.
(f) Manufacturing technology and products of Flip Chip film COF (Chip on Flex).
(g) Manufacturing technology and products of Core-less substrates.
(h) Peripheral and array wire type Copper Bump Packaging substrates.
(i) Miniature Heatsink Packaging substrates.
(j) Manufacturing technology and products of Embedded Pattern substrates.
(k) Technology and design specifications of Embedded Thin capacitors.
(l) Technology of No-wiring Bump Ni/Au electroplating.

(m) Manufacturing technology of Copper Bump.
(n) Anisotropic Etching technology.
(o) Asymmetric structural board technology and odd-numbered-layer board technology.
(p) High Band Width Package-On-Package substrates technology.
(q) Electroless Nickel/Electroless Palladium/Immersion Gold (EPIG) surface treatment technology.
(r) Embedded Thermal Bar technology.

(D)Long & Short Term Business Development Plans

a. Short Term Plan

(a)Marketing Strategies

• Maintain close cooperation with key clients; stay up-to-date with the new products updates and customer needs.
, Multi-directional product development strategy; be attentive to the development of small and mid-sized clients, as well as product changes.
ƒ Develop business opportunities in new application fields; introduce different product design concepts and achieve technology-preparedness early.
„ Establish rapid prototyping unit, and enhance new product development services.
…Increase R&D capacity and shorten design time; provide timely introduction of new products in order to satisfy customer demands.
† Continue to promote the TS16949 quality assurance certification system; ensure product quality; establish worldwide quality reputation by receiving certifications from major international manufacturers.

(b)Production Strategy

In response to the continuously expanding business scale, we will strive to simplify the technologies, improve manufacturing processes, implement automation & unattended operations, and conduct enhancements & maintenance, in order to increase productivity, reduce defective ratio, and lower costs.

(c)Directions of Product Development

• Increase R&D capabilities; actively invest in product R&D, design, and improvements; shorten product development time and try to lower costs; continue to simplify and accelerate processes, as well as improve quality.
, Reinforce product development and communication with potential customers, in order to fully grasp the market trends and maintain technical leadership.

(d)Operation Scale and Finance

• Continue to expand facility, invest in technologies, and increase utilization rate in order to expand the scale of operation.

, Establish sound, complete fundraising channels; establish close cooperative and mutually beneficial relationships with financial institutions; identify long-term low-interest loans, in order to supply the capitals needed for expanding the operation of the Company.

b. Long Term Plan

(a)Marketing Strategies

• Train marketing professionals on a long-term basis; gather information about other companies in the same industry as well as future development trends; stay informed about the status of current and new competitors; gain insights into market opportunities and establish operational bases widely; adjust individual product strategies immediately following changes in the market; increase market share.

, Maintain partnership relations with advanced chip develop and design companies; always be in possession of first-hand information; achieve process technology and production capacity preparedness, in order to maintain the Company’s long-term competitiveness.

(b)Production Strategies

• Continue to increase production quality, technical strength, product yield, and lower production cost.

, Actively invest in automatic production equipment; bring in professional talents and advanced production technology; and improve process efficiency, in order to achieve the goal of increase the Company’s profitability.

ƒ Increase flexibility in production, in order to be able to respond to rapid market changes and unexpected urgent demands.

(c)Directions of Product Development

• Bring together related manufacturers in the nation to form R&D alliance, in order to actively and collaboratively develop and integrate advanced products, to create high added-value and head-start opportunities.

, In fields of high technical difficulties, adopt the strategies of technology transfer and authorization, as well as international cooperation; or commission domestic or foreign research institutes to conduct R&D projects, in order to lower the risks, shorten development time, exert the combined results of R&D, and increase R&D strength.

(d)Operation Scale and Finance

• Cultivate operational strength; expand quickly the operational scale; move towards the goal of diversified product development.

, As the Company continues to expand its business, in the future, we will establish marketing and production bases around the world, and actively build worldwide operation management and R&D centers.

f Raise long/mid-term funds and build up long-term development strength, in order to expand the operation scale of the Company.

(2)An analysis of the market as well as the production and marketing situation

(A)Analysis of the Market

a. Sales (available) areas of primary products (services)

Unit: NT$’000

Sales area	2017 Sales Value	Percentage
Taiwan	7,011,666	31.39%
Mainland China	9,678,996	43.33%
United States	5,290,777	23.69%
Europe	269,697	1.21%
Others	84,350	0.38%
Total	22,335,486	100.00%

Our company’s primary product is the spherical array (BGA) substrates for IC. It is used as the chip carrier for semi-conductor packaging and acts as the connecting channel to external circuit. It is categorized as a raw material for the packaging industry or a carrier component. Its main sales targets are domestic and foreign IC packaging, design and system businesses.

b. Market Share

Currently, Japan remains to be the leading country of IC substrates production. It is the priority choice of the majority of packaging companies. This is mainly because of the overall strength of Japan's electronics industry, its certification numbers, excellent process capabilities, peripheral materials, and the support capability of its equipment industry. These factors enable Japan's substrates manufacturers to outperform others.

Our nation ranks as the second largest producing country. We have complete industrial chain and world's largest IC OEM manufacturing scale, which successfully drives the demands for substrates and packaging. Through technology authorization, along with their own process control technology, integrated industry environment & peripheral resources, etc., our IC substrates industry made our nation to become the second largest producer; second only to Japan, Currently, the industry has moved the production of substrates products with lower technical levels to mainland China. In the future, the local production scale will grow significantly, as the electronics industrial chain expands.

In recent years, Japan, Korea, and Taiwan’s IC substrates manufacturers have been engaged in fierce competition. Looking at the numbers from recent years, Taiwan’s IC substrate manufacturers grabbed a significant market share of 30%.

c. Future Demand and Supply Condition, and Growth Potential of the Market

Currently, IC substrates are used 100% in the packaging market. They are categorized as one of the high-end electronic packaging materials. In addition to the drive from the global electronics market, as the complexity of the products and the speed of signals increase, IC substrate industry has become an important factor in elevating the level of packaging. According to statistical results conducted by IC Insights, the shipments units of IC market were about 251.9 billion in 2016 and the compound growth rate could reach 6.2% for the period from 2016 to 2019. In 2016, IC substrate shipments units of were about 71.9 billion and might reach about 79.8 billion in 2021. Also according to data released by Prismark, the production value of IC substrate was about $6.922 billion US Dollars in 2015 while it is estimated to reach $6.947 billion in 2020. Both quantity and value are of a slight growth. Among them, Module products grew strongly by a compound rate of 7.9% for the period from 2015 to 2020 driven by the speed growth of portable products, personal video & sound systems and the trend of electronic products to be miniaturized. As the functions of electronic products continuously become more complicated and the types of corresponding packaging also are made progressively, the portion of high-end packaging will continuously grows.

d. Competitive Niche

Our technical team is primarily consisted of research institutes, well-known professionals, related industries, and foreign and domestic experts. Both the quality of our products and the production capacity meet the international standards. Systems manufacturers from various countries are also gradually affirming our production technology and price competitiveness, and are starting to use substrates produced by our domestic manufacturers.

Our company is a Full Process Workshop. We are capable of providing our customers with the full manufacturing process service from circuit design, photomask manufacturing, substrates production, to automatic electric testing. Customers can access our computer system through the Internet and query relevant real-time information. This can help to maintain good and stable cooperative relations with our customers.

e. Favorable and Unfavorable Factors for Development Perspectives, and the Responding Measures.

(a) Favorable factors

• IDM factory releases production capacity to system chipset manufacturers, which gives domestic system chipset manufacturers and packaging factories more space to grow as well as more business opportunities. Furthermore, packaging technology is moving towards the direction of high pin count and small pin pitch to achieve the goals of light, thin, short, and small; BGA substrates are certainly the right technology that is in line with such a product trend.

‚ Since the founding of our company seventeen years ago, our R&D and manufacturing technology teams have already accumulated rich experiences and acquired excellent skills. Their capabilities in continued innovation and rapid development have also grown to a level that allow them to compete with other nations. The packaging factories are adopting broader and diversified certification systems to allow them to work closely with domestic substrate manufacturers in order to lower costs and shorten delivery times. Such practice of local procurement has become a trend and can facilitate the continuous development of the industry in the future.

ƒ Professional Full Process Workshop can provide customers with technical services and consultation in areas of circuit design, photomask manufacturing, substrate production, automatic inspection, and others. Customers can receive all the services they need at the same time, thus saving them time, effort, and money.

(b)Unfavorable factors

• Because BGA substrate and packaging technologies change as the chip design companies' products change, therefore, the life cycles of these technologies often are shorter. When the chip design companies change the specifications of their products, the substrate design of BGA and packaging technologies will have to be modified in sync with the market.

Responding measures:

In order to keep up with the market trends, our company actively strives to increase R&D capacity, as well as strengthen our design and manufacturing abilities in multi-layer boards and thin boards. In the future, the Company will continue to develop various types of Flip Chip substrates, ultra-thin boards, and high-density substrates needed, and at the same time extend patented technologies that we currently own in order to compete for market opportunities.

‚ Since BT base material are Mitsubishi's proprietary material, therefore, if Mitsubishi's production capacity tightens, it will definitely affect our product delivery and consequently cause us to lose customers.

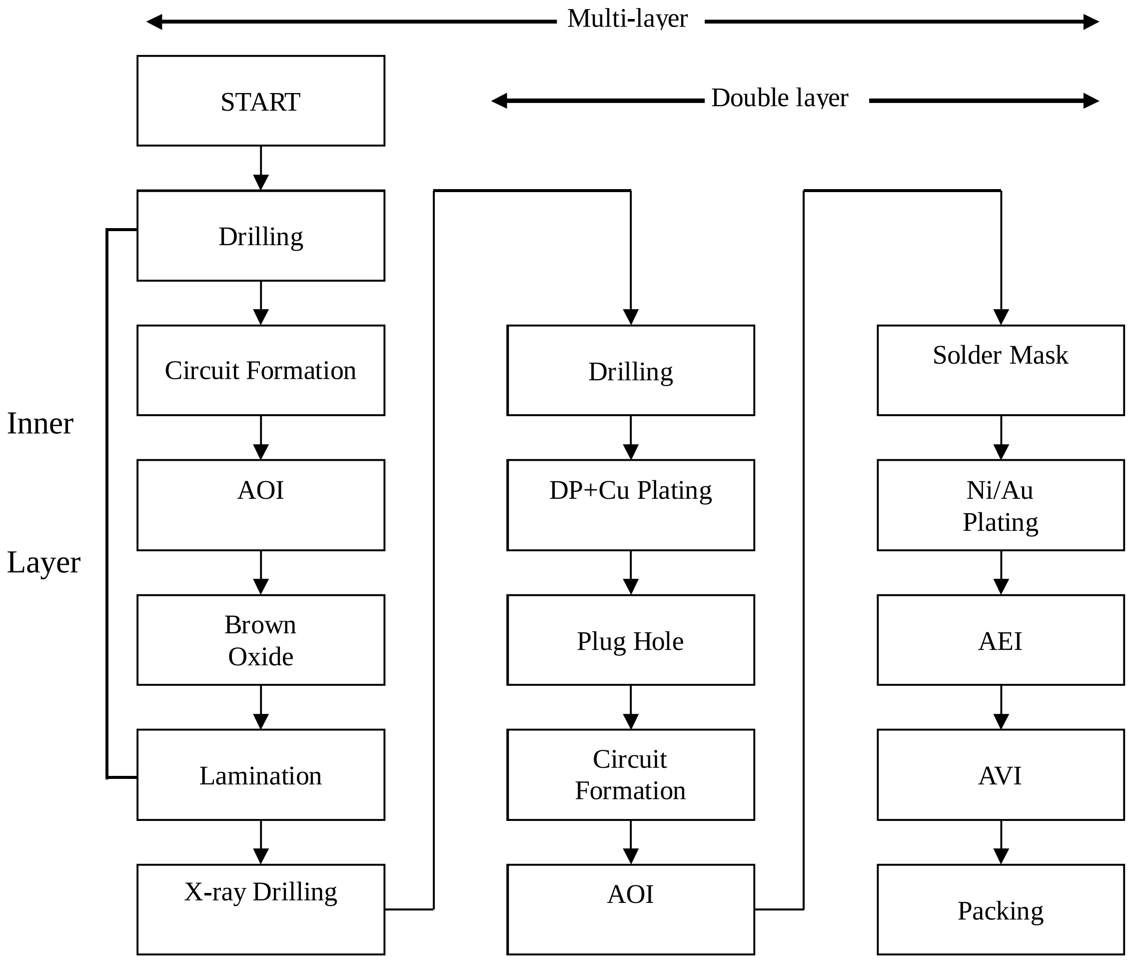
Responding measures:
In addition to maintain good relations with current BT base material manufacturer, we will conduct development testing of related substitute materials at the same time, in order to prevent the risk of material shortage; thus allowing us to have multiple sources of suppliers and maintain a stable supply of the primary raw material. (For instance, material from Hitachi and others.)

(B) Major Applications and Manufacturing Processes of the Primary Products

a. Major applications of the primary products

Primary Product	Major Application
PBGA Substrates	BGA packaging; application products include chipsets and graphics chips.
MCM（Multi chip Module）Substrates	MCM packaging; application products include IC that combines analog, digital, power control circuit, as well as memory and logical IC control.
CSP Substrates	CSP packaging; application products include Flash, high-speed DRAM, and logical chips.
Flip chip	Application products include chipsets, graphics chips, Flash memory, and logical IC.
FC CSP	High-end hand-held devices' system chips, communication chips, and chipsets.
Embedded Substrates	Embedded substrates can shorten spacing between components, in order to improve products' electrical properties.

b. Manufacturing Process of the Primary Products



(C)Supply Condition of the Primary Raw Materials

The Company's primary materials include BT substrates, gold potassium cyanide, films, copper sheets, etc. Among them, BT substrates and films are purchased from major foreign manufacturers. In order to ensure a stable supply of the materials and their quality, the Company does not easily change suppliers once they have been rated and gone through the trial production. In addition, we actively seek to maintain good long-term relationships with our suppliers. Through the long-term cooperative relationships, lowered costs, fast and flexible delivery schedules, we strive to increase the competitive power of our products and create the maximum profits.

Supply Areas (Manufacturers) of the Primary Raw Materials

Primary Raw aterial	Supply Area	Supplier
Substrates	Japan	Mitsubishi、Hitachi、Ajinomoto fine
Gold potassium	Taiwan	Hon Hai
Copper sheets	Japan	OFUNA
Films	Japan	Mitsubishi、Hitachi

(D)Major Suppliers in the Last Two Calendar Years

a. Major Clients in the Last Two Calendar Years

Unit: NT$'000

	2016				2017			
Item	Client name	Amount	% to annual net sale〔%〕	Relation with issuer	Client name	Amount	% to annual net sale〔%〕	Relation with issuer
1	C	1,722,711	7.44	None	A	1,532,231	6.86	None
2	D	1,513,503	6.53	None	B	1,404,392	6.29	Parent company
3	B	1,391,182	6.01	Parent company	C	1,319,161	5.91	None
	Others	18,537,670	80.02		Others	18,079,702	80.94	
	Net sale	23,165,066	100		Net sale	22,335,486	100	

Due to continued upgrading product packaging from Lead Frame to BGA, even flip chip, IC substrate market demand continues. The main customers of the sales amount do not change much.

b. Major Suppliers in the Last Two Calendar Years

Unit: NT$'000

	2016				2017			
Item	Supplier	Amount	% to annual purchase〔%〕	Relation with issuer	Supplier	Amount	% to annual purchase〔%〕	Relation with issuer
1	A	1,081,825	12.44	None	A	1,288,708	13.47	None
2	C	946,425	10.88	None	B	1,097,708	11.48	None
3	B	923,174	10.62	None	C	898,428	9.39	None
	Others	5,743,601	66.06		Others	6,281,883	65.66	
	Net purchase	8,695,025	100		Net purchase	9,566,727	100	

The Company's principal raw materials including gold potassium cyanide, base material, film, copper sheets, drills, milling cutters, dry film and chemicals. Since established, our exposure in the market goes higher, and sales continues to grow under market demand. The cost of raw materials such as copper and gold prices go up which caused the purchasing value continues to rise too.

As to the major raw material supplier, customers require high quality control in Substrate base. Due to long attestation and short life cycles, the major material would not be easily replaced. Therefore, we only use 1 to 2 suppliers as the main supplier. The major suppliers don't change much respectively in 2016 and 2017.

(E)Production in the Last Two Years

Unit: NT$'000

Year / Output / Major Products (or by department)	2017			2016		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Support plate	7,413,948	6,806,824	20,241,273	6,873,834	6,310,940	18,766,676

(F)Sales in the Last Two Years

Unit: NT$'000

Year / Shipments & Sales / Major Products (or by departments)	2017				2016			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Support plate	1,264,389	3,897,558	5,487,052	12,388,476	1,588,088	5,506,489	4,671,473	12,425,371
Others	-	3,114,108	-	2,935,344	-	3,586,423	-	1,646,783
Total	-	7,011,666	-	15,323,820	-	9,092,912	-	14,072,154

(3)The number of employees employed for the 2 most recent fiscal years, and during the current fiscal year up to the date of printing of the annual report, their average years of service, average age, and education levels (including the percentage of employees at each level)

Year		2016	2017	Data as of in 2018/03/31
Number of Employees	Management	251	271	270
	R&D/Technician	572	609	610
	operating personnel	2,861	3,969	3,790
	Total	3,684	4,849	4,670
Average Age		33	33	33
Average Years of Service		5.02	4.8	4.6
Education	Ph.D.	0.11%	0.08%	0.09%
	Masters	9.42%	7.51%	7.82%
	Bachelor’s Degree	56.19%	58.12%	58.71%
	Senior High School	31.43%	31.22%	30.51%
	Below Senior High School	2.85%	3.07%	2.87%

(4)Disbursements for environmental protection

The loss or penalty caused by environmental pollution during the latest year and up to the printing date of this annual report:

Lately, due to high awareness of environmental protection, requirements of environmental quality are growing continuously. Concurrently with the discharge standard of pollutants are gradually improving, we spent hundreds of millions of dollars investment in pollution prevention equipment in order to make every effort to prevent pollution even though we are only a 17 years old company. As of the date of annual report published, there is no pollution disputes found.

(5)Labor relations

(A)Companies of various welfare measures, further education, training, retirement systems and their implementation status, as well as the agreement between labor and employee rights protection measures.

(a)Benefits and their implementation

a. Employee Bonus
b. Group Insurance
c. Festival Prizes: the Dragon Boat Festival, Mid-Autumn Festival bonus
d. Year-End Bonus

e. SSA benefits: marriages, births, deaths, serious injuries, disasters, major accidents
f. On-the-Job Training
g. Employee benefits Committee provides:
  i) Travelling
  ii) Club
  iii) Birthday Voucher

(b)Continuing education and training and its implementation status

For the purpose of enhancing staff quality and job skills, we stipulate “Administrative Measures on Education and Training” in orientation training, and for all employees to implement general training and professional training on schedule to become outstanding professionals, and improve the operating performance and effective utilization of human resources.

(c)Situation of Retirement System and Its Implementation

The Company established Retirement Oversight Committee in 2001 under the approval of House of labor of Taoyuan County Government letter of No 126197. Total monthly salaries to be made 2% of the labor pension fund to the Central Trust Bureau Accounts in the same year. Exercising Labor Pension Act on 2005/07/01. After practice, employees can either adopt in “Labor Standards Law” provisions relating to pension, or adopt new Act to the pension system and retain the application of the regulations before the length. To those who apply the Act, the employee pension contribution will be made monthly, which shall not be less than 6% of monthly salary.

(d)Agreement between labor and employee rights protection measures

We have always been treasured the spirit of labor integration, coexistence and common prosperity dealing with the labor relations. We take preciously of employee comments and employees’ comments are welcomed at any time through the Company’s formal and informal channels of communication to reflect their problems of life and work. Through the opportunities for two-way communication between the Company and employees, we are able to have greater mutual understanding and awareness to build consensus and success in the long run.

a. Labor Coordination Meeting

Labor coordination meetings held on a regular basis, pushed by the employers represented, promoted mainly focus on the Company’s system of communication with employees on the Company’s orders, work environment, safety and health issues for two-way communication. The communication through this consultation between employers and business owner enhances not only the mutual trust but also the mutual understanding.

b. Employee benefit Committee

Members of the Employee benefit Committee are elected by employees directly and openly who are good at communication. At the Welfare Committee meeting, both employers and employees are able to reach adequate communication to the Company's various welfare measures.

(B)Losses due to labor disputes, and current and future estimated amount of responses may occur as of the date of annual report published:

The Company's labor agreements are entered into based on the Labor Standards Law. Humanization is applied in operational management. There was no loss caused by labor disputes.

(6)Important contracts: None

6. An Overview of the Company's Financial Status

(1)Condensed balance sheets and statements of comprehensive income for the past 5 fiscal years

(A)Brief Balance Sheet and Statements of Comprehensive Income

a. Brief Consolidated Balance Sheets - under IFRSs

Unit: NT$'000

Item \ Year		2013	2014	2015	2016	2017
Current Assets		21,812,172	23,471,268	23,471,368	21,615,555	18,774,402
Property, Plant & Equipment		14,756,743	15,429,778	16,150,904	16,578,663	19,151,653
Intangible Assets		14,159	19,982	30,280	18,820	22,850
Other Assets		1,529,268	2,130,646	2,986,180	3,040,677	4,328,572
Total Assets		38,112,342	41,051,674	42,638,732	41,253,715	42,277,477
Current liabilities	Before Appropriation	9,003,298	10,103,181	10,318,448	8,639,797	10,537,887
	After Appropriation	10,341,298	11,887,181	11,877,523	9,976,147	(Note 2)
Non-Current Liabilities		1,579,904	895,719	1,492,483	1,599,149	1,824,592
Total liabilities	Before Appropriation	10,583,202	10,998,900	11,810,931	10,238,946	12,362,479
	After Appropriation	11,921,202	12,782,900	13,370,006	11,575,296	(Note 2)
Equity Attributable to Shareholders of the Parent						
Capital		4,460,000	4,460,000	4,460,000	4,460,000	4,460,000
Capital Surplus		5,863,612	5,939,819	5,939,819	5,939,819	5,956,519
Retained earnings	Before Appropriation	14,646,450	16,718,487	17,829,718	18,503,389	17,659,719
	After Appropriation	13,308,450	14,934,487	16,270,643	17,167,039	(Note 2)
Other Components of Equity		108,879	279,703	194,484	(613)	(77,677)
Treasury Stock		-	-	(32,885)	(32,885)	-
Non-controlling Interests		2,450,199	2,654,765	2,436,665	2,145,059	1,916,437
Total Equity	Before Appropriation	27,529,140	30,052,774	30,827,801	31,014,769	29,914,998
	After appropriation	26,191,140	28,268,774	29,268,726	29,678,419	(Note 2)

Note 1: As IFRSs have been adopted since 2013, these statements were prepared under IFRS and audited.

Note 2: Earning appropriation of 2017 has not been approved by the shareholders.

b. Brief Parent-Company-Only Balance Sheet –under IFRSs

Unit: NT$'000

Item \ Year		2013	2014	2015	2016	2017
Current Assets		17,879,353	19,880,887	19,685,035	17,625,515	14,701,917
Property, Plant & Equipment		7,970,375	8,914,836	10,309,220	11,947,782	14,406,084
Intangible Assets		7,408	11,927	9,869	5,208	12,796
Other Assets		5,114,118	5,453,133	6,075,014	5,924,904	7,014,909
Total Assets		30,971,254	34,260,783	36,079,138	35,503,409	36,135,706
Current Assets	Before Appropriation	5,391,312	6,311,775	7,325,160	5,811,639	6,742,712
	After Appropriation	6,729,312	8,095,775	8,884,235	7,147,989	(Note 2)
Non-Current Liabilities		501,001	550,999	362,842	822,060	1,394,433
Total Liabilities	Before Appropriation	5,892,313	6,862,774	7,688,002	6,633,699	8,137,145
	After Appropriation	7,230,313	8,646,774	9,247,077	7,970,049	(Note 2)
Capital		4,460,000	4,460,000	4,460,000	4,460,000	4,460,000
Capital Surplus		5,863,612	5,939,819	5,939,819	5,939,819	5,956,519
Retained Earning	Before Appropriation	14,646,450	16,718,487	17,829,718	18,503,389	17,659,719
	After Appropriation	13,308,450	14,934,487	16,270,643	17,167,039	(Note 2)
Other Components of Equity		108,879	279,703	194,484	(613)	(77,677)
Treasury Stock		-	-	(32,885)	(32,885)	-
Total Equity	Before Appropriation	25,078,941	27,398,009	28,391,136	28,869,710	27,998,561
	After Appropriation	23,740,941	25,614,009	26,832,061	27,533,360	(Note 2)

Note 1: As IFRSs have been adopted since 2013, these statements were prepared under IFRS and audited.

Note 2: Earning appropriation of 2017 has not been approved by the shareholders.

c. Brief Consolidated Statements of Comprehensive Income -under IFRSs

Unit: NT$'000

Item \ Year	2013	2014	2015	2016	2017
Operating Revenues	23,102,827	24,943,834	23,061,311	23,165,066	22,335,486
Gross Profit	6,204,434	6,946,880	5,961,602	5,750,545	4,162,724
Operating Income	3,435,401	4,009,159	3,063,724	2,589,772	399,225
Non-Operating Income & Expense	227,947	141,913	141,524	(20,314)	129,898
Income Before Income Tax	3,663,348	4,151,072	3,205,248	2,569,458	529,123
Net income	3,116,254	3,490,233	2,729,526	2,073,028	335,322
Other Comprehensive Income	317,234	301,864	(137,614)	(326,985)	(110,417)
Total Comprehensive Income	3,433,488	3,792,097	2,591,912	1,746,043	224,905
Net income (loss) Attributable to Shareholders of the Parent	3,224,093	3,617,327	2,903,952	2,233,705	491,676
Net income (loss) Attributable to Non-Controlling Interests	(107,839)	(127,094)	(174,426)	(160,677)	(156,354)
Comprehensive Income Attributable to Shareholders of the Parent	3,420,791	3,803,861	2,810,012	2,037,649	415,616
Comprehensive Income Attributable to Non-Controlling Interests	12,697	(11,764)	(218,100)	(291,606)	(190,711)
Earnings Per Share (in NT$)	7.23	8.11	6.51	5.01	1.10

Note: As IFRSs have been adopted since 2013, these statements were prepared under IFRS and audited.

d. Brief Parent-Company-Only Statements of Comprehensive Income -under IFRSs

Unit: NT$'000

Item \ Year	2013	2014	2015	2016	2017
Operating Revenues	18,026,999	19,290,237	17,827,251	17,931,850	16,286,034
Gross profit	6,038,599	6,273,087	5,313,503	4,709,722	3,077,973
Operating Income	4,100,235	4,300,134	3,509,636	2,691,712	499,936
Non-Operating Income & Expense	(331,174)	(150,430)	(162,134)	(63,780)	117,192
Profit (loss) from continuing operations before tax	3,769,061	4,149,704	3,347,502	2,627,932	617,128
Net income	3,224,093	3,617,327	2,903,952	2,233,705	415,616
Other Comprehensive Income	196,698	186,534	(93,940)	(196,056)	(76,060)
Total Comprehensive Income	3,420,791	3,803,861	2,810,012	2,037,649	415,616
Earnings per share(in NT$)	7.23	8.11	6.51	5.01	1.10

Note: As IFRSs have been adopted since 2013, these statements were prepared under IFRS and audited.

(C) Certified Accountants' Names in Past Five Years

Year	Name of Accountant	Firm	Opinion	Reason for Changing
2013	Huang, Yi Hui Zhang, Zhi Ming	Ernst & Young	Unmodified	Internal rotation
2014	Huang, Yi Hui Zhang, Zhi Ming	Ernst & Young	Unmodified	None
2015	Huang, Yi Hui Zhang, Zhi Ming	Ernst & Young	Unmodified	None
2016	Huang, Yi Hui Zhang, Zhi Ming	Ernst & Young	Unmodified with on explanatory paragrapl	None
2017	Huang, Yi Hui Zhang, Zhi Ming	Ernst & Young	Unmodified with on explanatory paragrapl	None

(2) Financial analyses for the past 5 fiscal years

(A)Adopting IFRSs-Consolidated

In NT$'000

Analysis Items (Note 2)		Year(Note 1)	2013	2014	2015	2016	2017
Capital Structure Analysis (%)	Debt Ratio		27.77	26.79	27.70	24.82	29.24
	Long Term Funds to Fixed Assets		182.31	180.16	172.30	173.19	143.22
Liquidity Analysis (%)	Current Ratio		242.27	232.32	227.47	250.19	178.16
	Quick Ratio		218.74	209.93	203.78	222.49	155.50
	Interest Coverage		66.90	74.49	57.26	37.03	7.69
Operation Performance Analysis	Average Collection Turnover (times)		6.19	6.89	6.20	6.14	6.06
	Average Collection Days		59	53	59	59	60
	Inventory Turnover (times)		7.46	7.26	6.38	6.45	6.35
	Average Payable Turnover (times)		8.71	9.10	8.38	8.21	7.63
	Average Inventory Turnover Days		49	50	57	57	57
	Fixed Assets Turnover (times)		1.50	1.56	1.28	1.23	1.09
	Total Assets Turnover (times)		0.62	0.63	0.55	0.55	0.53
Return On Investment Analysis	Return on Total Assets (%)		8.51	8.92	6.63	5.08	0.96
	Return on equity (%)		11.79	12.12	8.97	6.70	1.10
	Income to Capital (%)	Operating Income	77.03	89.89	68.69	58.07	8.95
		Pre-Tax Income	82.14	93.07	71.87	57.61	11.86
	Net Income to Sales		13.49	13.99	11.84	8.95	1.50
	Earnings Per Share (NT$)		7.23	8.11	6.51	5.01	1.10
Cash Flow	Cash Flow Ratio (%)		67.50	68.17	67.24	66.58	56.96
	Cash Flow Adequacy Ratio (%)		94.87	107.97	108.92	113.68	102.48
	Cash Flow Re-investment Ratio		11.80	11.81	11.03	8.73	9.33
Leverage	Operation Leverage		2.29	2.17	2.84	3.02	14.12
	Financial Leverage		1.02	1.01	1.02	1.03	1.25

Please explain why financial ratio has changed up to 20 % for the most recent two years.
Current ratio and quick ratio reduced due to new factory construction and additions to new equipment and machinery in 2017. Also, as net profit decreased because new factory did not reach economy scale and fixed cost was still very high, all of interest coverage, return on assets, return on equity, operating income and pre-tax income to capital, net income, EPS, operation leverage, and financial leverage changed by more than 20%.

Note 1: IFRSs have been adopted since 2013 and the above ratios are calculated based on the audited FS.

Note 2: Calculation formula will be stated below.

(B)Adopting IFRSs-Parent-Company-Only

Item (Note 2)		Year (Note1)	2013	2014	2015	2016	2017
Capital Structure Analysis (%)	Debt Ratio		19.03	20.03	21.31	18.68	22.52
	Long Term Funds to Fixed Assets		283.55	269.96	225.32	210.68	171.24
Liquidity Analysis (%)	Current Ratio		331.63	314.98	268.73	303.28	218.04
	Quick Ratio		308.32	292.83	249.17	279.32	196.25
	Interest Coverage		222.16	211.52	157.72	95.61	16.79
Operation Performance Analysis	Average Collection Turnover (times)		6.75	7.60	6.52	6.41	6.50
	Average Collection Days		54	48	56	57	56
	Inventory Turnover (times)		8.48	8.56	7.73	8.60	7.58
	Average Payable Turnover (times)		12.58	11.79	9.13	9.26	9.10
	Average Inventory Turnover Days		43	43	47	42	48
	Fixed Assets Turnover (times)		2.13	1.99	1.54	1.34	1.04
	Total Assets Turnover (times)		0.61	0.59	0.51	0.50	0.45
Return On Investment Analysis	Return on Total Assets (%)		10.88	11.14	8.31	6.31	1.46
	Return on Equity (%)		13.42	13.79	10.41	7.80	1.73
	Income to Capital (%)	Operating Income	91.93	96.42	78.69	60.35	11.21
		Pre-Tax Income	84.51	93.04	75.06	58.92	13.84
	Net Income to Sales (%)		17.88	18.75	16.29	12.46	3.02
	Earnings Per Share (NT$)		7.23	8.11	6.51	5.01	1.10
Cash Flow	Cash Flow Ratio (%)		110.42	96.28	83.58	87.42	69.66
	Cash Flow Adequacy Ratio (%)		139.63	146.63	126.83	119.52	103.25
	Cash Flow Re-investment Ratio		14.47	12.52	11.84	9.26	8.46
Leverage	Operation Leverage		1.49	1.50	1.64	1.96	6.30
	Financial Leverage		1.00	1.00	1.01	1.01	1.08

Please explain why financial ratio has changed up to 20 % for the most recent two years.
Debt to assets ratio, current ratio, quick ratio and fixed assets turnover reduced due to new factory construction and additions to new equipment and machinery in 2017. Also, as net profit decreased because new factory did not reach economy scale and fixed cost was still very high, all of interest coverage, return on assets, return on equity, operating income and pre-tax income to capital, net income %, EPS, cash flow ratio and operation leverage changed by more than 20%.

Note 1: IFRSs have been adopted since 2013 and the above ratios are calculated based on the audited FS.

Note 2: Calculation formula will be stated below.

a. Capital Structure Analysis

(a)Debt Ratio= Total Liabilities/ Total Assets

(b) Long Term Funds to Fixed Assets= (Total Equity + non-current liabilities)/ Net value of fixed capital

b.Liquidity

(a) Current Ratio= Current Assets/ Current Liabilities

(b) Quick Ratio= (Current Assets-Inventory-Prepaid Expense)/ Current Liabilities

(c) Interest Coverage=Net Profit before Income Tax and Interest Expense/ Interest Expense

c.Operation Performance Analysis

(a) Account Receivable (including account receivable and note receivable that derived from operation activities) Turnover Rate= Next Sales/ Average Account Receivable (including account receivable and note receivable that derived from operation activities) remaining amount.

(b) Average Collection Days= 365/ Account Receivable Turnover Ratio

(c) Inventory Turnover= Cost of Sales/ Average Inventory

(d) Account Payable (including account payable and note payable result from business operation) Turnover rate= Cost of Sales/ Average Account Payable (including account payable and note payable that derived from operation activities) remaining amount.

(e) Average Inventory Turnover Days= 365/ Inventory Turnover

(f) Fixed Assets (Land, Equipment Turnover) = Net Sales/ Average Fixed Assets.

(g) Total Assets Turnover= Net Sales/ Average Total Assets

d.Return on Investment

(a) Return on Total Assets=〔Profit(Loss) after tax + Interest Expense×（１－Interest Rate）〕/Average Total Assets.

(b) Return on Equity= Profit (Loss) after tax/Average Total Equity

(c) Net Income to Sales= Profit (Loss) after tax/ Net Sales

(d) Earning per Share= (attributed to parents profit (loss)-Preferred dividend)/weight average stock share issue. (Note 4)

e.Cash Flow

(a) Cash Flow Ratio=Operation Activities Cash Flow/Current Liabilities

(b) Cash Flow Adequacy Ratio (%) =Last five years Operation Activities Cash Flow/last five annual years (Cash Expenditure + Increase in Inventory+ Cash Dividends)

(c) Cash Flow Re-investment Ratio= (Operation Activities Cash Flow-Cash Dividends)/ (Gross Fixed Assets + Long Term Investment + Other Non-Current Assets + Operation Capital) (Note 5)

f.Leverage

(a) Operation Leverage = (Net Operating Income-Variable Cost and Expense)/ Operating Income (Note 6)

(b) Financial Leverage = Operating Income / (Operating Income- Interest Expense)

(3) Audit committee's report on the financial statements for the most recent year.

KINSUS INTERCONNECT TECHNOLOGY CORP.
EXAMINATION REPORT APPROVED BY THE AUDIT COMMITTEE

The Board of Directors has prepared and submitted the Company's Business Operation Report, Parent-Company-Only Financial Statements, Consolidated Financial Statements and Profit Appropriation Proposal for the period from January 1st to December 31st, 2017. The Parent-Company-Only Financial Statements and Consolidated Financial Statements have been audited by Ernst & Young and accompanied with the auditors' reports. These reports mentioned above have been examined by the audit committee and hereby reported in accordance with the requirements of Securities and Exchange Act Article 14- 4 and Company Act Article 219.

Please kindly review and approve it.

KINSUS INTERCONNECT TECHNOLOGY CORP.
Audit Committee Convener: Chen, Jin-Cai

(4) For financial statement for the most recent fiscal year please refers to page 192 to 300.

(5) For a parent-company-only financial statement for the most recent fiscal year, certified by a CPA please refer to page 98 to 191.

(6) If the Company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report, the annual report shall explain how said difficulties will affect the Company's financial situation: None.

7. A Review and Analysis of the Company's Financial Position and Financial Performance and a Listing of Risks

(1) Financial position

Financial Status Review and Analysis Chart

Unit: NT$'000

Item \ Year	2017	2016	Differences		Note
			Amount	%	
Current Assets	18,774,402	21,615,555	(2,841,153)	(13.14)	
Property, Plant and Equipment	19,151,653	16,578,663	2,572,990	15.52	
Prepayment for Equip.	3,010,078	2,252,721	757,357	33.62	Note 1
Other Assets	1,341,344	806,776	534,568	66.26	Note 2
Total Assets	42,277,477	41,253,715	1,023,762	2.48	
Current Liabilities	10,537,887	8,639,797	1,898,090	21.97	Note 3
Non-Current Liabilities	1,824,592	1,599,149	225,443	14.10	
Total Liabilities	12,362,479	10,238,946	2,123,533	20.74	Note 4
Capital	4,460,000	4,460,000	0	0.00	
Capital Surplus	5,956,519	5,939,819	16,700	0.28	
Retained Earning	17,659,719	18,503,389	(843,670)	(4.56)	
Other Shareholder Equity	1,838,760	2,111,561	(272,801)	(12.92)	
Total Shareholder Equity	29,914,998	31,014,769	(1,099,771)	(3.55)	

Analysis on ratio changes:

Note 1: Due to increases in equipment for new factory.

Note 2: Due to increases in investment accounted for under equity method.

Note 3, 4: Due to increases in short-term loan.

(2) Financial performance

Financial Performance Comparison Analysis

Unit: NT$'000

Item \ Year	2017	2016	plus(minus) Amount	plus (minus) Variation ratio (%)	Note
Operating Revenues	22,335,486	23,165,066	(829,580)	(3.58)	
Cost Of Goods Sold	18,172,762	17,414,521	758,241	4.35	
Gross Profit	4,162,724	5,750,545	(1,587,821)	(27.61)	Note 1
Operating Expenses	3,763,499	3,160,773	602,726	19.07	
Operating Income	399,225	2,589,772	(2,190,547)	(84.58)	Note 2
Other Non-Operate Inc. and exp.	129,898	(20,314)	150,212	(739.45)	Note 3
Pre-Tax Income	529,123	2,569,458	(2,040,335)	(79.41)	Note 4
Income Tax Expense	193,801	496,430	(302,629)	(60.96)	Note 5
Net Income	335,322	2,073,028	(1,737,706)	(83.82)	Note 6
Other comprehensive income (loss)	(110,417)	(326,985)	216,568	(66.23)	Note 7
Total comprehensive income	224,905	1,746,043	(1,521,138)	(87.12)	Note 8

Analysis on ratio changes:

Note 1, 2, 4, 5, 6, 8: Revenue was unable to increase in proportion to the increase of cost and expenses because the new factory has not reached economy scale yet.

Note 3: Due to net foreign currency exchange gains and losses.

Note 7: Due to the translation adjustments from currency exchange differences of foreign operational institutes/investees.

The reason for changes in the Company's core business: None.

(3) Cash flow: Cash Flow Analysis for the Coming Year

Unit: NT$'000

Beginning cash balance •	Cash flow expecting from whole year operation activities ,	Estimate whole year cash outflow amount *f*	Estimate available cash balance (insufficient) amount • + , - *f*	Remedies for Insufficient cash	
				Investment Plan	Financial Management Plan
$10,208,182	$20,499,281	$(21,321,936)	$9,385,527	-	-

a. Cash flows variation analysis:

The expected cash balance will be NT$9,385,527 thousand because of the continuing operational cash flows and the expected significant cash flows from investing and financing activities.

b. Estimate cash insufficient remedies and liquidity analysis: no cash liquidity concerns.

(4)The effect upon financial operations of any major capital expenditures during the most recent fiscal year:

Our company has established a new production facility in Shin-Feng for the purpose of business operation expansion. This facility will be the production base for high end products in the coming years.

(5)The Company's reinvestment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year:

The Company's main investments are all of long-term strategic investments. In year 2017, the parent company annual investment loss was NT$88,187 thousand, decreased from NT$199,580 thousand in 2016. For certain investee companies, the scale economy of investments was not yet reached and their short-term profitability needs to be improved. The Company's board has authority to refine the investment organization, if deemed necessary, in order to sustain the long-term investment strategy and to continuously generate the value for the Company to a maximum extent.

(6)The matters that the risks section shall analyze and assess during the most recent fiscal year and as they stood on the date of printing of the annual report

(A) Impacts on Company’s Income and Future Counter Measures for Interest rate, Exchange rate Fluctuation and Inflation. Our company’s 2017 interest rate and exchange gain or loss is list as below:

Unit: NT$’000

Item \ Year	2017
Net Exchange Gain (loss)	66,318
Net Sales	22,335,486
Income before Tax	529,123
Net Exchange Gain (loss)	0.30%
Net Exhange Gain (Loss) to Net Pre-Tax Profit Ratio	12.53%
Interest Revenue	62,316
Interest Revenue to Net Sales Income	0.28%
Interest Income to Pre-Tax Net Profit Ratio	11.78%
Interest Expense	79,146
Interest Expense to Net Sales Interest Ratio	0.35%
Interest Expense to Net Pre-Tax Profit Ratio	14.96%
Interest Income (Expense) to Net Pre-Tax Profit Ratio	(3.18%)

Sources: financial reports certified by CPA.

a. Impacts on Interest Rate Fluctuation

Our company always has been in a financial health status. We have assigned financial specialty personnel to cooperate with banks closely and obtain preferred mid to long term fund for our automatic equipment. Recently, annual interests gain (loss) only was accounted for -3.18% of our company’s pre-tax profit. Thus, interest fluctuation doesn’t impose serious effects on our company.

b. Impacts of Exchange Rate Fluctuation

(a) We use US dollars as main quotation currency for exporting business. Our long term borrowing and major importing items are also denominated in US dollars currency. For these reasons, impact of exchange rate change between the New Taiwan Dollar (NTD) vs. US. Dollars (USD) is minimal to our company. In 2017, annual foreign exchange gain (loss) was only accounted for 0.30% of net sales.

(b) Counter-Measures for Exchange Rate Fluctuation

i. The Company opens foreign currency accounts in banks for collecting the money from sales. To exchange USD into NTD will be depending on the actual capital needs or the fluctuation of exchange rate. Payment for importing raw materials depends on the exchange rate. We can choose to use foreign currency acquired from exporting or to buy foreign currency in advance to reduce the effect of exchange rate fluctuation.

ii. We try to use USD as major currency when importing raw materials or machinery. Also we borrow loan in USD to balance the ratio of USD assets vs. liabilities for reducing the impact resulted from exchange rate fluctuation.

(c) Impacts of Inflation

We keep close look on market price fluctuation and maintain good interaction with suppliers and clients. Thus, in 2017, there is no serious incident caused by inflation.

(B) Reasons for company policy, gain or loss and future counter measures for engaging in high risk, highly leveraged investments, loans to others, endorsement and financial derivatives.

Latest years our company has not engaged in high risk, highly leveraged investments, loans to others and endorsement. Please refer to this report page 182 and 290. Moreover, our company established rules to regulate financial derivatives transaction and loan with others, endorsement risk management. For these reasons, those activities will not induce serious impacts on our company.

(C) Future R&D plans and Fund Estimated to Invest

Our company benefit from expertise in R&D and production experiences that accumulated for many years which allows us to meet product safety and diversity by launching "Modularized Product Design" production method to promote R&D capabilities, speed up new product development in order to satisfy variety product specifications that requested by different customers.

In the latest years, we have purchased new machines and equipment in order to reach the best production practice and to rejuvenate current products. We expect to invest about NT$1,381,706 thousand in R&D related field in 2018.

(D) Changes in domestic and foreign policy and legal impact on the Company's financial operations and counter measures

Lately, our company's financial operations haven't affected by critical policy or legal changes in domestic and oversea because our main target market is in domestic, legal and critical policies are relatively stable also there is no military or political risks in the short term in the domestic. Conclude above reasons, we estimate our company will not suffer from negative effects due to major policy and legal changes in domestic and oversea.

(E) Influence and Counter-Measures for Technology and Industry Shift Company's Financial Operation

We pay attention on technology shifting in the industry and assigned specialist to evaluate and research certain changes might influence company's financial operation and found its counter-measures. In recent years, there is no critical technology shifting that will impose threat on company's financial operation.

(F) Crisis Management and Counter Measures Result from Company's Image Change Impact.

Our company's image is always being good; in the recent years there is no significant incidents that would require corporation crisis management.

(G) Expected income from merger and potential risk counter-measures: Not Applicable.

(H) Expected income from production facilities expansion and potential risk counter-measures: please refer to this report section "7" point (2).

(I) Potential risk and counter-measures derived from buying and selling products:

The major raw materials that our company purchased are potassium gold, substrate, transparent film, and copper sheet, drill bit, milling cutter, dry film and chemical substances. Once those materials were approved, changing materials is less likely. Thus, we only maintain 2~3 suppliers. Meanwhile, we keep good cooperation with other supplies in order to spread risk. Besides, for one of our key product- IC BGA substrate, mostly we sell it to leading IC design companies in domestic and oversea. Their applications rages are broad and therefore we are free from centralized sales risk.

(J) Risk counter-measures for directors, supervisors, shareholders owns more ten percent of company's shares, bulk share transfer or redemption: Our company's directors and shareholders owning more than 10% of company's share do not engage bulk share transfer.

(K) The impact of the change on the Company's right to operate, risks and counter-measures: None

(L) Litigation or non-litigation case, should list the Company and its directors, supervisors, general manager, the sustainable person in charge of, shareholders own more than ten percent of company's shares and the Company has the judgment or the slave system is still in the case of significant litigation non-litigation or administrative contentious event, the results could affect shareholders' equity or securities, should disclose its disputed fact, the subject of money, lawsuits start date, the major parties and deal with the case of the suit before the published this annual report: None.

(M) Other Risk and Counter-Measure: None.

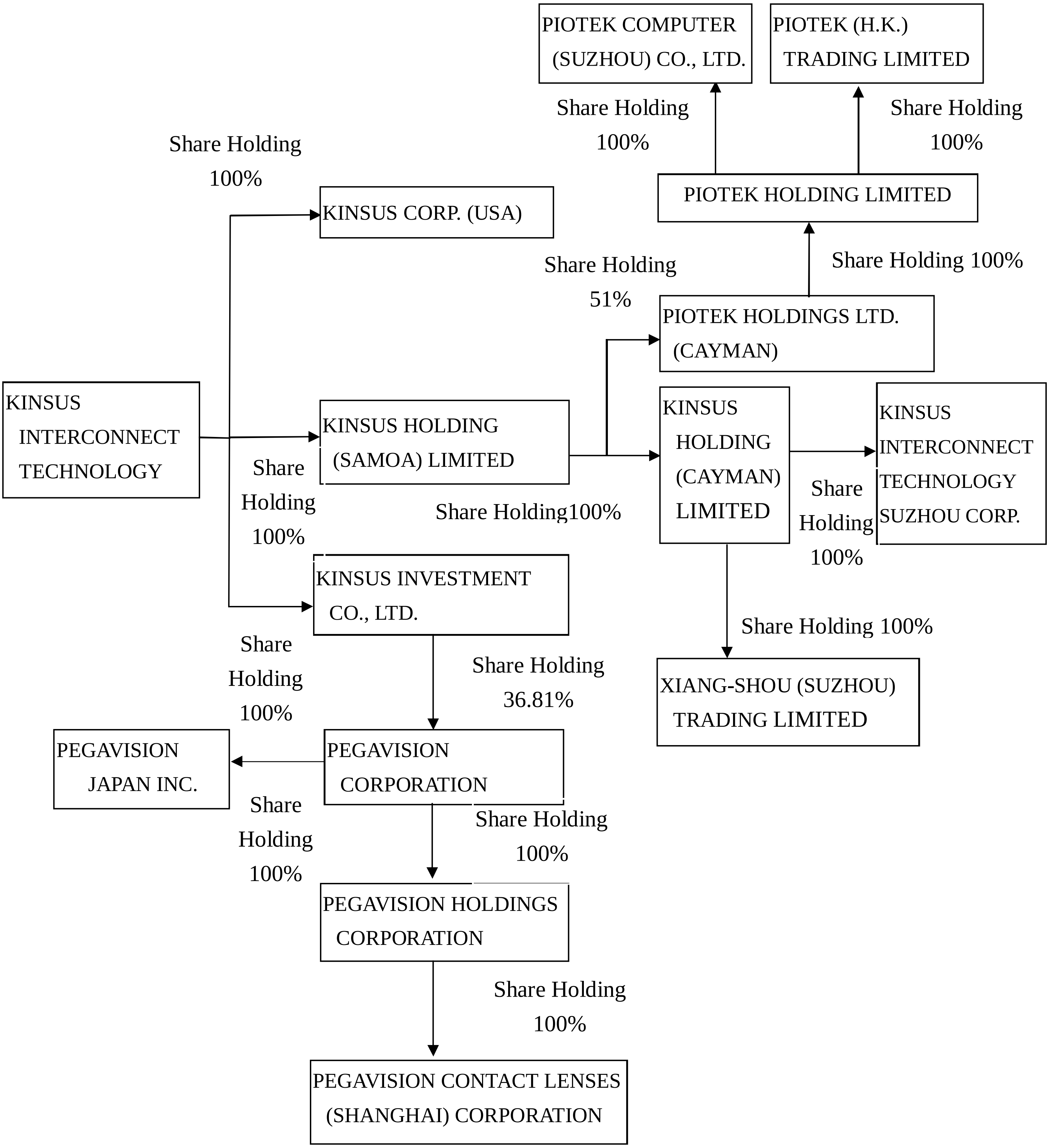
(7) Other important matters: None

8. Other Items Deserving Special Mention

(1) Information related to the Company's affiliates

(A)Associates Consolidated Business Operation Report:

a. As of December 31, 2017, our company organization chart as shown below:



b. The name, incorporation date, address, paid-in capital, and main business items of each affiliate:

Company Name	Date of establishment	address	Paid-up capital (NT$ thousand)	Main businesses
KINSUS INTERCONNECT TECHNOLOGY CORP.	2000.09.11	Taoyuan City	4,460,000	Electronic Parts and Components Manufacturing, Electronic materials wholesale and retail
KINSUS CORP. (USA)	2000.10.11	CA U.S.A.	14,880	Designing substrates, formulating marketing strategy analysis, developing new customers, researching and development new product technology
KINSUS HOLDING (SAMOA) LIMITED	2006.12.04	Samoa	4,949,348	Investing activities
KINSUS INVESTMENT CO., LTD.	2009.08.12	Taoyuan City	1,600,000	Investing activities
PEGAVISION CORPORATION	2009.08.26	Taoyuan City	600,000	Manufacturing medical equipment
KINSUS HOLDING (CAYMAN) LIMITED	2006.12.06	Cayman Islands	2,142,720	Investing activities
PIOTEK HOLDING LTD.(CAYMAN)	2009.12.16	Cayman Islands	5,587,589	Investing activities
PIOTEK HOLDING LIMITED	1999.08.13	Cayman Islands	4,161,668	Investing activities
PIOTEK (HK) TRADING LIMITED	2009.12.12	Hong Kong	774	Trading activities
PEGAVISION HOLDINGS CORPORATION	2011.11.28	Samoa	63,389	Investing activities
PEGAVISION JAPAN INC.	2015.05.15	Japan	2,616	Manufacturing medical equipment
KINSUS INTERCONNECT TECHNOLOGY SUZHOU CORP.	2007.04.09	China, Suzhou	2,083,200	Manufacturing and selling printed circuit board (PCB) (not high-density fine-line)
PIOTEK COMPUTER (SUZHOU) CO., LTD.	2000.02.17	China, Suzhou	4,960,992	Researching, developing, producing and selling electronic components, PCBs and related products and providing after-sale services
PEGAVISION CONTACT LENSES (SHANGHAI) CORPORATION	2012.11.27	China, Shanghai	65,062	Manufacturing medical equipment
XIANG-SHOU (SUZHOU) TRADING LIMITED	2013.05.02	China, Suzhou	59,520	Manufacturing and selling printed circuit board (PCB) (not high-density fine-line)

c. For companies presumed to have a relationship of control and subordination under Article 369-3 of the Company Act: None.

d. The industries covered by the business operated by the affiliates overall: Please refer to the table on above.

e. The names of the directors, supervisors, and general manager of each affiliate and the details of their shareholding or capital contribution in such affiliate:

Company Name	Title	Name or Representative person	Shares Held	
			# of Shares	Shareholding Percentage
KINSUS INTERCONNECT TECHNOLOGY CORP.	Director (Honorary Chairman)	Tong, Zi-Xian	200,000	0.04%
	Director	Hua Yu Investment Co., Ltd. (Representative:Wu, Xiang-Xiang)	55,556,221	12.46%
	Director	Hua Xu Investment Co., Ltd. (Representative:Su, Yan-Xue)	58,233,091	13.06%
	Chairman	Guo, Ming-Dong	1,069,795	0.24%
	Director	Chen, Ho-Shu	361,002	0.08%
	Director	Cheng, Chung-Jen	—	—
	Independent Director	Chen, Jin-Cai	—	—
	Independent Director	Wu, Hui-Huang	—	—
	Independent Director	Huang, Chun-Bao	—	—
PIOTEK HOLDING LTD.(CAYMAN)	Director	Kinsus Holding (SAMOA) Limited (Representative: Guo, Ming-Dong)	95,755,000	51%
PIOTEK HOLDING LIMITED	Director	Piotek Holdings Ltd (Cayman) (Representative: Guo, Ming-Dong)	139,840,790	100%
PIOTEK (HK) TRADING LIMITED	Director	Piotek Holdings Ltd. (Representative: Guo, Ming-Dong)	200,000	100%
PIOTEK COMPUTER (SUZHOU) CO., LTD.	Legal representative and Executive director	Piotek Holding Limited (Representative: Cheng, Ching-Feng)	—	100%
	Supervisors	Piotek Holding Limited (Representative: Chen, Ji-Liang)		
KINSUS CORPORATION (USA)	Chairman	KINSUS INTERCONNECT TECHNOLOGY CORP. (Representative: Guo, Ming-Dong)	500,000	100%
	Director	Tong, Zi-Xian	—	—
	Director	He, Ming-Sen	—	—
KINSUS HOLDING (SAMOA) LIMITED	Chairman	KINSUS INTERCONNECT TECHNOLOGY CORP. (Representative: Guo, Ming-Dong)	166,308,720	100%
KINSUS HOLDING (CAYMAN) LIMITED	Chairman	KINSUS HOLDING(SAMOA) LIMITED (Representative: Guo, Ming-Dong)	72,000,000	100%

KINSUS INTERCONNECT TECHNOLOGY SUZHOU CORP.	Legal representative and Executive director	KINSUS HOLDING(CAYMAN) LIMITED (Representative: Cheng, Ching-Feng)	—	100%
	Supervisor	KINSUS HOLDING (CAYMAN) LIMITED (Representative: Liu, Su-Zhen)		
XIANG-SHOU (SUZHOU) TRADING LIMITED	Legal representative and Executive director	KINSUS HOLDING (CAYMAN) LIMITED (Representative: Cheng, Ching-Feng)	—	100%
	Supervisor	KINSUS HOLDING (CAYMAN) LIMITED (Representative: Liu, Su-Zhen)		
KINSUS INVESTMENT CO., LTD.	Chairman	KINSUS INTERCONNECT TECHNOLOGY CORP. (Representative: Tong, Zi-Xian)	160,000,000	100%
	Director	KINSUS INTERCONNECT TECHNOLOGY CORP. (Representative: Guo, Ming-Dong)		
	Director	KINSUS INTERCONNECT TECHNOLOGY CORP. (Representative: Wu, Xiang-Xiang)		
	Supervisor	KINSUS INTERCONNECT TECHNOLOGY CORP. (Representative: Shen, Yi-Zhong)		
PEGAVISION CORPORATION	Chairman	Tong, Zi-Xian	645,729	1.08%
	Director	KINSUS INVESTMENT CO., LTD. (Representative: Guo, Ming-Dong)	22,088,736	36.81%
	Director	KINSUS INVESTMENT CO., LTD. (Representative: Wen, Mu-Rong)		
	Director	Hua Yu Investment Co., Ltd. (Representative: Chen, He-Xu)	5,701,121	9.50%
	Director	Hua Yu Investment Co., Ltd. (Representative: Hou, Wen-Yong)		
	Independent Director	Yao, Ren-Lu	—	—
	Independent Director	Huang, Da-Fu	—	—
	Independent Director	Li, Shu-Yu	—	—
PEGAVISION HOLDINGS CORPORATION	Director	PEGAVISION CORPORATION (Representative: Chen, Ji-Liang)	2,130,000	100%
PEGAVISION CONTACT LENSES (SHANGHAI) CORPORATION	Director	Pegavision Holdings Corporation (Representative: Cheng, Ching-Feng)	—	100%
	Supervisor	Pegavision Holdings Corporation (Representative: Chen, Ji-Liang)		
PEGAVISION JAPAN INC.	President	PEGAVISION CORPORATION (Representative: Lin, Yan-Ren)	198	100%

f. The overview of the operations of affiliates:

Unit: NT$'000

Company Name	Capital	Total assets	Total liabilities	Net Value	Revenue	Operating income	Net income	Earnings per share
KINSUS INTERCONNECT TECHNOLOGY CORP.	4,460,000	36,135,706	8,137,145	27,998,561	16,286,034	499,936	491,676	1.10
KINSUS CORP. (USA)	14,880	41,591	1,718	39,873	40,002	10,505	6,172	12.34
KINSUS HOLDING (SAMOA) LIMITED	4,949,348	2,343,440	0	2,343,440	6,074,172	(475,511)	(128,718)	(0.77)
KINSUS INVESTMENT CO., LTD.	1,600,000	1,738,052	3	1,738,049	0	(1,121)	34,359	0.21
PEGAVISION CORPORATION	600,000	2,903,001	1,435,569	1,467,432	2,135,520	340,048	302,908	5.05
PEGAVISION HOLDINGS CORPORATION	63,389	59,436	0	59,436	0	(32)	13,563	6.37
PEGAVISION CONTACT LENSES (SHANGHAI) CORPORATION	65,062	98,284	39,441	58,843	136,138	15,119	13,598	Note 1
KINSUS HOLDING (CAYMAN) LIMITED	2,142,720	1,313,830	0	1,313,830	2,528,479	204,251	228,289	3.17
PIOTEK HOLDING LTD. (CAYMAN)	5,587,589	2,018,844	0	2,018,844	3,806,843	(689,680)	(694,688)	(7.25)
KINSUS INTERCONNECT TECHNOLOGY SUZHOU CORP.	2,083,200	2,120,742	868,386	1,252,356	2,344,008	211,506	230,564	Note 1
XIANG-SHOU (SUZHOU) TRADING LIMITED	59,520	139,419	77,945	61,474	285,214	(225)	(2,273)	Note 1
PIOTEK HOLDING LIMITED	4,161,668	2,018,843	0	2,018,843	3,806,843	(689,680)	(694,688)	(4.97)
PIOTEK (HK) TRADING LIMITED	774	131,248	59,715	71,533	436,261	2,930	3,125	15.56
PIOTEK COMPUTER (SUZHOU) CO., LTD.	4,960,992	4,028,643	2,081,924	1,946,719	3,910,055	(717,311)	(697,565)	Note 1
PEGAVISION JAPAN INC.	2,616	33,442	29,247	4,195	51,514	1,770	1,253	6,167.05

Note 1：The companies have no shares available for EPS calculation.

Note 2：If the related-party is a foreign company, the relevant figures are converted to NT dollar at the exchange rate at the reporting date.

(B)Associates Consolidated Financial Report: please refer to page 192 to 300.

(C)Associates Report: Not applicable.

(2)The status of the Company carrying out a private placement of securities during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report. None.

(3)Holding or disposal of shares in the Company by the Company's subsidiaries during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report: None.

(4)Other matters that require additional description: None.

(5)Any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the Company’s securities, occurring during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report: None.

English Translation of an Audit Report Originally Issued in Chinese

INDEPENDENT AUDITORS' REPORT

To: the Board of Directors and Shareholders of
Kinsus Interconnect Technology Corp.

Opinion

We have audited the accompanying parent-company-only balance sheets of Kinsus Interconnect Technology Corp. (the "Company") as of December 31, 2017 and 2016, and the related parent-company-only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent-company-only financial statements, including the summary of significant accounting policies (together referred as "the parent-company-only financial statements").

In our opinion, based on the results of our audits and the report of other auditors (please refer to the Other Matter－Making Reference to the Audit of a Component Auditor section of our report), the parent-company-only financial statements referred to above present fairly, in all material respects, the parent-company-only financial position of the Company as of December 31, 2017 and 2016, and their parent-company-only financial performance and cash flows for the years then ended, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of the most significance in our audit of parent-company-only financial statements for the year ended December 31, 2017. 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.

Revenue Recognition

We determine that revenue recognition is one of the key audit matters. The Company's revenue amounting to NT$16,286,034 thousand for the year ended December 31, 2017 is a significant account to the Company's financial statements. The Company has conducted these sale activities in multi-marketplace, including Taiwan, China, USA, etc. Among these locations, it has established hub-warehouse for certain foreign customers' convenience. Furthermore, variety of sale terms and conditions enacted in its main sale contracts or sale orders contributed to the complexity for the Company to decide the appropriate timing of transfer the risk of ownership and return of goods to the buyers. We therefore conclude that there are significant risks with respect to the topic of revenue recognition.

Our audit procedures therefore include, but not limit to, evaluating the properness of accounting policy for revenue recognition, assessing and testing the effectiveness of relevant internal controls related to revenue recognition, particularly those controls for shipment to or from foreign warehouses, obtaining major sale orders or agreements to inspect the terms and conditions, checking the consistency of the accounting for revenue recognition with sale agreement or orders, performing analytical review procedures on monthly sale revenues, and executing sale cut-off tests, etc.

We have also evaluated the appropriateness of the related disclosure in Note 6 to the financial statements.

Market valuation on Inventory

We determined the market valuation on inventory one of key audit matters in considering that the amount of inventory was significant and the assessment of sufficiency of inventory loss requires significant management judgement. The Company's net inventory amounted to NT$1,255,598 thousand as of December 31, 2017. As the application market of substract, the Company's main products, is characterized by rapid development in technology and the trend of consumers' preference, management, in timely considering the status of new products development and the demand from clients, has to evaluate the loss due to market value decline as well as write-down on slow-moving inventories to their net realizable value. Our audit procedures therefore include, but not limit to, evaluating the Company's policy with respect to assessment the loss from slow-moving inventory and phased-out items, (including identification method, testing the accuracy of inventory aging schedule, analysis on inventory movement), performing observation on the Company's inventory physical-taking, and inspecting the current status of inventory usage, etc. We also assessed the adequacy of the inventory-related disclosures shown in the Note 5 and 6 to the parent-company-only financial statements.

Other Matter – Making Reference to the Audit of a Component Auditor

We did not audit the financial statements of FuYang Technology Corp., an indirectly invested associate accounted for under the equity method by the Company. The financial statements of FuYang Technology Corp. as of December 31, 2017 and 2016, and for the years then ended were audited by other auditors, whose reports thereon have been furnished to us. Our audit, insofar as it related to the investment in the associate accounted for under the equity method amounting to NT$823,380 thousand and NT$432,689 thousand as of December 31, 2017 and 2016 representing 2.28% and 1.22% of the Company's total assets, the related shares of income before tax from the associate under the equity method for the year then ended amounting to NT$(77,880) thousand and NT$(12,783) thousand representing (12.62)% and (0.49)% of the Company's income before tax, and the related shares of other comprehensive income from the associate under the equity method for the years then ended amounting to NT$(19,180) thousand and NT$(4,528) thousand representing 25.22% and 2.31% of the other comprehensive income, are based solely on the audit reports of other auditors.

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 requirements of 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-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 ability to continue as a going concern of the Company, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of the Company.

English Translation of an Audit Report Originally Issued in Chinese

Auditor's 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 auditor's 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 auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent-company-only financial statements.

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

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

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

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 ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's 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 accompanying notes, and whether the parent-company-only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2017 parent-company-only financial statements and are therefore the key audit matters. We describe these matters in our auditor’s 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.

Ernst & Young
January 29th, 2018
Taipei, Taiwan,
Republic of China

Notice to Readers
The accompanying parent-company-only financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China on Taiwan and not those of any other jurisdictions. The standards, procedures and practice to audit such financial statements are those generally accepted and applied in the Republic of China on Taiwan.

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

Parent-Company-Only Balance Sheets

As of December 31, 2017 and 2016

(Amounts Expressed in Thousands of New Taiwan Dollars)

Assets			2017		2016	
Code	Accounts	Notes	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	4, 6(1)	$8,797,966	24	$9,833,450	28
1110	Financial assets at fair value through profit or loss	4, 6(2)	1,410,216	4	2,839,333	8
1147	Bond investments with no active market	4, 6(3)	423,057	1	423,057	1
1150	Notes receivable, net	4, 6(4)	1,756	-	3,030	-
1170	Accounts receivable, net	4, 6(5)	2,382,221	7	2,513,446	7
1180	Accounts receivable - related parties, net	4, 6(5), 7	954	-	33,730	-
1200	Other receivables		156,997	-	243,431	1
1210	Other receivables - related parties	7	11,656	-	314,027	1
1310	Inventories, net	4, 6(6)	1,255,598	4	1,318,258	4
1410	Prepayments		213,761	1	73,942	-
1470	Other current assets		47,735	-	29,811	-
11XX	Total current assets		14,701,917	41	17,625,515	50
	Non-current assets					
1550	Investment accounted for under equity method	4, 6(7)	4,121,363	11	3,778,285	10
1600	Property, plant and equipment, net	4, 6(8), 9	14,406,084	40	11,947,782	34
1780	Intangible assets, net	4, 6(9)	12,796	-	5,208	-
1840	Deferred tax assets	4, 6(24)	130,819	-	9,593	-
1915	Prepayment for equipment	4, 6(8), 9	2,758,841	8	2,133,188	6
1995	Other non-current assets	6(10)	3,886	-	3,838	-
15XX	Total non-current assets		21,433,789	59	17,877,894	50
1XXX	Total Assets		$36,135,706	100	$35,503,409	100

(The accompanying notes are an integral part of the parent-company-only financial statements.)

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

Parent-Company-Only Balance Sheets (Continued)

As of December 31, 2017 and 2016

(Amounts Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity			2017		2016	
Code	Accounts	Notes	Amount	%	Amount	%
	Current liabilities					
2100	Short-term loans	6(11)	$2,263,117	6	$1,277,100	4
2150	Notes payable		41,687	-	43,498	-
2170	Accounts payable		1,331,417	4	1,074,861	3
2180	Accounts payable - related parties	7	201,977	1	207,877	1
2200	Other payables	6(12), 7	2,292,456	6	2,414,819	7
2230	Current income tax liabilities	4, 6(24)	293,685	1	469,126	1
2300	Other current liabilities	6(13)	318,373	1	324,358	1
21XX	Total current liabilities		6,742,712	19	5,811,639	17
	Non-current liabilities					
2540	Long-term loans	6(14), 8	1,365,625	4	788,700	2
2570	Deferred tax liabilities	4, 6(24)	846	-	351	-
2600	Other non-current liabilities	4, 6(15), 6(16)	27,962	-	33,009	-
25XX	Total non-current liabilities		1,394,433	4	822,060	2
2XXX	Total liabilities		8,137,145	23	6,633,699	19
3100	Capital	6(17)				
3110	Common stock		4,460,000	12	4,460,000	12
3200	Capital surplus	6(17)	5,956,519	16	5,939,819	17
3300	Retained earnings	6(17)				
3310	Legal capital reserve		3,563,389	10	3,340,018	9
3320	Special reserve		613	-	-	-
3350	Unappropriated earnings		14,095,717	39	15,163,371	43
3400	Other components of equity		(77,677)	-	(613)	-
3500	Treasury Stock	6(17)	-	-	(32,885)	-
3XXX	Total equity		27,998,561	77	28,869,710	81
	Total liabilities and equity		$36,135,706	100	$35,503,409	100

(The accompanying notes are an integral part of the parent-company-only financial statements.)

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

Parent-Company-Only Statements of Comprehenstve Income

For the Years Ended December 31, 2017 and 2016

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

Code	Accounts	Notes	2017 Amount	2017 %	2016 Amount	2016 %
4000	Operating revenues	4, 6(19), 7	$16,286,034	100	$17,931,850	100
5000	Operating costs	7	(13,208,061)	(81)	(13,222,128)	(74)
5900	Gross profit		3,077,973	19	4,709,722	26
6000	Operating expenses	7				
6100	Selling		(347,294)	(2)	(204,559)	(1)
6200	General and administrative		(1,246,491)	(8)	(859,383)	(5)
6300	Research and development		(984,252)	(6)	(954,068)	(5)
	Operating expenses total		(2,578,037)	(16)	(2,018,010)	(11)
6900	Operating income		499,936	3	2,691,712	15
7000	Non-operating income and expenses					
7010	Other income	6(22), 7	199,082	1	155,185	1
7020	Other gains and losses	6(22), 7	45,375	-	8,391	-
7050	Finance costs	6(22), 7	(39,078)	-	(27,776)	-
7070	Share of profit or loss of subsidiaries, associates and joint ventures		(88,187)	-	(199,580)	(1)
	Non-operating income and expense total		117,192	1	(63,780)	-
7900	Income from continuing operations before income tax		617,128	4	2,627,932	15
7950	Income tax	4, 6(24)	(125,452)	(1)	(394,227)	(3)
8200	Net income		491,676	3	2,233,705	12
8300	Other comprehensive income (loss)	6(23)				
8310	Item that may not be reclassified subsequently to profit or loss					
8311	Actuarial gain (loss) on defined benefit plains		1,004	-	(959)	-
8360	Items that may be reclassified subsequently to profit or loss					
8370	Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures		(77,064)	-	(234,931)	(1)
8399	Income tax related to items that may be reclassified subsequently to profit or loss		-	-	39,834	-
	Total other comprehensive income, net of tax		(76,060)	-	(196,056)	(1)
8500	Total comprehensive income		$415,616	3	$2,037,649	11
9750	Earnings per share - basic (in NT$)	6(24)	$1.10		$5.01	
9850	Earnings per share - diluted (in NT$)	6(24)	$1.10		$4.95	

(The accompanying notes are an integral part of the parent-company-only financial statements.)

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

Parent-Company-Only Statements of Changes in Equity

For the Years Ended December 31, 2017 and 2016

(Amounts Expressed in Thousands of New Taiwan Dollars)

	Items	Capital	Capital Surplus	Retained Earnings			Other Components of equity	Treasury Stock	Total Equity
				Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange differences arising on translation of foreign operations		
Code		3100	3200	3310	3320	3350	3410	3500	3XXX
A1	Balance as of January 1, 2016	$4,460,000	$5,939,819	$3,049,623	$-	$14,780,095	$194,484	$(32,885)	$28,391,136
	Appropriation and distribution of 2015 earnings:								
B1	Legal reserve			290,395		(290,395)			-
B5	Cash dividends - common shares					(1,559,075)			(1,559,075)
D1	Net income for 2016					2,233,705			2,233,705
D3	Other comprehensive income (loss) for 2016					(959)	(195,097)		(196,056)
D5	Total comprehensive income	-	-	-	-	2,232,746	(195,097)	-	2,037,649
A1	Balance as of December 31, 2016	4,460,000	5,939,819	3,340,018	-	15,163,371	(613)	(32,885)	28,869,710
	Appropriation and distribution of 2016 earnings:								
B1	Legal reserve			223,371		(223,371)			-
B3	Special reserve				613	(613)			
B5	Cash dividends - common shares					(1,336,350)			(1,336,350)
C7	Change in associates and joint ventures accounted for using equity method		8,329						8,329
D1	Net income for 2017					491,676			491,676
D3	Other comprehensive income (loss) for 2017					1,004	(77,064)		(76,060)
D5	Total comprehensive income	-	-	-		492,680	(77,064)	-	415,616
N1	Share-based payment transactions		8,371					32,885	41,256
Z1	Balance as of December 31, 2017	$4,460,000	$5,956,519	$3,563,389	$613	$14,095,717	$(77,677)	$-	$27,998,561

(The accompanying notes are an integral part of the parent-company-only financial statements.)

NOTE: The employees' bonuses of NT$80,693 and the directors' and supervisors' remuneration of NT$4,912 thousand for the year ended December 31, 2017 had been deducted from comprehensive income for the year ended December 31, 2017.
The employees' bonuses of NT$343,533 and the directors' and supervisors' remuneration of NT$20,911 thousand for the year ended December 31, 2016 had been deducted from comprehensive income for the year ended December 31, 2016.

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

Parent-Company-Only Statements of Cash Flows

For the Years Ended December 31, 2017 and 2016

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	2017	2016	Code	Items	2017	2016
AAAA	Cash flows from operating activities:			BBBB	Cash flows from investing activities:		
A10000	Net income before tax	$617,128	$2,627,932	B01800	Acquisition of investment accounted for under equity method	(600,000)	(602,000)
A20000	Adjustments:			B02700	Acquisition of property, plant and equipment	(5,356,287)	(4,255,307)
A20010	Profit or loss not effecting cash flows:			B02800	Proceeds from disposal of property, plant and equipment	23	241,776
A20100	Depreciation	2,343,599	2,259,944	B03800	Decrease (increase) in refundable deposits	(48)	(1,636)
A20200	Amortization	23,069	19,197	B04500	Acquisition of intangible assets	(30,657)	(14,536)
A20300	Bad debt expense (gain on recovery)	(29,010)	4,289	BBBB	Net cash provided by (used in) investing activities	(5,986,969)	(4,631,703)
A20400	Net loss (gain) of financial assets (liabilities) at fair value through profit or loss	(6,700)	(10,159)				
A20900	Interest expense	39,078	27,776	CCCC	Cash flows from financing activities:		
A21200	Interest income	(52,634)	(62,885)	C00100	Increase in (repayment of) short-term loans	986,017	(554,166)
A21900	Cost of share based payment	8,371	-	C01600	Increase in long-term loans	870,000	800,000
A22300	Share of profit or loss of subsidiaries, associates and joint ventures	88,187	199,580	C01700	Repayment of long-term loans	(298,088)	(303,111)
A22500	Loss on disposal of property, plant and equipment	4,092	451	C03000	Increase in guarantee deposits received	-	2,000
A23800	Gain on reversal of impairment loss	(17,100)	17,100	C04500	Payment of cash dividends	(1,336,350)	(1,559,075)
A30000	Changes in operating assets and liabilities:			C05100	Treasury stock purchased	32,885	-
A31110	Financial Assets at fair value through profit or loss	1,435,817	695,568	CCCC	Net cash provided by (used in) financing activities	254,464	(1,614,352)
A31130	Notes receivable	1,274	(1,195)				
A31150	Accounts receivable	160,235	402,904	EEEE	Net Increase (decrease) in cash and cash equivalents	(1,035,484)	(1,165,453)
A31160	Accounts receivable - related parties	32,776	(11,971)	E00100	Cash and cash equivalents at beginning of period	9,833,450	10,998,903
A31180	Other receivable	86,230	37,350	E00200	Cash and cash equivalents at end of period	$8,797,966	$9,833,450
A31190	Other receivable - related parties	302,371	(306,538)				
A31200	Inventories	62,660	(509)				
A31230	Prepayment	(139,819)	41,202				
A31240	Other current assets	(17,924)	42,427				
A32130	Notes payable	(1,811)	(6,336)				
A32150	Accounts payable	256,556	25,559				
A32160	Accounts payable - related parties	(5,900)	(221,000)				
A32180	Other payable	(181,486)	(262,715)				
A32210	Advance receipts	(1,507)	760				
A32230	Other current liabilities	535	(3,040)				
A32240	Net pension liability under defined benefit plan	(4,043)	(4,098)				
A33000	Cash generated from operations	5,004,044	5,511,593				
A33100	Dividend received	100,000	-				
A33100	Interest received	52,838	63,584				
A33300	Interest paid	(38,237)	(27,984)				
A33500	Income tax paid	(421,624)	(466,591)				
AAAA	Net cash provided by (used in) operating activities	4,697,021	5,080,602				

(The accompanying notes are an integral part of the parent-company-only financial statements.)

1. HISTORY AND ORGANIZATION

Kinsus Interconnect Technology Corp. (referred to "the Company") was established on September 11, 2000. Its main business activities include the manufacture of electronic products, the whole-sale and retail-sale of electronic materials, and the consultation services of business operation and management. The Company's stocks have been governmentally approved on May 20, 2004 to be listed and traded in Taiwan Stock Exchange starting November 1, 2004.The registered business premise and main operation address is at No. 1245, Chung Hua Rd., Hsinwu District, Taoyuan City, Taiwan 32747.

2. DATE AND PROCEDURE OF AUTHORIZATION FOR FINANCIAL STATEMENTS ISSUANCE

The financial statements of the Company were authorized to be issued in accordance with a resolution of the Board of Directors' meeting held on January 29, 2018.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

(1) The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after January 1, 2017.

(2) Standards or interpretations issued, revised or amended, which are endorsed by FSC, but not yet adopted by the Company at the date of issuance of the Company's financial statements are listed below.

(a) IFRS 15 "Revenue from Contracts with Customers"

The core principle of the new Standard is for companies to recognize revenue to depict the transfer of promised goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following steps:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The new Standard includes a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The Standard is effective for annual periods beginning on or after January 1, 2018.

(b) IFRS 9 “Financial Instruments”

The IASB has issued the final version of IFRS 9, which combines classification and measurement, the expected credit loss impairment model and hedge accounting. The standard will replace IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9 *Financial Instruments* (which include standards issued on classification and measurement of financial assets and liabilities and hedge accounting).

Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity’s business model for managing the financial assets and the financial asset’s contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore there is requirement that ‘own credit risk’ adjustments are not recognized in profit or loss.

Impairment: Expected credit loss model is used to evaluate impairment. Entities are required to recognize either 12-month or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

Hedge accounting: Hedge accounting is more closely aligned with risk management activities and hedge effectiveness is measured based on the hedge ratio.

The new standard is effective for annual periods beginning on or after January 1, 2018. Consequential amendments on the related disclosures also become effective for annual periods beginning on or after January 1, 2018.

(c) IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

The effective date of this amendment has been postponed indefinitely, but early adoption is allowed.

(d) IAS 12 "Income Taxes" — Recognition of Deferred Tax Assets for Unrealized Losses

The amendment clarifies how to account for deferred tax assets for unrealized losses. The amendment is effective for annual periods beginning on or after January 1, 2017.

(e) Disclosure Initiative — Amendment to IAS 7 "Statement of Cash Flows":

The amendment relates to changes in liabilities arising from financing activities and to require a reconciliation of the carrying amount of liabilities at the beginning and end of the period. The amendment is effective for annual periods beginning on or after January 1, 2017.

(f) IFRS 15 "Revenue from Contracts with Customers" — Clarifications to IFRS 15

The amendment clarifies how to identify a performance obligation in a contract, determine whether an entity is a principal or an agent, and determine whether the revenue from granting a license should be recognized at a point in time or over time. The amendment is effective for annual periods beginning on or after January 1, 2018.

(g) IFRS 2 "Shared-Based Payment" — Amendments to IFRS 2

The amendment contains (1) clarifying that vesting conditions (service and non-market performance conditions), upon which satisfaction of a cash-settled share-based payment transaction is conditional, are not taken into account when estimating the fair value of the cash-settled share-based payment at the measurement date. Instead, these are taken into account by adjusting the number of awards included in the measurement of the liability arising from the transaction, (2) clarifying if tax laws or regulations require the employer to withhold a certain amount in order to meet the employee’s tax obligation associated with the share-based payment, such transactions will be classified in their entirety as equity-settled share-based payment transactions if they would have been so classified in the absence of the net share settlement feature, and (3) clarifying that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The equity-settled share-based payment transaction is measured by reference to the fair value of the equity instruments granted at the modification date and is recognized in equity, on the modification date, to the extent to which goods or services have been received. The liability for the cash-settled share-based payment transaction as at the modification date is derecognized on that date. Any difference between the carrying amount of the liability derecognized and the amount recognized in equity on the modification date is recognized immediately in profit or loss. The amendment is effective for annual periods beginning on or after January 1, 2018.

(h) Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts — Amendments to IFRS 4

The amendments help to resolve issues arising from the different effective dates for IFRS 9 “Financial Instruments” (January 1, 2018) and the new insurance contracts standard about to be issued by the IASB (still to be decided, but not before January 1, 2020). The amendments allow entities issuing insurance contracts within the scope of IFRS 4 to mitigate certain effects of applying IFRS 9 “Financial Instruments” before the IASB’s new insurance contracts standard becomes effective. The amendments introduce two approaches: an overlay approach and a temporary exemption. The overlay approach allows an entity applying IFRS 9 to remove from profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before the new insurance contracts standard is applied. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 until 2021 (these entities that defer the application of IFRS 9 will continue to apply IAS 39).

(i) Transfers of Investment Property — Amendments to IAS 40

The amendments relate to transfers of investment property. The amendments clarify that a change in use occurs when a property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use, the entity should transfer property into and out of investment property accordingly. A change in management's intention for the use of a property does not provide evidence of a change in use. The amendments are effective for annual periods beginning on or after January 1, 2018.

(j) Improvements to International Financial Reporting Standards (2014-2016 cycle):

IFRS 1 "First-time Adoption of International Financial Reporting Standards"

The amendments amend transition requirements relating to certain standards and delete short-term exemptions under Appendix E for first-time adopter. The amendments are effective for annual periods beginning on or after January 1, 2018.

IFRS 12 "Disclosure of Interests in Other Entities"

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interests that are classified as held for sale or discontinued operations. The amendments are effective for annual periods beginning on or after January 1, 2017.

IAS 28 "Investments in Associates and Joint Ventures"

The amendments clarify that when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and other qualifying entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with IFRS 9 "Financial Instruments" on an investment-by-investment basis. Besides, if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries on an investment-by-investment basis. The amendments are effective for annual periods beginning on or after January 1, 2018.

(k) IFRIC 22 "*Foreign Currency Transactions and Advance Consideration*"

The interpretation clarifies that when applying paragraphs 21 and 22 of IAS 21 "The Effects of Changes in Foreign Exchange Rates", in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation is effective for annual periods beginning on or after January 1, 2018.

The abovementioned standards and interpretations issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2018. Apart from the potential impact of the standards and interpretations listed under (a), (b), (e), and (f) which is described below, all other standards and interpretations have no material impact on the Company:

(a) IFRS 15 “Revenue from Contracts with Customers” and (f) IFRS 15 “Revenue from

Contracts with Customers” — Clarifications to IFRS 15

The Company elected to recognize the cumulative effect of initially applying IFRS 15 at the date of initial application (January 1, 2018). The Company also elected to apply this standard retrospectively only to the contracts that are not completed at the date of initial application.

The Company’s principal activities consist of the sale of goods. The impacts arising from the adoption of IFRS 15 on the Company are summarized as follows.

A. Revenue from sale of goods is currently recognized when goods have been delivered to the buyer. Starting from the date of initial application, in accordance with the requirements of IFRS 15, the Company shall recognize revenue when (or as) the Company satisfies a performance obligation by transferring a promised good to a customer. IFRS 15 has no impact on the Company’s revenue recognition from sale of goods. However, for some contracts, if the Company has the right to transfer the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. It is different from the accounting treatment of recognizing trade receivables before the date of initial application. The amount reclassified from trade receivables to contract assets of the Company as of the date of initial application have no material impact on financial statement.

B. In accordance with the requirements of IFRS 15, more extensive disclosure would have to be made.

(b) IFRS 9 "Financial Instruments"

The Company elects not to restate prior periods in accordance with the requirements of IFRS 9 at the date of initial application (January 1, 2018). The adoption of IFRS 9 has the following impacts on the Company.

A. Classification and measurement of financial assets

Impairment of financial assets

This is applicable to financial assets not measured at fair value through profit or loss. In accordance with the requirements of IFRS 9, a loss allowance for debt instruments is measured using the expected credit loss model, whereas trade receivables or contract assets that result from transactions that are within the scope of IFS 15 is measured using the simplified approach (provision matrix); and no assessment of impairment on equity instrument is required. The aforementioned requirements on impairment is different from the current incurred loss model and the final impact is yet to be determined.

B. Others

Consequential amendments on the related disclosures in IFRS 9 were also made as a result of the application of IFRS 9, which include the disclosure requirements related to the initial application of IFRS 9. Therefore more extensive disclosure would have to be made.

(e) Disclosure Initiative — Amendment to IAS 7 "Statement of Cash Flows"

Additional disclosure of a reconciliation of the carrying amount of liabilities arising from financing activities at the beginning and end of the period would be required.

(3) Standards or interpretations issued, revised or amended, by IASB but not yet endorsed by FSC at the date of issuance of the Company's financial statements are listed below.

(a) IFRS 16"Leases"

The new standard requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions). Lessor accounting still uses the dual classification approach: operating lease and finance lease. The Standard is effective for annual periods beginning on or after January 1, 2019.

(b) IFRIC 23 "Uncertainty Over Income Tax Treatments"

The Interpretation clarifies application of recognition and measurement requirements in IAS 12 "Income Taxes" when there is uncertainty over income tax treatments. The Interpretation is effective for annual periods beginning on or after January 1, 2019.

(c) IFRS 17 "Insurance Contracts"

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a company of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following.

(1) estimates of future cash flows;
(2) Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
(3) a risk adjustment for non-financial risk.

The carrying amount of a company of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts. IFRS 17 is effective for annual periods beginning on or after January 1, 2021.

(d) IAS 28 “Investment in Associates and Joint Ventures” — Amendments to IAS 28

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture before it applies IAS 28, and in applying IFRS 9, does not take account of any adjustments that arise from applying IAS 28. The amendment is effective for annual reporting periods beginning on or after January 1, 2019.

(e) Prepayment Features with Negative Compensation (Amendments to IFRS 9)

The amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract, to be measured at amortized cost or at fair value through other comprehensive income. The amendment is effective for annual reporting periods beginning on or after January 1, 2019.

(f) Improvements to International Financial Reporting Standards (2015-2017 cycle):

IFRS 3 “Business Combinations”

The amendments clarify that an entity that has joint control of a joint operation shall remeasure its previously held interest in a joint operation when it obtains control of the business. The amendments are effective for annual periods beginning on or after January 1, 2019.

IFRS 11 “Joint Arrangements”

The amendments clarify that an entity that participates in, but does not have joint control of, a joint operation does not remeasure its previously held interest in a joint operation when it obtains joint control of the business. The amendments are effective for annual periods beginning on or after January 1, 2019

IAS 12 “Income Taxes”

The amendments clarify that an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events. The amendments are effective for annual periods beginning on or after January 1, 2019.

IAS 23 “Borrowing Costs”

The amendments clarify that an entity should treats as part of general borrowings any borrowing made specifically to obtain an asset when the asset is ready for its intended use or sale. The amendments are effective for annual periods beginning on or after January 1, 2019.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company’s financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Company is still currently determining the potential impact of the standards and interpretations listed under (a), it is not practicable to estimate their impact on the Company at this point in time. All other standards and interpretations have no material impact on the Company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The parent-company-only financial statements of the Company for the years ended December 31, 2017 and 2016 were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”).

(2) Basis of preparation

The Company prepared parent-company-only financial statements in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent-company-only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent-company-only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments.

The parent-company-only financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The parent-company-only financial statements are expressed in thousands of New Taiwan Dollars (“NT$”) unless otherwise stated.

(3) Foreign currency transactions

The Company's parent-company-only financial statements are presented in its functional currency, New Taiwan Dollars (NTD). Items included in the parent-company-only financial statements are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Company at functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following.

(a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

(b) Foreign currency items within the scope of IAS 39 Financial Instruments: Recognition and Measurement are accounted for based on the accounting policy for financial instruments.

(c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(4) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NTD at the closing rate of exchange prevailing at the reporting date and the income and expenses are translated at an average exchange rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following are accounted for as disposals even if an interest in the foreign operation is retained by the Company: the loss of control over a foreign operation, the loss of significant influence over a foreign operation, or the loss of joint control over a foreign operation.

On partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(5) Current and non-current distinction

An asset is classified as current when:

(a) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
(b) The Company holds the asset primarily for the purpose of trading.
(c) The Company expects to realize the asset within twelve months after the reporting period.
(d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

(a) The Company expects to settle the liability in its normal operating cycle.
(b) The Company holds the liability primarily for the purpose of trading.
(c) The liability is due to be settled within twelve months after the reporting period.

(d) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(6) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (include fixed-term deposits that have matures of 3 months from the date of acquisition).

(7) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IAS 39 Financial Instruments: Recognition and Measurement are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial assets

The Company accounts for regular way purchase or sales of financial assets on the trade date.

Financial assets of the Company are classified as financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables. The Company determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

A financial asset is classified as held for trading if:

i. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;

ii. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

iii. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial asset at fair value through profit or loss; or a financial asset may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

i. it eliminates or significantly reduces a measurement or recognition inconsistency; or

ii. a company of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the company is provided internally on that basis to the key management personnel.

Financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss (including those received during the period of initial investment).

If financial assets don’t have quoted prices in an active market and their far value cannot be reliably measured, they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, at the reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company upon initial recognition designates as available-for-sale, classified as at fair value through profit or loss, or those for which the holder may not recover substantially all of its initial investment.

Loans and receivables are separately presented on the balance sheet as receivables or bond investments for which no active market exists. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset other than the financial assets at fair value through profit or loss is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset. The carrying amount of the financial asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss.

Other loss events include:

(a) significant financial difficulty of the issuer or obligor; or
(b) breach of contract, such as a default or delinquency in interest or principal payments; or
(c) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(d) the disappearance of an active market for that financial asset due to financial difficulties of the issuer.

For held-to-maturity financial assets and loans and receivables measured at amortized cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial asset that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exits for an individually assessed financial asset, whether significant or not, it includes the asset in a Company of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. Interest income is accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

Derecognition of financial assets

A financial asset is derecognized when:

(a) The rights to receive cash flows from the asset have expired
(b) The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred
(c) The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

B. Financial liabilities and equity instruments

Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract of the Company 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 within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

A financial liability is classified as held for trading if:

(a) it is acquired principally for the purpose of selling it in short term;
(b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
(c) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated upon initial recognition as at fair value through profit or loss when doing so results in more relevant information, because either

(a) it eliminates or significantly reduces measurement or recognition inconsistency; or
(b) a company of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the company is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss, including interests, are recognized in profit or loss.

If financial liabilities at fair value through profit or loss do not have quoted prices in an active market and their far value cannot be reliably measured, they are classified as financial liabilities measured at cost on balance sheet and carried at cost as of the reporting date.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include payables and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Relevant gains or losses and amortization amounts are recognized in profit or loss when the liabilities are derecognized and amortized through the effective interest rate method.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(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 Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use 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 inputs.

(9) Inventories

Inventories are valued at lower of cost or net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows.

Raw materials - At actual purchase cost, using weighted average method
Finished goods and work in progress –
Including cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity, using weighted average method.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(10) Investments accounted for using the equity method

The Company accounted for its investments in subsidiaries using equity method and made necessary adjustments in accordance with Article 21 of the Regulations. Such adjustments were made after the Company considered the different accounting treatments to account for its investments in subsidiaries in the consolidated financial statements under IFRS 10 "Consolidated Financial Statements" and the different IFRSs adopted from different reporting entity's perspectives, and the Company recorded such adjustments by crediting or debiting to investments accounted for under the equity method, share of profit or loss of subsidiaries, associates and joint ventures and share of other comprehensive income of subsidiaries, associates and joint ventures.

The Company's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence.

Under the equity method, the investment in the associate or joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the Company's related interest in the associate.

When changes in the net assets of an associate or joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Company's percentage of ownership interests in the associate or joint venture, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate on a prorate basis.

When the associate or joint venture issues new stocks, and the Company's interest in an associate is reduced or increased as the Company fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate is recognized in Additional Paid in Capital and Investment in associate. When the interest in the associate is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate or joint venture' in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Company estimates:

(a) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate or joint venture and the proceeds on the ultimate disposal of the investment; or
(b) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 *Impairment of Assets*.

Upon loss of significant influence over the associate or jointly controlled entity of joint venture, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or jointly controlled entity and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

(11) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. 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. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 “Property, plant and equipment”. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	10 to 25 years
Machinery	4 to 5 years
Transportation	5 years
Office equipment	3 to 5 years
Other equipment	3 to 25 years

An item of property, plant and equipment or any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The property, plant and equipment's residual values, useful lives and methods of depreciation are reviewed at each financial year. If the expected values differ from the estimates, the differences are recorded as a change in accounting estimate.

(12) Leases

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

(13) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, not meeting the recognition criteria, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit (CGU) level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are recognized in profit or loss.

The Company's accounting policies for intangible assets are as follows:

	Cost of Computer Software
Useful economic life	1 year
Amortization method	Straight-line method during the contract term
Internally generated or acquired externally	Acquired externally

(14) Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 "Impairment of Assets" may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company would conduct impairment tests at individual or CGU level. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired. An asset's recoverable amount is the higher of an asset's net fair value or its value in use.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the recoverable amount of the asset or CGU. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years.

Impairment loss or reversals of continuing operations are recognized in profit or loss.

(15) Treasury Stock

The Company's own equity instruments repurchased (treasury shares) are recognized at repurchase cost and deducted from equity. Any difference between the carrying amount and the consideration is recognized in equity.

(16) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. Conditions and methods for the recognition of various types of revenue are listed below:

Sale of goods

Revenue from the sale of goods is recognized when all the following conditions have been satisfied: significant risks and rewards of ownership of the goods have passed to the buyer; neither continuing managerial involvement nor effective control over the goods sold have been retained; the amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to the entity; and the costs incurred in respect of the transaction can be measured reliably.

Interest income

Interest incomes from financial assets at amortized costs (including loans and receivables and held-to-maturity financial assets) and available-for-sale financial assets are estimated using the effective interest method and recognized in profit or loss.

Dividend income

Dividend incomes are recognized only when the Company has the right to receive the dividends.

(17) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(18) Post-employment benefits

All regular employees of the Company are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee’s name in the specific bank account and hence, not associated with the Company.

Therefore, fund assets are not included in the Company's parent-company-only financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For defined contribution plan, the Company will make a monthly contribution of no less than 6% of monthly wages of the employees subject to the plan. The Company recognizes expenses for defined contribution plan in the period in which the contribution becomes due.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

(a) the date of the plan amendment or curtailment, and
(b) the date that the Company recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted and disclosed for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

(19) Share-based payment transactions

The cost of equity-settled transactions between the Company and its subsidiaries is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share

The cost of restricted stocks issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Company recognized unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period.

(20) Income tax

Income tax expense (benefit) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

<u>Current income tax</u>

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The 10% income tax for undistributed earnings of the Company is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred income tax

Deferred income tax is a temporary difference between the tax bases of assets and liabilities and their carrying amounts in balance sheet at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

(a) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit (loss);

(b) In respect of taxable temporary differences associated with investments in subsidiaries, and associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, any unused tax losses and carry forward of unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

(a) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

(b) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed and recognized at each reporting date.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company’s consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that would have a significant risk for a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are discussed below.

(1) Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 6.

(2) Post-employment benefits

The cost of post-employment benefit pension plan and the present value of the defined benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions, including the change in the discount rate and expected salary level. The assumptions used for measuring pension cost and defined benefit obligation are disclosed in Note 6.

(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 benefit and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provision is based on various factors, such as past experience in tax audit and different 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.

(4) Inventories

Estimates of net realizable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 to the financial statements.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As of December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Cash and petty cash	200	200
Checkings and savings	1,527,225	2,153,840
Time deposit	7,270,541	7,697,410
Total	8,797,966	9,833,450

(2) Financial assets at fair value through profit or loss

	As of December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Held for trading:		
Money market fund	1,367,864	2,769,911
Valuation adjustments	42,352	69,422
Total	1,410,216	2,839,333

No financial asset at fair value through profit or loss was pledged as collateral.

(3) Bond investments with no active market

	As of December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Time deposits	423,057	423,057
Current	423,057	423,057

There was no bond investments with no active market pledged as collateral.

(4) Notes receivable

	As of December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Notes receivable – from operations	1,756	3,030
Less: allowance for doubtful accounts	-	-
Net	1,756	3,030

No notes receivable was pledged by the Company as collateral.

(5) Accounts receivable and accounts receivable - related parties, net

A. Accounts receivable, net

	As of December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Accounts receivable, gross	2,416,291	2,589,202
Less: allowance for doubtful accounts	(22,670)	(51,680)
allowance for sales returns and discounts	(11,400)	(24,076)
Net of allowances	2,382,221	2,513,446
Accounts receivable - related parties, gross	954	33,730
Less: allowance for doubtful accounts	-	-
Net of allowances	954	33,730
Total accounts receivable, net	2,383,175	2,547,176

B. The Company estimates the sales returns and discounts based on historical experience and other known reasons, as a reduction of operating income at sale of goods.

C. The Company entered into factoring agreements with banks. Accounts receivables from selected customers are transferred to banks without recourse. Details of the agreed credit limits and accounts receivables transferred as of December 31, 2017 and 2016 were as follows.

	Financial Institution	Accounts receivable de-recognized (NT$'000)	Advance received (NT$'000)	Collateral	Credit Limit
12/31/2017	Mega International Commercial Bank - LanYa Branch	218,494	89,303	None	Note
12/31/2016	Mega International Commercial Bank - LanYa Branch	249,402	49,298	None	Note

Note: The credit limits were US$30,000 thousand as of December 31, 2017 and 2016.

D. The collection term of accounts receivables are generally on 60 to 120 day after monthly closing. The movement schedule of the impairment provision for accounts receivable, including related parties, was presented as below. (Please also refer to Note 12 for credit risk disclosure)

	Impaired Individually (NT$'000)	Impaired Collectively (NT$'000)	Total (NT$'000)
As of January 1, 2017	-	51,680	51,680
Provision (reversal)	-	(29,010)	(29,010)
Effect of exchange rate changes	-	-	-
As of December 31, 2017	-	22,670	22,670
As of January 1, 2016	-	47,391	47,391
Provision (reversal)	-	4,289	4,289
Effect of exchange rate changes	-	-	-
As of December 31, 2016	-	51,680	51,680

Aging analysis for the net accounts receivable, including related parties, were as follows.

		Accounts receivable – past due, but not impaired				
	Neither past due nor impaired (NT$'000)	Less than 61 days (NT$'000)	61 to 90 days (NT$'000)	91 to 120 days (NT$'000)	Longer than 120 days (NT$'000)	Total (NT$'000)
12/31/2017	2,194,246	188,929	-	-	-	2,383,175
12/31/2016	2,369,493	177,683	-	-	-	2,547,176

(6) Inventory

A. Details of inventory:

	As of December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Raw material	299,131	368,051
Supplies	31,194	40,165
Work in process	551,192	523,069
Finished goods	294,709	332,253
Merchandises	79,372	54,720
Total	1,255,598	1,318,258

B. For the years ended December 31, 2017 and 2016, the Company recognized NT$13,208,061 thousand and NT$13,222,128 thousand under the caption of costs of sale, respectively. The following items were also included in cost.

	For the year ended December 31,	
Item	2017 (NT$'000)	2016 (NT$'000)
Loss from (Gains on recovery of) inventory market decline	491,174	(20,268)
Loss from physical	21,227	29,935
Loss in inventory written-off and obselencense	1,664,988	1,366,931
Total	2,177,389	1,376,598

The Company recognized gains on recovery of inventory market decline because some of the inventories previously provided with market loss or obsolescence were disposed.

C. The inventories were not pledged.

(7) Investments Accounted For Under the Equity Method

Investee companies	2017 Amount (NT$'000)	2017 Percentage of Ownership	2016 Amount (NT$'000)	2016 Percentage of Ownership
Investments in subsidiaries:				
KINSUS CORP. (USA)	39,874	100.00%	36,663	100.00%
KINSUS HOLDING (SAMOA) LIMITED	2,343,440	100.00%	2,526,740	100.00%
KINSUS INVESTMENT CO., LTD.	1,738,049	100.00%	1,214,882	100.00%
Total	4,121,363		3,778,285	

A. Investments in subsidiaries

Investments in subsidiaries were present in the parent-company-only financial statements under the caption of investments accounted for under equity method. Valuation adjustment is made if deemed necessary.

B. The Company's investments accounted for under the equity method were not pledged.

(8) Property, plant and equipment

	Land (NT$'000)	Buildings (NT$'000)	Machinery (NT$'000)	Office Equipment (NT$'000)	Transportation (NT$'000)	Other Equipment (NT$'000)	Construction in progress and equipment awaiting inspection (including prepaid equipment) (NT$'000)	Total (NT$'000)
Cost:								
As of 1/1/2017	1,562,442	3,568,908	10,383,166	36,265	4,540	2,635,081	4,241,349	22,431,751
Addition	-	-	9,038	20,148	1,735	113,339	5,270,309	5,414,569
Disposals	-	-	(82,931)	-	-	(139,380)	-	(222,311)
Effect of EX rate	-	-	-	-	-	-	-	-
Reclassification	47,287	7,727	3,258,086	17,753	-	1,197,028	(4,527,881)	-
As of 12/31/2017	1,609,729	3,576,635	13,567,359	74,166	6,275	3,806,068	4,983,777	27,624,009
As of 1/1/2016	1,557,800	2,546,735	9,147,835	37,056	4,090	2,304,567	5,061,609	20,659,692
Addition	-	1,940	8,905	5,590	1,805	161,701	3,658,657	3,838,598
Disposals	-	(10,510)	(1,653,554)	(7,231)	(1,355)	(393,889)	-	(2,066,539)

Effect of EX rate	-	-	-	-	-	-	-	-
Reclassification	4,642	1,030,743	2,879,980	850	-	562,702	(4,478,917)	-
As of 12/31/2016	1,562,442	3,568,908	10,383,166	36,265	4,540	2,635,081	4,241,349	22,431,751
Depreciation and impairment:								
As of 1/1/2017	-	1,034,147	5,760,949	20,845	2,047	1,532,793	-	8,350,781
Depreciation	-	168,490	1,708,371	18,486	1,087	447,165	-	2,343,599
Impairment loss	-	-	(17,100)	-	-	-	-	(17,100)
Disposal	-	-	(78,816)	-	-	(139,380)	-	(218,196)
Effect of EX rate	-	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-	-
As of 12/31/2017	-	1,202,637	7,373,404	39,331	3,134	1,840,578	-	10,459,084
As of 1/1/2016	-	891,996	5,442,776	16,603	1,462	1,545,212	-	7,898,049
Depreciation	-	152,661	1,718,269	11,473	1,003	376,538	-	2,259,944
Impairment loss	-	-	17,100	-	-	-	-	17,100
Disposal	-	(10,510)	(1,417,196)	(7,231)	(418)	(388,957)	-	(1,824,312)
Effect of EX rate	-	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-	-
As of 12/31/2016	-	1,034,147	5,760,949	20,845	2,047	1,532,793	-	8,350,781
Net carrying amount:								
As of 12/31/2017	1,609,729	2,373,998	6,193,955	34,835	3,141	1,965,490	4,983,777	17,164,925
As of 12/31/2016	1,562,442	2,534,761	4,622,217	15,420	2,493	1,102,288	4,241,349	14,080,970

A. “ Significant components ” of buildings primarily comprised the main buildings and the facilities, which are depreciated based on their respective useful economic life of 20 to 25 years and 10 to 20 years.

B. Details of property, plant & equipment and prepayment for machinery is as follows.

	As of December 31,	
	2017	2016
	(NT$’000)	(NT$’000)
Property, plant and equipment	14,406,084	11,947,782
Prepaid equipment	2,758,841	2,133,188
Total	17,164,925	14,080,970

C. Please refer to Note 8 for details on property, plant and equipment pledged as collaterals.

D. The Company purchased 40 parcels of land with a total area of 36,115.24 square meters. Lands are located at the addresses of No. 1113, 1114, 1438 to 1443,1479,1486 to 1487 at ShiLeiZi Sub-section, ShiLeiZi Section, No. 1044, 1047 to 1049 at QingHua Section, and No. 0001, 697 to 700 and 712 to 726 at RongHua Section, XinFeng Village. Due to regulatory restrictions, land cannot be registered under the Company's name while it has been temporarily registered under the general manager's name and, to secure the Company's right to the land, mortgage registration has been set aside with the Company being the obligee.

(9) Intangible assets

	Computer software (NT$'000)
Cost:	
As of January 1, 2017	12,086
Additions – acquired separately	30,657
Derecognized upon retirement	(12,086)
Effect of exchange rate changes	-
As of December 31, 2017	30,657
As of January 1, 2016	24,028
Additions – acquired separately	14,536
Derecognized upon retirement	(26,478)
Effect of exchange rate changes	-
As of December 31, 2016	12,086
Amortization and Impairment:	
As of January 1, 2017	6,878
Amortization	23,069
Derecognized upon retirement	(12,086)
Effect of exchange rate changes	-
As of December 31, 2017	17,861
As of January 1, 2016	14,159
Amortization	19,197
Derecognized upon retirement	(26,478)
Effect of exchange rate changes	-
As of December 31, 2016	6,878

Carrying amount, net:	
As of December 31, 2017	12,796
As of December 31, 2016	5,208

Amounts of amortization recognized for intangible assets are as follows.

	For the year ended December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Operating expense	23,069	19,197

(10) Other non-current assets

	As of December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Refundable deposits	3,886	3,838

(11) Short-term loans

		As of December 31,	
	Interest interval (%)	2017 (NT$'000)	2016 (NT$'000)
Unsecured bank loans	0.71%~1.95%	2,263,117	1,277,100

As of December 31, 2017 and 2016, the line of unused short-term loan credit for the Company amounted to NT$5,616,563 thousand and NT$5,360,400 thousand, respectively.

(12) Other payable

	As of December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Accrued expense	1,563,208	1,744,694
Equipment payable	727,509	669,227
Accrued interest	1,739	898
Total	2,292,456	2,414,819

(13) Other current liabilities

	As of December 31, 2017 (NT$'000)	As of December 31, 2016 (NT$'000)
Other current liabilities	25,900	25,365
Unearned sales revenue	2,386	3,893
Current portion of long-term loans	290,087	295,100
Total	318,373	324,358

(14) Long-term loans

Details of long-term loans were as follows.

Debtor	Type of Loan	Maturity	Loan Balance As of 12/31/2017 (NT$'000)	Repayment
Mega International Commercial Bank - LanYa Branch	Credit loan	2018.08.12-2021.09.05	1,655,712	Note 1, 2
Less: current portion			(290,087)	
Non-current portion			1,365,625	

Debtor	Type of Loan	Maturity	Loan Balance As of 12/31/2016 (NT$'000)	Repayment
Mega International Commercial Bank - LanYa Branch	Credit loan	2018.08.12-2021.09.05	890,300	Note 1、2
Taipei Fubon Commercial Bank - BeiTou Branch	Credit loan	2017.12.15	193,500	Note 3
Total			1,083,800	
Less: current portion			(295,100)	
Non-current portion			788,700	

Note 1: A term is defined as every 3 months starting from the initial draw-down date. Loan period is 5 years. Grace period is 1 year (4 terms). Interest shall be paid monthly with principal repaid every 3months. The rest is repayable in installments of equal amount for 16 terms.

Note 2: Interest shall be paid for the first 12 months from the initial draw-down date. Starting from the 13th month, interest shall be paid monthly with principal repaid every 3 months.

Note 3: One year after the initial draw-down date is considered term one and the following terms are defined as every 6 months since then. The principal and interest are repayable in installments of equal amount for 5 terms.

As of December 31, 2017 and 2016, the interest rate intervals for long-term loans were 1.022% ~2.37% and 1.076% ~1.98%, respectively.

(15) Other non-current liabilities

	As of December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Accrued pension costs	25,962	31,009
Guarantee deposits received	2,000	2,000
Total	27,962	33,009

(16) Post-employment benefits

Defined contribution plan

The Company adopted a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Expenses under the defined contribution plan for the years ended December 31, 2017 and 2016 are NT$99,604 thousand and NT$95,057 thousand, respectively.

Defined benefits plan

The Company adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contributes an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee.

The fund is operated in a portfolio basis by Governance Committee on Labor Retirement Fund in accordance with the Rule for Custody and Operating the Labor Retirement Fund. The investment of the Fund may be executed either by the Committee itself or by outsourced other profession institutions with its investment strategy, including both active and passive management, targeting in a medium or longer term. In considering the risks of market, credit and liquidity, the Committee establishes the ceiling of fund investment and control plan, in one hand, to reduce investment risk to an affordable extent and, in the other hand, to achieve the targeted return flexibly. As of December 31, 2017, the Company plans to contribute NT$4,735 thousand to the funds under its defined benefit scheme during the following fiscal year.

As of December 31, 2017 and 2016, the maturities of the Company's defined benefit plan were expected in 2037 and 2036 and the detail information is listed as below.

Pension costs recognized in profit or loss are as follows.

	For the year ended December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Current service costs	135	189
Net interest of defined benefit liability (asset)	558	683
Past service cost	-	-
Settlement	-	-
Total	693	872

Reconciliation of liability (asset) of the defined benefit plan is as follows.

	As of		
	Dec. 31, 2017 (NT$'000)	Dec. 31,2016 (NT$'000)	Jan. 1, 2016 (NT$'000)
Defined benefit obligation	129,761	130,404	127,707
Plan assets at fair value	(103,799)	(99,395)	(93,559)
Other non-current liabilities – net defined benefit liability	25,962	31,009	34,148

Reconciliation of liability (asset) of the defined benefit liability is as follows.

	Present value of defined benefit obligation (NT$'000)	Fair value of plan assets (NT$'000)	Net defined benefit liability(asset) (NT$'000)
1/1/2016	127,707	(93,559)	34,148
Current service cost	189	-	189
Interest cost	2,554	(1,871)	683
Past service cost and settlement	-	-	-
Total	2,743	(1,871)	872
Re-measurement on defined benefit liability/assets:			
Actuarial gain/loss due to change in population statistic assumptions	(726)	-	(726)
Actuarial gain/loss due to change in financial assumptions	5,073	-	5,073
Experience gain/loss	(4,393)	1,005	(3,388)
Re-measurement on defined benefit assets	-	-	-
Total	(46)	1,005	959
Benefits paid	-	-	-
Contributions by employer	-	(4,970)	(4,970)
Effect of exchange rate	-	-	-
12/31/2016	130,404	(99,395)	31,009
Current service cost	135	-	135
Interest cost	2,347	(1,789)	558
Pasts service cost and settlement	-	-	-
Total	2,482	(1,789)	693
Re-measurement on defined benefit liability/assets:			
Actuarial gain/loss due to change in population statistic assumptions	2,109	-	2,109
Actuarial gain/loss due to change in financial assumptions	4,902	-	4,902
Experience gain/loss	(8,789)	774	(8,015)
Re-measurement on defined benefit assets	-	-	-
Total	(1,778)	774	(1,004)
Benefits paid	(1,347)	1,347	-
Contributions by employer	-	(4,736)	(4,736)

Effect of exchange rate	-	-	-
12/31/2017	129,761	(103,799)	25,962

The actuarial assumptions used for the Company's defined benefit plan are shown below.

	As of December 31,	
	2017	2016
Discount rate	1.60%	1.80%
Expected rate of salary increases	3.00%	3.00%

Sensitivity analysis

	For the year ended December 31,			
	2017 (NT$'000)		2016 (NT$'000)	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increased by 0.5%	-	(12,019)	-	(12,157)
Discount rate decreased by 0.5%	13,482	-	13,692	-
Expected salary level increased by 0.5%	13,220	-	13,454	-
Expected salary level decreased by 0.5%	-	(11,919)	-	(12,080)

For the purpose of sensitivity analysis above, the Company calculated the impact on defined benefit obligation due to a reasonable and feasible change of one single assumption (i.e. discount rate or expected salary level) with other assumptions remaining equal. Please note that the sensitivity analysis has its limitation due to the co-relation between different actuarial assumptions and the rarity that only one assumption changes at a time. The method used in the analysis is consistent for both current and prior years.

(17) Equity

A. Common shares

As of December 31, 2017 and 2016, the Company's authorized capital and paid-in capital were NT$5,500,000 thousand and NT$4,460,000 thousand, respectively, each share at par value of NT$10, divided into 446,000 thousand shares. Each share represents a voting right and a right to receive dividends.

B. Capital surplus

	As of December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Additional paid-in capital	5,850,000	5,850,000
Differences between equity purchase price and carrying amount arising from actual acquisition or disposal of subsidiaries	50,925	50,925
All changes in interests in subsidiaries	38,894	38,894
Change in joint ventures accounted for using equity method	7,484	-
Employee stock option in affiliate company	845	-
Shared-Based Payment	8,371	-
Total	5,956,519	5,939,819

According to Taiwan Company Act, the capital surplus shall not be used except for making good the deficit of the Company. When a company incurs no loss, it may distribute the capital surplus related to the income derived from the issuance of new shares at a premium or income from endowments received by the company up to a certain percentage of paid-in capital. The said capital surplus could be distributed in cash to its shareholders in proportion to the number of shares being held by each of them. Capital surplus related to long-term equity investments cannot be used for any purpose.

C. Treasury stock

As of December 31, 2017, no treasury stock was held by the Company while treasury stock amounted to NT$32,885 thousand, divided into 550 thousand shares, as of December 31, 2016.

The movement schedule of treasury stock for the year ended December 31, 2017 and 2016 was as below (in thousand shares).

Purpose of repurchase	Beginning balance	Addition	Decrease	Ending balance
For the years ended December 31, 2017				
To be transferred to employees	550	-	550	-
For the years ended December 31, 2016				
To be transferred to employees	550	-	-	550

The Company transferred 550,000 shares of treasury stocks to qualified employees in accordance with its "Rule for Buying Back the Company's Own Stocks in Second Time". The measurement date was at September 22nd, 2017.

According to the Securities and Exchange Law of the R.O.C., the total shares of treasury stock shall not exceed 10% of the Company's issued stock, and the total purchase amount shall not exceed the sum of the retained earnings, additional paid-in capital-premiums and realized additional paid-in capital. As such, the ceiling number of shares of treasury stock that the Company could hold as of December 31, 2017 were 44,600 thousand shares, with the maximum payments of NT$23,509,106 thousand.

In compliance with Securities and Exchange Law of the R.O.C., treasury stock should not be pledged, nor should it be entitled to voting rights or receiving dividends.

D. Appropriation of earnings and dividend policies

(a) Earning distribution

According to the Company's original Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

a. Payment of all taxes and dues;
b. Offset prior years' operation losses;
c. Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
d. Set aside or reverse special reserve in accordance with law and regulations; and
e. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

(b) Dividend policies

The Company is in an industry with versatile environment. For long-term finance planning requirements and to meet the shareholders' demand for cash, dividend policy aims for a steady balance. Cash dividends distributed each year cannot be less than 10% of the total dividends paid.

(c) Legal reserve

According to the Company Act, legal reserve shall be set aside until such amount equal total authorized capital. Legal reserve can be used to offset deficits. If the Company does not incur any loss, the portion of legal reserve exceeding 25% of the paid-in capital may be distributed to shareholders by issuing new shares or by cash in proportion to the number of shares held by each shareholder.

(d) Special reserve

Following the adoption of Taiwan IFRS, the Company complies with Order No. Jin-Guan-Zheng-Fa 1010012865 issued by FSC on April 6, 2012. On the Company's first-time adoption of the Taiwan IFRS, for any unrealized revaluation gains and cumulative translation adjustments recorded under shareholders' equity that the Company elects to transfer to retained earnings by application of the exemption under IFRS 1, an equal amount of special capital reserve shall be set aside. After the adoption of Taiwan IFRS for the preparation of financial statements, the Company shall set aside supplemental special reserve based on the difference between the amount already set aside according to the requirements in the preceding point and other net deductions from shareholders' equity when appropriating distributable earnings. For any subsequent reversal of other net deductions from shareholders' equity, the amount reserved may be distributed as earnings.

The Company did not incur any special reserve upon the first-time adoption of Taiwan IFRS.

(e) The appropriations of earnings for the Years 2017 and 2016 were approved through the Board of Directors' meetings and shareholders' meetings held on January 29, 2018 and May 26, 2017, respectively. The details of the distributions are as follows.

	Appropriation of earnings		Dividend per share (in NT$)	
	2017 (NT$'000)	2016 (NT$'000)	2017	2016
Legal reserve	49,168	223,371		
Special reserve	77,064	613		
Cash dividend	669,000	1,336,350	1.50	3.00
Total	795,232	1,560,334		

Please refer to Note 6(21) for details on employees' compensation and remuneration to directors and supervisors.

(18) Share-based payment plans

Certain employees of the Company are entitled to share-based payment as part of their remunerations; services are provided by the employees in return for the equity instruments granted. These plans are accounted for as equity-settled share-based payment transactions.

A. Share-based payment plan for employees of the parent entity

The Company transferred its treasury stocks to qualified employees in accordance with its "Rule for Buying Back the Company's Own Stocks in Second Time" on September 22nd, 2017 at a price of NT$59.79 per share.

The fair value of the share options is estimated at the grant date using a binomial option pricing-model, taking into account the terms and conditions upon which the share options were granted.

The relevant details of the aforementioned share-based payment plan are as follows:

Date of grant	Total number of share options granted	Exercise price of share options (NT$)
2017.09.22	550,000	59.79

The fair value of the share-based payment above was computed by using Black-Scholes valuation model. The underlying assumptions are as below.

	Information regarding treasury stock granted to employee
Exercise price	NT$59.79
Market unit price at measurement date	NT$75.2
Expected volatility (%)	25.26%
Risk-free interest rate (%)	0.6%
Expected dividend yield (%)	-%
Expected option life (Years)	0.032877 years
Fair value	NT$15.4

The details of the plan regarding treasury stock transferred to employee was as below.

	For the year ended December 31, 2017	
	Number of share options outstanding (in thousands)	Weighted average exercise price of share options (NT$)
Outstanding at beginning of period	-	-
Granted	550	59.79
Exercisable at end of period	(550)	(59.79)
Outstanding at end of period	-	-
For share options granted during the period, weighted average fair value of those options at the measurement date (NT$)	15.4	

B. The expense recognized for employee services received during the year ended December 31, 2017 is shown in the following table:

	For the year ended December 31, 2017 (NT$'000)
Total expense arising from equity-settled share-based payment transactions	8,371

(19) Sale

	For the year ended December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Sale of goods	16,441,455	17,849,275
Less: sales returns and allowances	(445,999)	(318,624)
Services revenue	127,888	157,707
Other operating revenue	162,690	243,492
Total	16,286,034	17,931,850

(20) Operating lease

Company as a lessor

The lease agreements that the Company entered into for plants have an average term of 1 year to 3 year.

Future minimum rental receivables under non-cancellable operating leases as of December 31, 2017 and 2016, are as follows.

	For the year ended December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Less than one year	42,379	42,379
Over one year less than five year	35,316	77,694
Total	77,695	120,073

For the years ended December 31, 2017 and 2016, rent incomes of the Company amounted to NT$40,264 thousand and NT$9,446 thousand, respectively.

(21) Summary statement of employee benefits, depreciation and amortization by function is as follows.

Function / Nature	2017 (NT$'000)			2016 (NT$'000)		
	Cost of goods sold	Operating expense	Total	Cost of goods sold	Operating expense	Total
Employee benefit						
Salaries & wages	2,028,176	443,769	2,471,945	2,054,934	548,028	2,602,962
Labor and health insurance	191,800	42,039	233,839	168,255	47,653	215,908
Pension	78,609	21,688	100,297	72,220	23,709	95,929
Other employee benefit	115,784	29,505	145,289	104,705	29,542	134,247
Depreciation	1,794,086	549,513	2,343,599	2,029,919	230,025	2,259,944
Amortization	-	23,069	23,069	-	19,197	19,197

Note: The headcounts of the Company amounted to 4,849 and 3,684, respectively, on December 31, 2017 and 2016.

According to the resolution, not lower than 10% of profit of the current year is distributable as employees' compensation and no higher than 1% of profit of the current year is distributable as remuneration to directors and supervisors. However, the Company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on profit of the year ended December 31, 2017, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2017 to be not lower than 10% and not higher than 1% of profit of the current year, respectively, recognized as employee benefits expense. As such, employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2017 amount to NT$80,693 thousand and NT$4,912 thousand, respectively. The Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2016 to be NT$343,533 thousand and NT$20,911 thousand, respectively. The aforementioned employees' compensation and remuneration to directors and supervisors for the years ended December 31, 2017 and 2016 were estimated based on post-tax net income of the period and recognized as salaries expense. The number of stocks distributed as employees' compensation was calculated based on the closing price one day earlier than the date of shareholders' meeting. For example, if there was different between the estimated amount and the actual distribution of the employee bonuses and remuneration to directors and supervisors, it will recognize in profit or loss to next year.

The Company's Board has determined the employees' compensation and directors' remuneration, all in cash, to be NT$80,693 thousand and NT$4,912 thousand, respectively, in a meeting held on January 29, 2018.

No material differences exist between the estimated amount and the actual distribution of the employee bonuses and remuneration to directors and supervisors for the year ended December 31, 2017.

The Company's Board has determined the employees' compensation and directors' remuneration, all in cash, to be NT$343,533 thousand and NT$20,911 thousand, respectively, in a meeting held on February 8, 2017.

No material differences exist between the estimated amount and the actual distribution of the employee bonuses and remuneration to directors and supervisors for the year ended December 31, 2016.

(22) Non-operating incomes and expenses

A. Other incomes

	For the year ended December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Interest income	52,634	62,885
Gain on reversal of bad debts	29,010	-
Other income－others	117,438	92,300
Total	199,082	155,185

B. Other gains and losses

	For the year ended December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Loss from disposal of property, plant and equipment	(4,092)	(451)
Foreign exchange gains, net	28,247	18,374
Valuation gain of financial assets at fair value through profit or loss	6,700	10,159
Impairment loss on property, plant and equipment (Gain on reversal)	17,100	(17,100)
Other expenses	(2,580)	(2,591)
Total	45,375	8,391

C. Finance costs

	For the year ended December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Interests due to bank loans	39,078	27,776

(23) Components of other comprehensive income (OCI)

For the year ended December 31, 2017

	Arising during the period (NT$'000)	Reclassification during the period (NT$'000)	Subtotal (NT$'000)	Income tax benefit (expense) (NT$'000)	OCI, Net of tax (NT$'000)
Not reclassified to profit or loss:					
Actuarial gains or losses on defined benefits plan	1,004	-	1,004	-	1,004
To be reclassified to profit or loss in subsequent period:					
Exchange differences arising on translation of foreign operations	(77,064)	-	(77,064)	-	(77,064)
Total OCI	(76,060)	-	(76,060)	-	(76,060)

For the year ended December 31, 2016

	Arising during the period (NT$'000)	Reclassification during the period (NT$'000)	Subtotal (NT$'000)	Income tax benefit (expense) (NT$'000)	OCI, Net of tax (NT$'000)
Not reclassified to profit or loss:					
Actuarial gains or losses on defined benefits plan	(959)	-	(959)	-	(959)
To be reclassified to profit or loss in subsequent period:					
Exchange differences arising on translation of foreign operations	(234,931)	-	(234,931)	39,834	(195,097)
Total OCI	(235,890)	-	(235,890)	39,834	(196,056)

(24) Income tax

A. The major components of income tax expense (income) are as follows:

Income tax expense (benefit) recognized in profit or loss

	For the year ended December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Current income tax expense (benefit):		
Current income tax expense	259,537	564,778
Reversal of uncertain tax position upon finalization	(13,354)	(170,902)
Deferred tax expense (benefit):		
Deferred tax expense (benefit) relating to origination and reversal of temporary differences	(120,731)	351
Total income tax expense	125,452	394,227

B. Income tax recognized in other comprehensive income

	For the year ended December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Deferred tax expense (benefit):		
Exchange differences arising on translation of foreign operations	-	(39,834)

C. A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the year ended December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Accounting profit (loss) before tax from continuing operations	617,128	2,627,932
Tax payable at the enacted tax rates	104,912	446,748
10% surtax on undistributed earnings	67,241	104,576

Tax effect of income tax-exempted	(6,980)	(29,413)
Tax effect of deferred tax assets/liabilities	(26,367)	43,218
Reversal of uncertain tax position upon finalization	(13,354)	(170,902)
Total income tax recognized in profit or loss	125,452	394,227

D. Deferred tax assets (liabilities) relate to the following.

For the year ended December 31, 2017

	Beginning balance as of January 1, 2017 (NT$'000)	Deferred tax income (expense) recognized in profit or loss (NT$'000)	Deferred tax income (expense) recognized in other comprehensive income (NT$'000)	Ending balance as of December 31, 2017 (NT$'000)
Temporary differences				
Prepaid appreciation tax on agricultural land	9,593	-	-	9,593
Unrealized exchange loss (gain)	-	121,226	-	121,226
Cumulative translation adjustment	(351)	(495)	-	(846)
Deferred tax income/ (expense)		120,731	-	
Net deferred tax assets/(liabilities)	9,242			129,973
Reflected in balance sheet as follows:				
Deferred tax assets	9,593			130,819
Deferred tax liabilities	(351)			(846)

For the year ended December 31, 2016

	Beginning balance as of January 1, 2016 (NT$'000)	Deferred tax income (expense) recognized in profit or loss (NT$'000)	Deferred tax income (expense) recognized in other comprehensive income (NT$'000)	Ending balance as of December 31, 2016 (NT$'000)
Temporary differences				
Prepaid appreciation tax on agricultural land	9,593	-	-	9,593
Unrealized exchange loss (gain)	-	(351)	-	(351)
Cumulative translation adjustment	(39,834)	-	39,834	-
Deferred tax income/ (expense)		(351)	39,834	
Net deferred tax assets/(liabilities)	(30,241)			9,242
Reflected in balance sheet as follows:				
Deferred tax assets	9,593			9,593
Deferred tax liabilities	(39,834)			(351)

E. Unrecognized deferred tax assets

As of December 31, 2017 and 2016, deferred tax assets that have not been recognized as they may not be used to offset future taxable income amounted to NT$494,231 thousand and NT$520,599 thousand, respectively.

F. Imputation credit information

	As of December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Balances of imputation credit amounts	2,320,670	2,140,790

The Company's expected/actual creditable ratio for 2017 and 2016 were 18.16% and 15.36%. However, effective January 1, 2015, the creditable ratio for the individual shareholders residing in the Republic of China will be half of the original creditable ratio according to the revised Article 66-6 of the Income Tax Law.

As of December 31, 2017, the Company did not have unappropriated earnings resulted in the years of 1997 and before.

G. The Company's tax filings up to 2015, except for 2014, were finalized as of December 31, 2017.

(25) Earnings per share

Basic earnings per share is calculated by dividing net profit for the year attributable to the common shareholders of the parent entity by the weighted average number of common shares outstanding during the year.

Diluted earnings per share are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting any influences) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

A. Basic earnings per share

	For the year ended December 31,	
	2017	2016
Net income available to common shareholders of the parent (NT$'000)	491,676	2,233,705
Weighted average number of common shares outstanding (in thousand shares)	446,000	445,450
Basic earnings per share (in NT$)	1.10	5.01

B. Diluted earnings per share

	For the year ended December 31,	
	2017	2016
Net income available to common shareholders of the parent (NT$'000)	491,676	2,233,705
Net income available to common shareholders of the parent after dilution (NT$'000)	491,676	2,233,705
Weighted average number of common shares outstanding (in thousand shares)	446,000	445,450

Effect of dilution:		
Employee bonus (compensation) – stock (in thousand shares)	1,932	5,383
Weighted average number of common shares outstanding after dilution (in thousand shares)	447,932	450,833
Diluted earnings per share (in NT$)	1.10	4.95

No other transactions that would significantly change the outstanding common shares or potential common shares incurred during the period subsequent to reporting date and up to the approval date of financial statements.

7. RELATED PARTY TRANSACTIONS

(1)Deal with related parties as of the end of the reporting period

Related parties and Relationship

Related parties	Relationship
Pegatron Corporation	Parent company
FuYang Technology Corp.	Associate
AS FLY TRAVEL SERVICE LIMITED	Other related party
AzureWave Technologies, Inc.	Other related party
AzureWave Technologies (Shanghai) Inc.	Other related party
PEGATRON JAPAN INC.	Other related party
Maintek Computer (Suzhou) Co., Ltd.	Other related party
GNDC Co., Ltd.	Other related party

(2)Significant transactions with related parties

A.Sales

	For the year ended December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Ultimate parent company	5,811	-
Subsidiaries	62,199	9,323
Other related parties	5,395	22,696
Associates	-	30,742
Total	73,405	62,761

Selling prices and collection terms to related parties are similar to those to third party customers for the years ended December 31, 2017 and 2016. The collection terms are 30 to 60 days from the end of delivery month by telegraphic transfer.

B.Purchases

	For the year ended December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Subsidiaries	2,271,629	2,021,720
Associates	69,658	15,870
Total	2,341,287	2,037,590

The product specification of goods purchased from related parties in the year ended December 31, 2017 and 2016, differed from those purchased from other vendors. Thus, transaction prices are not comparable. The payment terms for related parties and non-related parties are 30 to 120 days from the end of delivery month by telegraphic transfer.

C.Accounts receivable - related parties

	As of December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Ultimate parent company	234	-
Subsidiaries	27	-
Other related parties	693	33,730
Less: allowance for doubtful accounts	-	-
Net	954	33,730

D.Account payable- related parties

	As of December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Subsidiaries	201,977	191,819
Other related parties	-	16,058
Total	201,977	207,877

E. The Company recognized commission expenses amounting to NT$40,802 thousand and NT$40,806 thousand, respectively, for the years ended December 31, 2017 and 2016 due to delegating its subsidiaries for marketing.

F. For the years ended December 31, 2017 and 2016, the Company recognized travelling of NT$115 thousand and NT$134 thousand, respectively, for commissioning subsidiaries to handle travelling logistics.

For the year ended December 31 2016, the Company recognized travelling of NT$34 thousand for commissioning other related parties to handle travelling logistics.

G. The Company's subcontracting fees to its subsidiaries amounted to NT$289 thousand and NT$6,470 thousand, respectively, for the years ended December 31, 2017 and 2016.

H. The Company charged its subsidiaries for providing technology support in amount of NT$3,321 thousand and NT$6,930 thousand, recorded under the caption of other non-operating incomes, for the years ended December 31, 2017 and 2016, respectively.

I. For the years ended December 31, 2017 and 2016, the Company recognized operating expenses of NT$259 thousand and NT$1,877 thousand, respectively, for services provided by other related parties.

Moreover, the year ended December 31, 2017, the Company recognized operating expenses of NT$3,794 thousand for services provided by the Parent.

The Company recognized NT$2,285 thousand of operating expense for the year ended December 31, 2017 due to subcontracting maintenance and repair for factories to associate.

J. The Company recognized other incomes in amount of NT$15,326 thousand and NT$15,831 thousand for the years ended December 31, 2017 and 2016, respectively, due to selling tools and spare parts to its subsidiaries.

The Company recognized other incomes in amount of NT$41,930 thousand for the years ended December 31, 2016, due to selling tools and spare parts to its related parties.

K. For the year ended December 31, 2017, the Company recognized rent income of NT$39,142 thousand for plants leased to associate.

L. For the year ended December 31, 2017, the Company recognized other income of NT$18,709 thousand for utility bills paid for associate.

Moreover, for the year ended December 31, 2017, the Company paid on behalf of associate in amount of NT$140 thousand.

M.The Company provided bank loan guaranty in total of NT$455,328 thousand for its subsidiaries as of December 31, 2017. The guaranty amount is of contingency and not recognized at the balance sheets and the statements of comprehensive incomes yet.

N.Salaries and rewards to key management of the Company

	For the year ended December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Short-term employee benefits	67,255	96,019
Post-employee benefits	756	810
Total	68,011	96,829

O.Other receivables

	As of December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Associates	5,888	305,891
Subsidiaries	5,768	8,136
Total	11,656	314,027

P.Accrued expenses

	As of December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Parent company	3,741	-
Associates	452	-
Subsidiaries	3,402	4,605
Total	7,595	4,605

8. PLEDGED ASSETS

The following assets of the Company are pledged as collaterals:

Item	Carrying Amount As of December 31, 2017 (NT$'000)	Carrying Amount As of December 31, 2016 (NT$'000)	Purpose
Property, plant and equipment machinery (carrying amount)	-	Note	Long-term secured loans

Note: The Company has sent an application for cancellation of secured transaction for movable properties on December 30, 2016 and received a letter of approval for cancellation of registration on January 4, 2017.

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) The Company's unused letters of credit (LC) as of December 31, 2017 were as follows:

Currency	LC Amount (in thousand)		Security (in thousand)
JPY	JPY	1,510,427	-
USD	USD	5,269	-
EURO	EUR	49	-

(2) Detail of significant constructions in progress and outstanding contracts of property, plant and equipment as of December 31, 2017 was as follow.

Nature of Contract	Contract Amount (NT$'000)	Amount Paid (NT$'000)	Outstanding Balance (NT$'000)
Machinery and construction contracts	4,038,946	3,375,877	663,069

(3) The Company provided bank loan guaranty in total of NT$455,328 thousand for its subsidiaries as of December 31, 2017. The guaranty amount is of contingency and not recognized at the balance sheets and the statements of comprehensive incomes yet.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENT

(1)Income tax rate applicable to the Company would be changed to 20% from 17% starting the year of 2018 in accordance with an amendment to Taiwan Income Tax Act resolved in the third-reading by Legislative Yuan on January 18, 2018. The Company's deferred tax asset and deferred tax liability would increase by NT$3,925 thousand and NT$25 thousand, respectively, subsequently in 2018 as a result of the tax rate change.

(2)The Company's board of directors has approved an issuance of restricted stock awards in a meeting held on January 29, 2018. Total share volume to be issued are 5,500,000 and each at a price of NT$10. The final issuance terms and conditions are subject to the Company's board approval.

12. OTHERS

(1) Categories of financial instruments

Financial assets

	As of December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Financial assets at fair value through profit or loss:		
Held for trading	1,410,216	2,839,333
Loans and receivable		
Cash and cash equivalents (excluding cash on hand)	8,797,766	9,833,250
Bond investments with no active market	423,057	423,057
Notes receivable	1,756	3,030
Accounts receivable	2,382,221	2,513,446
Accounts receivable - related parties	954	33,730
Other receivable	156,997	243,431

Other receivable - related parties	11,656	314,027
Total	13,184,623	16,203,304

Financial liabilities

	As of December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Financial liabilities measured at amortized cost:		
Short-term loans	2,263,117	1,277,100
Payables	3,867,537	3,741,055
Long-term loans (including current portion)	1,655,712	1,083,800
Total	7,786,366	6,101,955

(2) Objectives and policies of financial risk management

The Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activates. The Company identifies, measures, and manages the aforementioned risks based on its policy and risk preferences.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market risk comprises currency risk, interest rate risk and other price risk (e.g. equity instruments).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables. There are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Company's exposure to foreign currency risk relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign operations.

The Company has certain foreign currency receivables denominated in the same foreign currency as certain foreign currency payables, therefore natural hedge is achieved. Thus, hedge accounting is not adopted.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit (loss) and equity is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rates of US dollars. The sensitivity analysis is as follows.

If NT dollars appreciates/depreciates against US dollars by 1%, the net income (loss) for the years ended December 31, 2017 and 2016 would increase/decrease by NT$391 thousand and NT$80 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk relates primarily to the Company's investments with variable interest rates and loans with fixed and variable interest rates, which are all categorized as loans and receivables.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as of the end of the reporting period and presumed to be held for one accounting year, including investments and loans with variable interest rates. If interest rate increases/decreases by 0.1%, the net income (loss) for the years ended December 31, 2017 and 2016 would decrease/increase by NT$2,392 thousand and decrease/increase by NT$207 thousand, respectively.

(4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract and result in a financial loss. The Company is exposed to credit risk from operating activities (primarily for accounts and notes receivable) and financing activities (primarily for bank deposits and other financial instruments).

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit risk of all customers are assessed based on a comprehensive review of the customers' financial status, credit ratings from credit institutions, past transactions, current economic conditions and the Company's internal credit ratings. The Company also employs some credit enhancement instruments (e.g. prepayment or insurance) to reduce certain customers' credit risk.

As of December 31, 2017 and 2016, receivables from the top ten customers were accounted for 49.57% and 53.32% of the Company's total accounts receivable, respectively. The concentration of credit risk is relatively not significant for the remaining receivables.

Credit risk from balances with banks, fixed-income securities and other financial instruments is managed by the Company's finance division in accordance with the Company's policy. The counterparties that the Company transacts with are determined by internal control procedures. They are banks with fine credit ratings and financial institutions, corporate and government agencies with investment-grade credit ratings. Thus, there is no significant default risk. Conclusively, no significant credit risk is expected by the Company.

(5) Liquidity risk management

The Company maintains financial flexibility through the use of cash and cash equivalents, highly-liquid marketable securities, bank loans, etc. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted interest payment relating to borrowings with variable interest rates is extrapolated based on the estimated yield curve as of the end of the reporting period.

Non-derivative financial instruments

	Less than 1 year (NT$'000)	1 to 2 years (NT$'000)	2 to 3 years (NT$'000)	3 to 4 years (NT$'000)	4 to 5 years (NT$'000)	Total (NT$'000)
As of December 31, 2017						
Loans	2,603,431	431,456	427,190	$371,390	164,792	3,998,259
Payables	3,867,537	-	-	-	-	3,867,537

As of December 31, 2016						
Loans	1,597,373	247,536	205,918	203,766	151,614	2,406,207
Payables	3,741,055	-	-	-	-	3,741,055

(6) Fair values of financial instruments

A. The evaluation methods and assumptions applied in determining the fair value

Fair value is the price that would be received to sell a financial asset or paid to transfer a financial liability in an orderly transaction between willing market participants (not under coercion or liquidation). The following methods and assumptions are used by the Company in estimating the fair values of financial assets and liabilities:

(a) The carrying amount of cash and cash equivalents, receivables, payables and other current liabilities approximate their fair value due to their short maturity terms.

(b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (e.g. listed stocks and bonds).

(c) Fair value of equity instruments without active markets (including listed companies' shares from private placement, stocks of public companies not traded in an active market and unlisted stocks) are estimated using the market approach. Under the approach, factors, such as the trading prices of comparable equity instruments in an active market, and other relevant information (i.e. discount due to lack of liquidity, stock price-to-earning ratio (PER) and price-to-book ratio (PBR) of similar companies) are input into the pricing model for its fair value.

B. Fair value of financial instruments measured at amortized cost

The carrying amount of the Company's financial assets and liabilities measure at amortized cost approximates their fair value.

C. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(7) for fair value measurement hierarchy for financial instruments of the Company.

(7) Fair value measurement hierarchy

A. Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

B. Fair value measurement hierarchy of the Company’s assets and liabilities

The Company does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Company’s assets and liabilities measured at fair value on a recurring basis is as follows.

As of December 31, 2017

	Level 1 (NT$’000)	Level 2 (NT$’000)	Level 3 (NT$’000)	Total (NT$’000)
Financial assets:				
Financial assets at fair value through profit or loss				
Funds	1,410,216	-	-	1,410,216
Financial liabilities:				
None				

As of December 31, 2016

	Level 1 (NT$'000)	Level 2 (NT$'000)	Level 3 (NT$'000)	Total (NT$'000)
Financial assets:				
Financial assets at fair value through profit or loss				
Funds	2,839,333	-	-	2,839,333
Financial liabilities:				
None				

Transfers between Level 1 and Level 2 during the period

For the years ended December 31, 2017 and 2016, there were no transfers between Level 1 and Level 2 fair value hierarchy.

(8) Significant financial assets and liabilities denominated in foreign currencies

Information regarding the Company's significant financial assets and liabilities denominated in foreign currencies was listed below. (In Thousands)

	As of December 31,					
	2017			2016		
	Foreign Currencies ($'000)	Exchange Rate	NTD (NT$'000)	Foreign Currencies ($'000)	Exchange Rate	NTD (NT$'000)
Financial assets						
Monetary items:						
USD	73,770	29.76	2,195,396	72,124	32.25	2,326,014
Non-monetary item:						
USD	80,084	29.76	2,383,314	79,485	32.25	2,563,403
Financial liabilities						
Monetary items:						
USD	75,091	29.76	2,234,693	72,376	32.25	2,334,096

The above information is disclosed based on the carrying amount of foreign currency (after being converted to functional currency).

Foreign exchange gains or losses on monetary financial assets and financial liabilities are shown as below.

	For the year ended December 31,	
Foreign currency resulting in exchange gain or loss	2017 (NT$'000)	2016 (NT$'000)
USD	22,272	15,758
Other	5,975	2,616

(9) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages and adjusts its capital structure in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. ADDITIONAL DISCLOSURES

(1) Information on significant transactions

A. Financing provided to others: None.

B. Endorsement/Guarantee provided to others: Please refer to attachment 1.

C. Marketable securities held as of December 31, 2017 (excluding investments in subsidiaries, associates and joint ventures): Please refer to attachment 2.

D. Individual securities acquired or disposed of with accumulated amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2017: Please refer to attachment 3.

E. Acquisition of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2017: Please refer to attachment 4.

F. Disposal of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2017: None.

G. Related party transactions with purchase or sales amount of at least NT$100 million or 20 percent of the paid-in capital for the year ended December 31, 2017: Please refer to attachment 5.

H. Derivative instrument transactions: None.

(2) Information on investees

A. Investees over whom the Company exercises significant influence or control (excluding investees in Mainland China): Please refer to attachment 6.

B. Investees over which the Company exercises control shall be disclosed of information under Note 13(1):

(a) Financing provided to others: None.

(b) Endorsement/Guarantee provided to others: None.

(c) Marketable securities held as of December 31, 2017 (excluding investments in subsidiaries, associates and joint ventures): Please refer to attachment 7.

(d) Individual securities acquired or disposed of with accumulated amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2017: Please refer to attachment 8.

(e) Acquisition of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2017: None.

(f) Disposal of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2017: None.

(g) Related party transactions with purchase or sales amount of at least NT$100 million or 20 percent of the paid-in capital for the year ended December 31, 2017: Please refer to attachment 9.

(h) Receivables from related parties of at least NT$100 million or 20 percent of the paid-in capital as of December 31, 2017: Please refer to attachment 10.

(i) Derivative instrument transactions: None.

(3) Information on investments in Mainland China:

A. Name of investee in China, main business, paid-in capital, method of investment, investment flows, percentage of ownership, investment gain or loss, carrying amount at the end of reporting period, inward remittance of earning or loss and the upper limit on investment in China:

(In Thousands of New Taiwan Dollars)

Name of Investee in China	Main Business (NT$'000)	Paid-in Capital (NT$'000)	Method of Investment (NT$'000)	Accumulated Outflow of Investment from Taiwan as of January 1, 2017 (NT$'000)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2017 (NT$'000)	Profit/ Loss of Investee (NT$'000)	Percentage of Ownership (Direct or Indirect Investment) (NT$'000)	Share of Profit/Loss (NT$'000)	Carrying Amount as of December 31, 2017 (NT$'000)	Accumulated Inward Remittance of Earnings as of December 31, 2017 (NT$'000)	Accumulated Outflow of Investment from Taiwan to Mainland China as of December 31, 2017 (NT$'000)	Investment Amounts Authorized by Investment Commission, MOEA (NT$'000)	Upper Limit on Investment in China by Investment Commission, MOEA (NT$'000)
					Outflow (NT$'000)	Inflow (NT$'000)									
Kinsus Interconnect Technology Suzhou Corp.	Manufacturing and selling PCB (not high-density fine-line)	2,083,200 (Note 2)	(Note 1)	2,083,200 (Note 2)	-	-	2,083,200 (Note 2)	230,564 (Note 2 and Note 4)	100%	230,564 (Note 2 and Note 4)	1,252,356 (Note 2 and Note 4)	-	2,083,200 (Note 2)	2,083,200 (Note 2)	No upper limit (Note 5)

Piotek Computer (Suzhou) Co., Ltd.	Researching, developing, producing and selling electronic components, PCBs and related products and providing after-sale services	4,960,992 (Note 2)	(Note 1)	2,804,991 (Note 2)	-	-	2,804,991 (Note 2)	(697,565) (Note 2 and Note 4)	51%	(355,758) (Note 2 and Note 4)	992,886 (Note 2 and Note 4)	-	2,804,991 (Note 2)	2,804,991 (Note 2)	No upper limit (Note 5)
Xiang-Shuo (Suzhou) Trading Limited	Trading of PCB (not high-density fine-line) and material for related products	59,520 (Note 2)	(Note 1)	59,520 (Note 2)	-	-	59,520 (Note 2)	(2,273) (Note 2 and Note 4)	100%	(2,273) (Note 2 and Note 4)	61,474 (Note 2 and Note 4)	-	59,520 (Note 2)	59,520 (Note 2)	No upper limit (Note 5)
Pegavision Contact Lenses (Shanghai) Corporation	Selling medical equipment	65,062 (Note 3)	(Note 1)	65,062	-	-	65,062	13,598 (Note 2 and Note 4)	36.81%	5,005 (Note 2 and Note 4)	21,661 (Note 2 and Note 4)	-	65,062	65,062	880,459 (Note 6)

Note 1: Investment in Mainland China through companies in the third area.

Note 2: Amounts in foreign currencies are translated into New Taiwan dollars using the exchange rates on the balance sheet date.

Note 3: The paid-in capital is USD2,100 thousand, equivalent to NT$65,062 thousand.

Note 4: Gain/loss on investment is recognized based on the audited financial statements of the parent company in Taiwan.

Note 5: The Company meets the conditions of corporate operation headquarter in the Principle of Evaluation for Investment and Technical Cooperation in Mainland China. Thus, there is no upper limit on investment amount.

Note 6: The upper limit on investment for Pegavision Contact Lenses (Shanghai) Corporation is calculated as 60% of the net value of the financial statements audited by recent accountants of Pegavision Corporation.

B. Significant transactions with investees in China.

(a) Purchase and balances of related accounts payable as of December 31, 2017:

	Purchases		Accounts Payable	
	Amount (NT$'000)	% to Net Purchase	Amount (NT$'000)	% to Account Balance
The Company's purchase from Kinsus Interconnect Technology Suzhou	2,271,629	29.36%	201,977	13.17%

The product specification of goods purchased by the Company from Kinsus Interconnect Technology Suzhou Corp. in the year ended December 31, 2017 differed from goods purchased from other vendors. Thus, transaction prices are not comparable. Payment term for related parties is 30 to 60 days from the end of delivery month. The payment terms for non-related parties are 30 to 120 days from the end of delivery month by telegraphic transfer.

(b) Sales, the ending balance of related accounts receivable and their weightings.

	Sales		Accounts receivable	
	Amount	% to Net Sales	Amount	% to Account Balance
Sale of Piotek Computer (Suzhou) to Piotek (H.K.) Trading ($'000)	USD13,756	10.83%	USD1,925	4.96%
Sale of Piotek Computer (Suzhou) to Xiang-Shuo (Suzhou) Trading ($'000)	USD4,221	3.32%	USD295	0.76%
Sale of Xiang-Shuo (Suzhou) Trading to Piotek Computer (Suzhou) Trading ($'000)	RMB30,736	49.08%	RMB6,406	69.81%
Sale of Xiang-Shuo (Suzhou) Trading to Kinsus Interconnect Technology Suzhou ($'000)	RMB3,012	0.48%	RMB823	8.97%
Sale of the Company to Kinsus Interconnect Technology Suzhou(NT$'000)	62,199	0.38%	27	-%

The product specification of goods sold between subsidiaries in the year ended December 31, 2017 differed from goods sold to other customers. Thus, transaction prices cannot be reasonably compared. Sales of the Company to Kinsus Interconnect Technology Suzhou Corp have the same product prices as sales to non-related parties. Collection terms are also equivalent to the ones for non-related parties, which is 30 to 60 days from delivery by telegraphic transfer.

(c) Ending balance of endorsements/guarantees or collateral provided and the purposes: Please refer to attachment 1.

(d) Maximum balance, ending balance, interest rate range and total interest for current period from financing provided to others: None.

(e) Transactions that have significant impact on profit or loss of current period or the financial position, such as services provided or rendered:

a. The Company commissioned Kinsus Interconnect Technology (Suzhou) Corp. for processing of NT$289 thousand for the year ended December 31, 2017.

b. The Company sold fixtures and spare parts to Piotek Computer (Suzhou) Co., Ltd., Kinsus Interconnect Technology Suzhou Corp. Trading Limited and Xiang-Shuo (Suzhou) Trading and recognized other income of NT$15,326 thousand for the year ended December 31, 2017.

c. As of December 31, 2017, the balance of other receivables amounted to NT$1,661 thousand, NT$1,797 thousand and NT$2,310 thousand, respectively. The other receivable were resulted from the Company’s sale of fixtures to Piotek Computer (Suzhou) Co., Ltd., Kinsus Interconnect Technology Suzhou Corp and Xiang-Shuo (Suzhou) Trading Limited.

d. As of December 31, 2017, other receivables of Xiang-Shuo (Suzhou) Trading Limited due to payment and collection on behalf of Piotek Computer (Suzhou) Co., Ltd. amounted to RMB33 thousand.

14. OPERATING SEGMENT INFORMATION

The Company has provided the operating segment disclosure in the consolidated financial statements.

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

Endorsement/Guarantee Provided to Others

For the Year Ended December 31, 2017

Attachment 1

(In Thousands of Foreign Currency / New Taiwan Dollars)

Endorsement/ Guarantee Provider		Guaranteed Party												
No. (Note 1)	Name	Name	Nature of Relationship	Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee secured by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowed	Endorsement provided by parent company to subsidiaries	Endorsement provided by subsidiaries to parent company	Endorsement provided to entities in China
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	Investee accounted for using equity method indirectly	The overall amount of guarantees/ endorsements provided to a subsidiary in which the Company holds directly over 50% (inclusive) of common equity interest shall not exceed 20% of the net worth in the current financial statements. $5,599,712	$1,785,600 USD 60,000 (Note 2)	$- (Note 2)	$-	$-	-%	Shall not exceed 50% of the net worth in the current financial statements. $13,999,281	Y	N	Y
0	Kinsus Interconnect Technology Corp.	Piotek Computer (Suzhou) Co., Ltd.	Investee accounted for using equity method indirectly	The overall amount of guarantees/ endorsements provided to a subsidiary in which the Company holds directly over 50% (inclusive) of common equity interest shall not exceed 20% of the net worth in the current financial statements. $5,599,712	$910,656 USD 30,600 (Note 2)	$455,328 USD 15,300 (Note 2)	$256,122	$-	1.63%	Shall not exceed 50% of the net worth in the current financial statements. $13,999,281	Y	N	Y

Note 1: Kinsus Interconnect Technology Corp. is coded "0".

Note 2: Amounts in foreign currencies are converted to New Taiwan Dollars using the exchange rates as of the balance sheet date.

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

Marketable Securities

As of December 31, 2017

Attachment 2

(In Thousands of New Taiwan Dollars)

Name of Held Company	Type and Name of Marketable Securities	Relationship with the Issuer	Financial Statement Account	As of December 31, 2017				Note
				Shares / Units	Carrying Amount	Shareholding %	Fair Value (Note)	
Kinsus Interconnect	Money market funds:							
Technology Corp.	Taishin Ta Chong Money Market Fund	-	Financial assets at fair value through profit or loss	18,812,748	$255,796	-%	$265,685	
	Taishin 1699 Money Market Fund	-	Financial assets at fair value through profit or loss	15,608,975	204,559	-%	209,894	
	FSITC Money Market Fund	-	Financial assets at fair value through profit or loss	1,168,258	200,000	-%	207,219	
	Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss	21,355,432	257,509	-%	266,212	
	Jih Sun Money Market	-	Financial assets at fair value through profit or loss	31,315,952	450,000	-%	461,206	
	Subtotal				1,367,864		$1,410,216	
	Add: Valuation adjustments of financial assets held for trading				42,352			
	Total				$1,410,216			

Note: Companies without quotes in the open markets are valued at net equities.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

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, 2017

Attachment 3

(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Carrying Value	Gain/Loss on Disposal	Shares/Units	Amount
Kinsus Interconnect Technology Corp.	Stock: Capital Money Market Fund	Financial assets at fair value through profit or loss	-	-	32,783,435	$510,667	-	$-	32,783,435	$524,417	$510,667	$13,750	-	$-
Kinsus Interconnect Technology Corp.	Stock: Kinsus Investment Co., Ltd.	Investments accounted for using the equity method	-	-	100,000,000	$1,000,000	60,000,000	$600,000	-	$-	$-	$-	160,000,000	$1,600,000

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

Acquisition of Individual Real Estate with Amount of at Least NT$300 million or 20% of the Paid-in Capital

For the Year Ended December 31, 2017

Attachment 4

(In Thousands of New Taiwan Dollars)

Acquiring Company	Name of Property	Transaction Date	Transaction Amount	Payment Status	Counter-party	Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose and Use of Acquisition	Other Terms
							Owner	Relationship with the Company	Transfer Date	Amount			
Kinsus Interconnect Technology Corp.	Houses and buildings Construction of XinFeng Plant	2014.02.13 2015.03.24	$2,268,036	NT$ 2,154,634 thousand was paid as of December 31, 2017	Guo-Gong Construction Co., Ltd.	None	None	None	None	None	Bidding	Production expansion and operation planning	None

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

Related Party Transactions with Purchase or Sales Amount of At least NT$100 Million or 20% of the Paid-in Capital

For the Year Ended December 31, 2017

Attachment 5

(In Thousands of New Taiwan Dollars)

			Transaction Details				Abnormal Transaction		Notes/ Accounts Payable or Receivable		
Company Name	Related Party	Nature of Relationship	Purchase/ Sale	Amount	% to Total	Payment/ Collection Term	Unit Price	Payment/ Collection Term	Ending Balance	% to Total	Note
Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	Investee accounted for using equity method indirectly	Purchase	$2,271,629	29.36%	Payment within 30 days from the end of delivery month	Specs of goods purchased are different from others. The prices cannot be reasonablely compared.	Other vendors' payment term are also within 30~120 days from the end of delivery month	Accounts payable $(201,977)	(13.17)%	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

Investees over Which the Company Exercise Significant Influence or Control Directly or Indirectly (Excluding Investees in Mainland China)

As of December 31, 2017

Attachment 6

(In Thousands of Foreign Currency / New Taiwan Dollars)

Investor	Investee	Business Location	Main Business and Product	Original Investment Amount		Balance as of December 31, 2017			Net Income (Loss) of the Investee	Share of Income (Loss) of the Investee	Note
				As of December 31, 2016	As of December 31, 2017	Shares	%	Carrying Value			
Kinsus Interconnect Technology Corp.	KINSUS CORP. (USA)	CA. U.S.A.	Designing substrates, formulating marketing strategy analysis, developing new customers, researching and development new product technology	USD500	USD500	500,000 shares	100.00%	$39,874	$6,172	$6,172	
Kinsus Interconnect Technology Corp.	KINSUS HOLDING (SAMOA) LIMITED	Samoa	Investing activities	USD166,309	USD166,309	166,308,720 shares	100.00%	$2,343,440	$(128,718)	$(128,718)	
Kinsus Interconnect Technology Corp.	Kinsus Investment Co., Ltd.	Taoyuan City	Investing activities	$1,000,000	$1,600,000 (Note1)	160,000,000 shares	100.00%	$1,738,049	$34,359	$34,359	
Kinsus Investment Co., Ltd.	Pegavision Corporation	Taoyuan City	Manufacturing medical equipment	$286,418	$286,418	22,088,736 shares	36.81%	$540,228	$302,908	$111,514	
Kinsus Investment Co., Ltd.	FuYang Technology Corp.	Hsinchu County	Electronic Parts and Components Manufacturing	$450,000	$929,422	64,176,872 shares	35.65%	$823,380	$(216,395)	$(77,880)	
KINSUS HOLDING (SAMOA) LIMITED	KINSUS HOLDING (CAYMAN) LIMITED	Cayman Islands	Investing activities	USD72,000	USD72,000	72,000,000 shares	100.00%	USD 44,148	USD 7,671	USD 7,671	
KINSUS HOLDING (SAMOA) LIMITED	PIOTEK HOLDINGS LTD. (CAYMAN)	Cayman Islands	Investing activities	USD94,309	USD94,309	95,755,000 shares	51.00%	USD 34,597	USD (23,343)	USD (11,905)	
PIOTEK HOLDINGS LTD. (CAYMAN)	PIOTEK HOLDING LIMITED	British Virgin Islands	Investing activities	USD139,841	USD139,841	139,840,790 shares	100.00%	USD 67,837	USD (23,343)	USD (23,343)	
PIOTEK HOLDING LIMITED	PIOTEK (H.K.) TRADING LIMITED	Hong Kong	Trading activities	USD26	USD26	200,000 shares	100.00%	USD 2,404	USD 105	USD 105	
Pegavision Corporation	PEGAVISION HOLDINGS CORPORATION	Samoa	Investing activities	USD2,130	USD2,130	2,130,000 shares	100.00%	$48,672	$13,563	$13,563	
Pegavision Corporation	PEGAVISION JAPAN INC.	JAPAN	Selling medical equipment	JPY9,900	JPY 9,900	198 shares	100.00%	$4,195	$1,253	$1,253	

Note1 : The Company's original investment in Kinsus Investment Co., Ltd. was NT$500,000 thousand. Kinsus Investment Co., Ltd. reduced capital by NT$102,000 thousand to offset deficits in 2013 And increased capital by NT$602,000 thousand and NT$600,000 thousand in 2016 and 2017, respectively. After the increases, the Company's investment amount increased to NT$1,600,000 thousand.

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

Marketable Securities (Excluding Investments in Subsidiaries, Associates and Jointly Controlled Entities)

As of December 31, 2017

Attachment 7

(In Thousands of New Taiwan Dollars)

Name of Held Company	Type and Name of Marketable Securities	Relationship with the Issuer	Financial Statement Account	As of December 31, 2017 Shares (Unit)	Carrying Amount	%	Fair Value (Net Equity)	Guarantee, Pledge or Other Restricted Conditions Shares	Carrying Amount	Note
Kinsus Investment Co., Ltd.	Money market funds:									
	Taishin Ta Chong Money Market Fund	-	Financial assets at fair value through profit or loss	829,070	$11,315	-%	$11,709	-	$-	
	Valuation adjustments of financial assets held for trading				394					
	Total				$11,709					
Kinsus Investment Co., Ltd.	Stocks:									
	Yi-Shuo Creative Co., Ltd.	-	Financial assets carried at cost	5,000,000	$50,000	7.49%	$- (Note)	-	$-	
Pegavision Corporation	Money market funds:									
	Yuanta Wan Tai Money Market Fund	-	Financial assets at fair value through profit or loss	6,965,260	$104,900	-%	$104,908	-	$-	
	Yuanta De-Li Money Market Fund			1,665,875	27,000		27,000			
	Valuation adjustments of financial assets held for trading				8		$131,908			
	Total				$131,908					

Note: No quotes in active markets are available and fair values cannot be measured reliably.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

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, 2017

Attachment 8

(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Carrying Value	Gain/Loss on Disposal	Shares/Units	Amount
Kinsus Investment Co., Ltd.	Stock: FuYang Technology Corp.	Investments accounted for using the equity method	-	-	45,000,000	$450,000	19,176,872	$479,422	-	$-	$-	$-	64,176,872	$929,422
Pegavision Corporation	Stock: Yuanta Wan Tai Money Market	Financial assets at fair value through profit or loss	-	-	17,879,293	$268,108	52,383,229	$787,900	63,297,263	$951,639	$951,108	$532	6,965,260	$104,900
Pegavision Corporation	Stock: Yuanta De-Li Money Market Fund	Financial assets at fair value through profit or loss	-	-	9,229,182	$149,000	13,723,896	$222,000	21,287,203	$344,186	$344,000	$186	1,665,875	$27,000

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

Related Party Transactions with Purchase or Sales Amount of At least NT$100 Million or 20% of the Paid-in Capital

For the Year Ended December 31, 2017

Attachment 9

(In Thousands of US Dollars)

			Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		
Company Name	Related Party	Nature of Relationship	Purchase/ Sale	Amount	% to Total	Payment/ Collection Term	Unit Price	Payment/ Collection Term	Ending Balance	% to Total	Note
Piotek Computer (Suzhou) Co., Ltd.	Pegatron Corporation	Parent company	Sales	USD 46,038	36.25%	Payment within 60 days from the end of delivery month	Specs of goods sold are different from others. Cannot be reasonably	No non-related parties to be compared with.	Accounts receivable USD 10,954	28.24%	
Kinsus Interconnect Technology Suzhou Corp.	Kinsus Interconnect Technology Corp.	Parent company	Sales	USD 74,751	98.17%	Payment within 30 days from the end of delivery month	Specs of goods sold are different from others. Cannot be reasonably compared.	No non-related parties to be compared with.	Accounts receivable USD 6,787	99.98%	
Piotek Computer (Suzhou) Co., Ltd.	Piotek (H.K.) Trading Limited	Also a subsidiary under the Company's control	Sales	USD 13,756	10.83%	Payment within 60 days from the end of delivery month	Specs of goods sold are different from others. Cannot be reasonably compared.	No non-related parties to be compared with.	Accounts receivable USD 1,925	4.96%	
Piotek (H.K.) Trading Limited	Piotek Computer (Suzhou) Co., Ltd.	Also a subsidiary under the Company's control	Purchase	USD 13,756	100.00%	Payment within 60 days from the end of delivery month	Specs of goods sold are different from others. Cannot be reasonably compared.	No non-related parties to be compared with.	Accounts payable USD (1,925)	(100.00)%	
Piotek Computer (Suzhou) Co., Ltd.	Xiang-Shuo (Suzhou) Trading Limited	Also a subsidiary under the Company's control	Sales	USD 4,221	3.32%	Payment within 60 days from the end of delivery month	Specs of goods sold are different from others. Cannot be reasonably compared.	No non-related parties to be compared with.	Accounts receivable USD 295	0.76%	
Xiang-Shuo (Suzhou) Trading Limited	Piotek Computer (Suzhou) Co., Ltd.	Also a subsidiary under the Company's control	Purchase	USD 4,221	46.16%	Payment within 60 days from the end of delivery month	Specs of goods sold are different from others. Cannot be reasonably compared.	No non-related parties to be compared with.	Accounts payable USD (295)	(11.33)%	
Xiang-Shuo (Suzhou) Trading Limited	Piotek Computer (Suzhou) Co., Ltd.	Also a subsidiary under the Company's control	Sales	RMB 30,736	49.08%	Payment within 60 days from the end of delivery month	Specs of goods sold are different from others. Cannot be reasonably compared.	No non-related parties to be compared with.	Accounts receivable RMB 6,406	69.81%	
Piotek Computer (Suzhou) Co., Ltd.	Xiang-Shuo (Suzhou) Trading Limited	Also a subsidiary under the Company's control	Purchase	RMB 30,736	5.05%	Payment within 60 days from the end of delivery month	Specs of goods sold are different from others. Cannot be reasonably compared.	No non-related parties to be compared with.	Accounts payable RMB (6,406)	(3.24)%	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

Receivables from Related Parties of at Least NT$ 100 Million or 20% of the Paid-in Capital

As of December 31, 2017

Attachment 10

(In Thousands of US Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Ratio	Overdue		Amount Received in Subsequent	Allowance for Doubtful
					Amount	Action Taken		
Piotek Computer (Suzhou) Co., Ltd.	Pegatron Corporation	Parent company	USD 10,954 (Note)	4.18	$-	-	$-	$-
Kinsus Interconnect Technology Suzhou Corp.	Kinsus Interconnect Technology Corp.	Parent company	USD 6,787 (Note)	11.68	$-	-	$-	$-

Note: Accounts receivable

English Translation of Financial Statements and a Report Originally Issued in Chinese

MANAGEMENT REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Kinsus Interconnect Technology Corp. as of December 31, 2017 and for the year then ended under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard No. 10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Kinsus Interconnect Technology Corp. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

Kinsus Interconnect Technology Corp.

By

Guo, Ming-Dong
Chairman
January 29^{th}, 2018

English Translation of Financial Statements and a Report Originally Issued in Chinese

INDEPENDENT AUDITORS' REPORT

To: the Board of Directors and Shareholders
Kinsus Interconnect Technology Corp.

Opinion

We have audited the accompanying consolidated balance sheets of Kinsus Interconnect Technology Corp. and subsidiaries (the "Company") as of December 31, 2017 and 2016, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including the summary of significant accounting policies (together referred as "the consolidated financial statements").

In our opinion, based on our audits and the reports of other auditor (please refer to the Other Matter – Making Reference to the Audit of a Component Auditor section of our report), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2017 and 2016, and its consolidated financial performance and cash flows for the years then ended, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2017 consolidated financial statements. 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.

Revenue Recognition

We determine that revenue recognition is one of the key audit matters. The Company's consolidated revenue amounting to NT$22,335,486 thousand for the year ended December 31, 2017 is a significant account to the Company's consolidated financial statements. The Company has conducted these sale activities in multi-marketplace, including Taiwan, China, USA, etc. Among these locations, the Company has established hub-warehouse for certain foreign customers' convenience. Furthermore, variety of sale terms and conditions enacted in the main sale contracts or sale orders contributed to the complexity for the Company to decide the appropriate timing of transfer the risk of ownership and return of goods to the buyers. We therefore conclude that there are significant risks with respect to the topic of revenue recognition. Our audit procedures therefore include, but not limit to, evaluating the properness of accounting policy for revenue recognition, assessing and testing the effectiveness of relevant internal controls related to revenue recognition, particularly those controls for shipment to or from foreign warehouses, obtaining major sale orders or agreements to inspect the terms and conditions, checking the consistency of the accounting for revenue recognition with sale agreement or orders, performing analytical review procedures on monthly sale revenues, and executing sale cut-off tests, etc. We have also evaluated the appropriateness of the related disclosure in Note 6 to the consolidated financial statements.

Market valuation on Inventory

We determined the market valuation on inventory one of key audit matters in considering that the amount of inventory was significant and the assessment of sufficiency of inventory loss requires significant management judgement. The Company's net inventory amounted to NT$2,127,714 thousand as of December 31, 2017. As the application market of substract, the Company's main products, is characterized by rapid development in technology and the trend of consumers' preference, management, in timely considering the status of new products development and the demand from clients, has to evaluate the loss due to market value decline as well as write-down on slow-moving inventories to their net realizable value. Our audit procedures therefore include, but not limit to, evaluating the Company's policy with respect to assessment the loss from slow-moving inventory and phased-out items, (including identification method, testing the accuracy of inventory aging schedule, analysis on inventory movement), perfroming observation on the Company's inventory physical-taking, and inspecting the current status of inventory usage, etc. We also assessed the adequacy of the inventory-related disclosures shown in the Note 5 and 6 to the consolidated financial statements.

Other Matter – Making Reference to the Audit of a Component Auditor

We did not audit the financial statements of FuYang Technology Corp., an invested associate accounted for under the equity method. The financial statements of FuYang Technology Corp. as of December 31, 2017 and 2016 and for the years then ended were audited by other auditors, whose reports thereon have been furnished to us. Our audit, insofar as it related to the investment in the associate accounted for under the equity method amounting to NT$823,380 thousand and NT$432,689 thousand as of December 31, 2017 and 2016 representing 1.95% and 1.05% of the Company's consolidated total assets, the related shares of income before tax from the associate under the equity method for the years then ended amounting to NT$(77,880) thousand and NT$(12,783) thousand representing (14.72)% and (0.50)% of the Company's consolidated income before tax, and the related shares of other comprehensive income from the associate under the equity method for the years then ended amounting to NT$(19,180) thousand and NT$(4,528) thousand representing 17.37% and 1.38% of the consolidated other comprehensive income, are based solely on the audit reports of other auditors.

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 requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by 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 ability to continue as a going concern of the Company, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company.

Auditor's 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 auditor's 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 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 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 internal control of the Company.

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 ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's 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 accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2017 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's 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.

We have audited and expressed an unqualified opinion on the parent-company-only financial statements of the Company as of and for the years then ended December 31, 2017 and 2016.

Ernst & Young
January 29th, 2018
Taipei, Taiwan,
Republic of China

Notices to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations 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 review such consolidated financial statements are those generally accepted and applied in the Republic of China

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Consolidated Balance Sheets

As of December 31, 2017 and 2016

(Amounts Expressed In Thousands of New Taiwan Dollars)

Assets			2017		2016	
Code	Accounts	Notes	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	4, 6(1)	$10,342,012	24	$11,212,646	27
1110	Financial assets at fair value through profit or loss	4, 6(2)	1,553,833	4	3,268,435	8
1147	Bond investments with no active market	4, 6(3)	423,057	1	423,057	1
1150	Notes receivable, net	4, 6(5)	1,756	-	3,030	-
1170	Accounts receivable, net	4, 6(6)	3,353,060	8	3,197,829	8
1180	Accounts receivable - related parties	4, 6(6), 7	333,700	1	399,736	1
1200	Other receivables		208,485	-	289,514	1
1210	Other receivables - related parties	7	6,243	-	307,646	1
1310	Inventories, net	4, 6(7)	2,127,714	5	2,258,244	5
1410	Prepayments		260,566	1	134,676	-
1470	Other current assets		163,976	-	120,742	-
11XX	Total current assets		18,774,402	44	21,615,555	52
	Non-current assets					
1543	Financial assets carried at cost	4, 6(4)	50,000	-	50,000	-
1550	Investment accounted for under equity method	4, 6(8)	823,380	2	432,689	1
1600	Property, plant and equipment, net	4, 6(9), 8,9	19,151,653	46	16,578,663	40
1780	Intangible assets	4, 6(10)	22,850	-	18,820	-
1840	Deferred income tax assets	4, 6(26)	131,090	-	9,882	-
1900	Other non-current assets	6(11), 7	314,024	1	295,385	1
1915	Prepayment for equipment	4, 6(9), 9	3,010,078	7	2,252,721	6
15XX	Total non-current assets		23,503,075	56	19,638,160	48
1XXX	Total Assets		$42,277,477	100	$41,253,715	100

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Consolidated Balance Sheets-(Continued)

As of December 31, 2017 and 2016

(Amounts Expressed In Thousands of New Taiwan Dollars)

Liabilities and Equity			2017		2016	
Code	Accounts	Notes	Amount	%	Amount	%
	Current liabilities					
2100	Short-term loans	6(12)	$3,297,397	8	$2,228,478	6
2150	Notes payable		44,804	-	48,092	-
2170	Accounts payable		2,526,036	6	2,126,485	5
2180	Accounts payable - related parties	7	-	-	16,059	-
2200	Other payables	6(13), 7	3,597,985	8	3,021,801	7
2230	Current income tax liabilities	4, 6(26)	352,272	1	510,591	1
2300	Other current liabilities	6(15)	719,393	2	688,291	2
21XX	Total current liabilities		10,537,887	25	8,639,797	21
	Non-current liabilities					
2540	Long-term loans	6(16), 8	1,746,800	4	1,508,390	4
2570	Deferred income tax liabilities	4, 6(26)	1,253	-	631	-
2600	Other non-current liabilities	4, 6(17), 6(18)	76,539	-	90,128	-
25XX	Total non-current liabilities		1,824,592	4	1,599,149	4
2XXX	Total liabilities		12,362,479	29	10,238,946	25
31XX	Equity attributable to shareholders of the parent					
3100	Capital	6(19)				
3110	Common stock		4,460,000	11	4,460,000	11
3200	Capital surplus	6(19)	5,956,519	14	5,939,819	14
3300	Retained earnings	6(19)				
3310	Legal reserve		3,563,389	8	3,340,018	8
3320	Special reserve		613	-	-	-
3350	Unappropriated earnings		14,095,717	33	15,163,371	37
3400	Other components of equity		(77,677)	-	(613)	-
3500	Treasury Stock	6(19)	-	-	(32,885)	-
36XX	Non-controlling interests	6(19)	1,916,437	5	2,145,059	5
3XXX	Total equity		29,914,998	71	31,014,769	75
	Total liabilities and equity		$42,277,477	100	$41,253,715	100

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
Kinsus Interconnect Technology Corp. and Subsidiaries
Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2017 and 2016
(Amounts Expressed In Thousands of New Taiwan Dollars, Except Earnings Per Share)

			2017		2016	
Code	Accounts	Notes	Amount	%	Amount	%
4000	Net revenue	4, 6(21), 7	$22,335,486	100	$23,165,066	100
5000	Cost of sale	7	(18,172,762)	(81)	(17,414,521)	(75)
5900	Gross profit		4,162,724	19	5,750,545	25
6000	Operating expenses	7				
6100	Sales and marketing		(706,746)	(3)	(509,185)	(2)
6200	General and administrative		(1,611,376)	(7)	(1,213,506)	(5)
6300	Research and development		(1,445,377)	(7)	(1,438,082)	(7)
	Total operating expenses		(3,763,499)	(17)	(3,160,773)	(14)
6900	Operating income		399,225	2	2,589,772	11
1310						
7000	Non-operating incomes and expenses					
7010	Other incomes	6(24), 7	237,046	1	195,672	1
7020	Other gains and losses	6(24), 7	49,878	-	(131,897)	(1)
7050	Finance costs	6(24), 7	(79,146)	(1)	(71,306)	-
7060	Share of profit or loss of associates and joint ventures	4, 6(8)	(77,880)	-	(12,783)	-
	Total non-operating incomes and expenses		129,898	-	(20,314)	-
7900	Income before income tax		529,123	2	2,569,458	11
7950	Income tax expense	4, 6(26)	(193,801)	(1)	(496,430)	(2)
8200	Net income		335,322	1	2,073,028	9
8300	Other comprehensive income (loss)	6(25)				
8310	Item that may not be reclassified to profit or loss					
8311	Actuarial gain (loss) from defined benefit plans		1,004	-	(959)	-
8360	Items that may be reclassified subsequently to profit or loss					
8361	Exchange differences arising on translation of foreign operations		(92,241)	-	(361,332)	(1)
8370	Share of profit or loss of associates and joint ventures		(19,180)	-	(4,528)	-
8399	Income tax related to items that may be reclassified subsequently to P/L		-	-	39,834	-
	Total other comprehensive income, net of tax		(110,417)	-	(326,985)	(1)
8500	Total comprehensive income		$224,905	1	$1,746,043	8
8600	Net income (loss) attributable to:					
8610	Shareholders of the parent		$491,676	2	$2,233,705	10
8620	Non-controlling interests		(156,354)	(1)	(160,677)	(1)
			$335,322	1	$2,073,028	9
8700	Total comprehensive income (loss) attributable to:					
8710	Shareholders of the parent		$415,616	2	$2,037,649	9
8720	Non-controlling interests			-	(291,606)	(1)
			$415,616	2	$1,746,043	8
9750	Earnings per share - basic (In NT$)	6(27)	$1.10		$5.01	
9850	Earnings per share - diluted (In NT$)	6(27)	$1.10		$4.95	

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Consolidated Statements of Changes in Equity

For the Years Ended December 31, 2017 and 2016

(Amounts Expressed In Thousands of New Taiwan Dollars)

		Equity Attributable to Shareholders of the Parent									
				Retained Earnings			Others				
		Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange differences arising on translation of foreign operations	Treasury Stock	Total	Non-controlling Interests	Total Equity
Code	Items	3100	3200	3310	3320	3350	3410	3500	31XX	36XX	3XXX
A1	Balance as of January 1, 2016	$4,460,000	$5,939,819	$3,049,623	$-	$14,780,095	$194,484	$(32,885)	$28,391,136	$2,436,665	$30,827,801
	Appropriation and distribution of 2015 earnings:										
B1	Legal reserve			290,395		(290,395)			-		-
B5	Cash dividends - common shares					(1,559,075)			(1,559,075)		(1,559,075)
D1	Net income (loss) for 2016					2,233,705			2,233,705	(160,677)	2,073,028
D3	Other comprehensive income (loss) for 2016					(959)	(195,097)		(196,056)	(130,929)	(326,985)
D5	Total comprehensive income	-	-	-	-	2,232,746	(195,097)	-	2,037,649	(291,606)	1,746,043
A1	Balance as of December 31, 2016	4,460,000	5,939,819	3,340,018	-	15,163,371	(613)	(32,885)	28,869,710	2,145,059	31,014,769
	Appropriation and distribution of 2016 earnings:										
B1	Legal reserve			223,371		(223,371)			-		-
B3	Special reserve				613	(613)			-		-
B5	Cash dividends - common shares					(1,336,350)			(1,336,350)		(1,336,350)
C7	Change in associates and joint ventures accounted for using equity method		8,329						8,329		8,329
D1	Net income (loss) for 2017					491,676			491,676	(156,354)	335,322
D3	Other comprehensive income (loss) for 2017					1,004	(77,064)		(76,060)	(34,357)	(110,417)
D5	Total comprehensive income	-	-	-	-	492,680	(77,064)	-	415,616	(190,711)	224,905
N1	Share-based payment transactions		8,371					32,885	41,256		41,256
O1	Changes in non-controlling interests									(37,911)	(37,911)
Z1	Balance as of December 31, 2017	$4,460,000	$5,956,519	$3,563,389	$613	$14,095,717	$(77,677)	$-	$27,998,561	$1,916,437	$29,914,998

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2017 and 2016

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	2017	2016
AAAA	Cash flows from operating activities:		
A10000	Net income before tax	$529,123	$2,569,458
A20000	Adjustments:		
A20010	Profit or loss not effecting cash flows:		
A20100	Depreciation	3,413,416	3,464,017
A20200	Amortization	30,655	31,215
A20300	Bad debt expense (gain on recovery)	(29,065)	6,531
A20400	Net loss (gain) of financial assets (liabilities) at fair value through profit or loss	(7,140)	(10,653)
A20900	Interest expense	79,146	71,306
A21200	Interest income	(62,316)	(72,471)
A21900	Cost of share based payment	8,371	-
A22300	Share of profit or loss of subsidiaries, associates and joint ventures	77,880	12,783
A22500	Loss on disposal of property, plant and equipment	5,847	43,555
A23700	Impairment loss on non-finacial assets (gain on recovrty)	(19,598)	21,126
A30000	Changes in operating assets and liabilities:		
A31110	Financial Assets at fair value through profit or loss	1,721,742	278,588
A31130	Notes receivable	1,274	(1,195)
A31150	Accounts receivable	(125,900)	386,860
A31160	Accounts receivable - related parties	66,036	(150,827)
A31180	Other receivable	80,053	47,292
A31190	Other receivable - related parties	301,403	(305,565)
A31200	Inventories	130,530	27,192
A31230	Prepayment	(125,890)	24,529
A31240	Other current assets	(41,639)	15,635
A31990	Long-term prepaid rent	11,094	28,213
A32130	Notes payable	(3,288)	(7,392)
A32150	Accounts payable	399,551	129,686
A32160	Accounts payable - related parties	(16,059)	16,059
A32180	Other payable	13,984	(369,201)
A32200	Provisions	-	(294)
A32210	Advance receipts	55,899	59,442
A32230	Other current liabilities	(652)	(3,469)
A32240	Net pension liability under defined benefit plan	(4,043)	(4,098)
A33000	Cash generated from operations	6,490,414	6,308,322
A33100	Interest received	63,254	72,140
A33300	Interest paid	(78,328)	(72,842)
A33500	Income tax paid	(472,706)	(554,944)
AAAA	Net cash provided by (used in) operating activities	6,002,634	5,752,676

Code	Items	2017	2016
BBBB	Cash flows from investing activities:		
B00700	Disposal of bond investments with no active market	-	5,055
B01800	Acquisition of investment accounted for under equity method	(479,422)	(450,000)
B02700	Acquisition of property, plant and equipment	(6,261,465)	(4,761,567)
B02800	Proceeds from disposal of property, plant and equipment	239	260,601
B03800	Decrease (increase) in refundable deposits	(29,733)	(4,813)
B04500	Acquisition of intangible assets	(34,980)	(20,457)
BBBB	Net cash provided by (used in) investing activities	(6,805,361)	(4,971,181)
CCCC	Cash flows from financing activities:		
C00100	Increase in (repayment of) short-term loans	1,068,919	(866,552)
C01600	Increase in long-term loans	870,000	800,000
C01700	Repayment of long-term loans	(595,038)	(694,292)
C03000	Increase in guarantee deposits received	(8,542)	7,273
C04500	Payment of cash dividends	(1,336,350)	(1,559,075)
C05100	Treasury stock sold to emplayees	32,885	-
C05800	Change in non-controlling interests	(37,911)	-
CCCC	Net cash provided by (used in) financing activities	(6,037)	(2,312,646)
DDDD	Effect of exchange rate changes	(61,870)	(2,510)
EEEE	Net Increase (decrease) in cash and cash equivalents	(870,634)	(1,533,661)
E00100	Cash and cash equivalents at beginning of period	11,212,646	12,746,307
E00200	Cash and cash equivalents at end of period	$10,342,012	$11,212,646

(The accompanying notes are an integral part of the parent-company-only financial statements.)

1. HISTORY AND ORGANIZATION

Kinsus Interconnect Technology Corp. (Kinsus) was established on September 11, 2000. Its main business activities include the manufacture of electronic products, the whole-sale and retail-sale of electronic materials, and the consultation services of business operation and management. Kinsus' stocks have been governmentally approved on May 20, 2004 to be listed and traded in Taiwan Stock Exchange starting November 1, 2004. The registered business premise and main operation address is at No. 1245, Chung Hua Rd., Hsinwu District, Taoyuan City, Taiwan 32747.

2. DATE AND PROCEDURE OF AUTHORIZATION FOR FINANCIAL STATEMENTS ISSUANCE

The consolidated financial statements of Kinsus and its subsidiaries (collectively referred to "the Company") were authorized to be issued in accordance with a resolution of the Board of Directors'meeting held on January 29, 2018.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

(1) The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after January 1, 2017.

(2) Standards or interpretations issued, revised or amended, which are endorsed by FSC, but not yet adopted by the Company are listed below.

(a) IFRS 15 "Revenue from Contracts with Customers"

The core principle of the new Standard is for companies to recognize revenue to depict the transfer of promised goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following steps:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The new Standard includes a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The Standard is effective for annual periods beginning on or after January 1, 2018.

(b) IFRS 9 “Financial Instruments”

The IASB has issued the final version of IFRS 9, which combines classification and measurement, the expected credit loss impairment model and hedge accounting. The standard will replace IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9 *Financial Instruments* (which include standards issued on classification and measurement of financial assets and liabilities and hedge accounting).

Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity’s business model for managing the financial assets and the financial asset’s contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore there is requirement that ‘own credit risk’ adjustments are not recognized in profit or loss.

Impairment: Expected credit loss model is used to evaluate impairment. Entities are required to recognize either 12-month or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

Hedge accounting: Hedge accounting is more closely aligned with risk management activities and hedge effectiveness is measured based on the hedge ratio.

The new standard is effective for annual periods beginning on or after January 1, 2018. Consequential amendments on the related disclosures also become effective for annual periods beginning on or after January 1, 2018.

(c) IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

The effective date of this amendment has been postponed indefinitely, but early adoption is allowed.

(d) IAS 12 "Income Taxes" — Recognition of Deferred Tax Assets for Unrealized Losses

The amendment clarifies how to account for deferred tax assets for unrealized losses. The amendment is effective for annual periods beginning on or after January 1, 2017.

(e) Disclosure Initiative — Amendment to IAS 7 "Statement of Cash Flows":

The amendment relates to changes in liabilities arising from financing activities and to require a reconciliation of the carrying amount of liabilities at the beginning and end of the period. The amendment is effective for annual periods beginning on or after January 1, 2017.

(f) IFRS 15 "Revenue from Contracts with Customers" — Clarifications to IFRS 15

The amendment clarifies how to identify a performance obligation in a contract, determine whether an entity is a principal or an agent, and determine whether the revenue from granting a license should be recognized at a point in time or over time. The amendment is effective for annual periods beginning on or after January 1, 2018.

(g) IFRS 2 "Shared-Based Payment" — Amendments to IFRS 2

The amendment contains (1) clarifying that vesting conditions (service and non-market performance conditions), upon which satisfaction of a cash-settled share-based payment transaction is conditional, are not taken into account when estimating the fair value of the cash-settled share-based payment at the measurement date. Instead, these are taken into account by adjusting the number of awards included in the measurement of the liability arising from the transaction, (2) clarifying if tax laws or regulations require the employer to withhold a certain amount in order to meet the employee's tax obligation associated with the share-based payment, such transactions will be classified in their entirety as equity-settled share-based payment transactions if they would have been so classified in the absence of the net share settlement feature, and (3) clarifying that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The equity-settled share-based payment transaction is measured by reference to the fair value of the equity instruments granted at the modification date and is recognized in equity, on the modification date, to the extent to which goods or services have been received. The liability for the cash-settled share-based payment transaction as at the modification date is derecognized on that date. Any difference between the carrying amount of the liability derecognized and the amount recognized in equity on the modification date is recognized immediately in profit or loss. The amendment is effective for annual periods beginning on or after January 1, 2018.

(h) Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts — Amendments to IFRS 4

The amendments help to resolve issues arising from the different effective dates for IFRS 9 "Financial Instruments" (January 1, 2018) and the new insurance contracts standard about to be issued by the IASB (still to be decided, but not before January 1, 2020). The amendments allow entities issuing insurance contracts within the scope of IFRS 4 to mitigate certain effects of applying IFRS 9 "Financial Instruments" before the IASB's new insurance contracts standard becomes effective. The amendments introduce two approaches: an overlay approach and a temporary exemption. The overlay approach allows an entity applying IFRS 9 to remove from profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before the new insurance contracts standard is applied. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 until 2021 (these entities that defer the application of IFRS 9 will continue to apply IAS 39).

(i) Transfers of Investment Property — Amendments to IAS 40

The amendments relate to transfers of investment property. The amendments clarify that a change in use occurs when a property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use, the entity should transfer property into and out of investment property accordingly. A change in management's intention for the use of a property does not provide evidence of a change in use. The amendments are effective for annual periods beginning on or after January 1, 2018.

(j) Improvements to International Financial Reporting Standards (2014-2016 cycle):

IFRS 1 "First-time Adoption of International Financial Reporting Standards"

The amendments amend transition requirements relating to certain standards and delete short-term exemptions under Appendix E for first-time adopter. The amendments are effective for annual periods beginning on or after January 1, 2018.

IFRS 12 "Disclosure of Interests in Other Entities"

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interests that are classified as held for sale or discontinued operations. The amendments are effective for annual periods beginning on or after January 1, 2017.

IAS 28 "Investments in Associates and Joint Ventures"

The amendments clarify that when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and other qualifying entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with IFRS 9 "Financial Instruments" on an investment-by-investment basis. Besides, if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries on an investment-by-investment basis. The amendments are effective for annual periods beginning on or after January 1, 2018.

(k) IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

The interpretation clarifies that when applying paragraphs 21 and 22 of IAS 21 "The Effects of Changes in Foreign Exchange Rates", in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation is effective for annual periods beginning on or after January 1, 2018.

The abovementioned standards and interpretations issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2018. Apart from the potential impact of the standards and interpretations listed under (a), (b), (e), and (f) which is described below, all other standards and interpretations have no material impact on the Company.

(a) IFRS 15 “Revenue from Contracts with Customers” (including Amendments to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”)

The Company elected to recognize the cumulative effect of initially applying IFRS 15 at the date of initial application (January 1, 2018). The Company also elected to apply this standard retrospectively only to the contracts that are not completed at the date of initial application.

The Company’s principal activities consist of the sale of goods. The impacts arising from the adoption of IFRS 15 on the Group are summarized as follows.

Revenue from sale of goods is currently recognized when goods have been delivered to the buyers. Starting from the date of initial application, in accordance with the requirements of IFRS 15, the Company shall recognize revenue when (or as) the Company satisfies a performance obligation by transferring a promised good to a customer. The adoption of IFRS 15 has no impact on the Company’s revenue recognition from sale of goods. However, some contracts should be presented as contract assets if the Company has a right to transfer the goods to customers but does not has a right to an amount of consideration that is unconditional. It is different from the accounting treatment of recognizing trade receivables before the date of initial application. With respect to the Company’s trade receivables to be reclassified to contract assets as of the date of initial application, there is no material impact on financial statements. On the other hand, the Company recorded considerations received in advance from customers as payment received in advance under other the caption of current liabilities for some contracts that the Company received part of consideration from customers upon signing the contracts and has obligations to subsequently provide services. Starting from the date of initial application of IFRS 15, it should be recognized as contract liabilities instead. The Company’s other current liabilities to be reclassified for contracts liabilities as of the date of initial application is NT$136,948 thousand.

(b) IFRS 9 "Financial Instruments"

The Company elects not to restate prior periods in accordance with the requirements of IFRS 9 at the date of initial application (January 1, 2018). The adoption of IFRS 9 has the following impacts on the Company.

A. Classification and measurement of financial assets

Available-for-sale financial assets – equity instrument investments measured at cost

The assessment of the cash flow characteristics will be based on the facts and circumstances that exited as at the date of initial application.

As these equity instrument investments are not held-for-trading, the Company elected to designate them as financial assets measured at fair value through other comprehensive income. On the date of initial application, the Company will reclassify available-for-sale financial assets to financial assets measured at fair value through other comprehensive income in amount of NT$50,000 thousand.

Impairment of financial assets

This is applicable to financial assets not measured at fair value through profit or loss. In accordance with the requirements of IFRS 9, a loss allowance for debt instruments is measured using the expected credit loss model, whereas trade receivables or contract assets that result from transactions that are within the scope of IFS 15 is measured using the simplified approach (provision matrix); and no assessment of impairment on equity instrument is required. The aforementioned requirements on impairment is different from the current incurred loss model and have no material impact on the Company.

B. Others

Consequential amendments on the related disclosures in IFRS 9 were also made as a result of the application of IFRS 9, which include the disclosure requirements related to the initial application of IFRS 9. Therefore more extensive disclosure would have to be made.

(e) Disclosure Initiative — Amendment to IAS 7 "Statement of Cash Flows"

Additional disclosure of a reconciliation of the carrying amount of liabilities arising from financing activities at the beginning and end of the period would be required.

(3) Standards or interpretations issued, revised or amended, by IASB but not yet endorsed by FSC at the date of issuance of the Company's financial statements are listed below.

(a) IFRS 16 "Leases"

The new standard requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions). Lessor accounting still uses the dual classification approach: operating lease and finance lease. The Standard is effective for annual periods beginning on or after January 1, 2019.

(b) IFRIC 23 "Uncertainty Over Income Tax Treatments"

The Interpretation clarifies application of recognition and measurement requirements in IAS 12 "Income Taxes" when there is uncertainty over income tax treatments. The Interpretation is effective for annual periods beginning on or after January 1, 2019.

(c) IFRS 17 "Insurance Contracts"

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model. Under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

(1) Estimates of future cash flows;
(2) Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
(3) A risk adjustment for non-financial risk.

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts. IFRS 17 is effective for annual periods beginning on or after January 1, 2021.

(d) IAS 28 "Investment in Associates and Joint Ventures" — Amendments to IAS 28

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture before it applies IAS 28, and in applying IFRS 9, does not take account of any adjustments that arise from applying IAS 28. The amendment is effective for annual reporting periods beginning on or after January 1, 2019.

(e) Prepayment Features with Negative Compensation (Amendments to IFRS 9)

The amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract, to be measured at amortized cost or at fair value through other comprehensive income. The amendment is effective for annual reporting periods beginning on or after January 1, 2019.

(f) Improvements to International Financial Reporting Standards (2015-2017 cycle):

IFRS 3 "Business Combinations"

The amendments clarify that an entity that has joint control of a joint operation shall remeasure its previously held interest in a joint operation when it obtains control of the business. The amendments are effective for annual periods beginning on or after January 1, 2019.

IFRS 11 "Joint Arrangements"

The amendments clarify that an entity that participates in, but does not have joint control of, a joint operation does not remeasure its previously held interest in a joint operation when it obtains joint control of the business. The amendments are effective for annual periods beginning on or after January 1, 2019.

IAS 12 "Income Taxes"

The amendments clarify that an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events. The amendments are effective for annual periods beginning on or after January 1, 2019.

IAS 23 “Borrowing Costs”

The amendments clarify that an entity should treats as part of general borrowings any borrowing made specifically to obtain an asset when the asset is ready for its intended use or sale. The amendments are effective for annual periods beginning on or after January 1, 2019.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company’s financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Company is still currently determining the potential impact of the standards and interpretations listed under (a), it is not practicable to estimate their impact on the Company at this point in time. All other standards and interpretations have no material impact on the Company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1)Statement of compliance

The consolidated financial statements of the Company for the years ended December 31, 2017 and 2016 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the FSC.

(2)Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are presented in thousands of New Taiwan Dollars (“NT$”) unless otherwise specified.

(3)Basis of consolidation

Preparation principle of consolidated financial statements

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

(a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
(b) exposure, or rights, to variable returns from its involvement with the investee, and
(c) the ability to use its power over the investee to affect its returns

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee
(b) rights arising from other contractual arrangements
(c) the Company's voting rights and potential voting rights

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the NCIs even if this results in a deficit balance of the NCIs.

If the Company loses control of a subsidiary, it:

(a) derecognizes the assets (including goodwill) and liabilities of the subsidiary;
(b) derecognizes the carrying amount of any non-controlling interest;
(c) recognizes the fair value of the consideration received;
(d) recognizes the fair value of any investment retained;
(e) recognizes any surplus or deficit in profit or loss; and
(f) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows.

			Percentage of Ownership (%) As of December 31,	
Investor	Subsidiary	Main businesses	2017	2016
Kinsus	KINSUS CORP. (USA)	Designing substrates, formulating marketing strategy analysis, developing new customers, researching and development new product technology	100.00%	100.00%
Kinsus	KINSUS HOLDING (SAMOA) LIMITED	Investing activities	100.00%	100.00%
Kinsus	KINSUS INVESTMENT CO., LTD.	Investing activities	100.00%	100.00%
KINSUS HOLDING (SAMOA) LIMITED	KINSUS HOLDING (CAYMAN) LIMITED	Investing activities	100.00%	100.00%
KINSUS HOLDING (SAMOA) LIMITED	PIOTEK HOLDINGS LTD. (CAYMAN)	Investing activities	51.00%	51.00%
KINSUS INVESTMENT CO., LTD.	PEGAVISION CORPORATION	Manufacture of medical equipment	36.81% (Note)	36.81% (Note)
KINSUS HOLDING (CAYMAN) LIMITED	KINSUS INTERCONNECT TECHNOLOGY SUZHOU CORP.	Manufacturing and selling printed circuit board (PCB) (not high-density fine-line)	100.00%	100.00%
KINSUS HOLDING (CAYMAN) LIMITED	XIANG-SHOU (SUZHOU) TRADING LIMITED	Trading of PCB related products and materials (not high-density fine-line)	100.00%	100.00%

PIOTEK HOLDINGS LTD. (CAYMAN)	PIOTEK HOLDING LIMITED	Investing activities	100.00%	100.00%
PIOTEK HOLDING LIMITED	PIOTEK COMPUTER (SUZHOU) CO., LTD.	Researching, developing, producing and selling electronic components, PCBs and related products and providing after-sale services	100.00%	100.00%
PIOTEK HOLDING LIMITED	PIOTEK (H.K.) TRADING LIMITED	Trading activities	100.00%	100.00%
PEGAVISION CORPORATION	PEGAVISION HOLDINGS CORPORATION	Investing activities	100.00%	100.00%
PEGAVISION CORPORATION	PEGAVISION JAPAN INC.	Selling medical equipment	100.00%	100.00%
PEGAVISION HOLDINGS CORPORATION	PEGAVISION CONTACT LENSES (SHANGHAI) CORPORATION	Selling medical equipment	100.00%	100.00%

Note : The Company owned 36.81% of ownership of Pegavision Corporation as of December 31, 2017 and 2016. Management decide to include Pegavision Corporation as a consolidated entity because the Company in substance possess the control over this entity.

(4)Foreign currency transactions

The Company’s consolidated financial statements are presented in New Taiwan Dollar, which is the parent company’s functional currency. Each entity in the Company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Company entities at their respective functional currency rates prevailing at the date of the transaction. At the reporting date, monetary items denominated in foreign currencies are retranslated at the prevailing functional currency closing rate of exchange; non-monetary items measured at fair value in a foreign currency are retranslated using the exchange rates at the date when the fair value is determined; and non-monetary items measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising from the settlement or translation of monetary items are taken to profit or loss in the period in which they arise, except for the following:

A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

B. Foreign currency items within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are accounted for based on the accounting policy for financial instruments.

C. Exchange differences arising on a monetary item that forms part of a reporting entity’s net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5)Foreign currency transactions and translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into New Taiwan dollar at the closing rate of exchange prevailing at the balance sheet date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income under exchange differences on translation of foreign operations. On disposal of the foreign operation, cumulative amount of the exchange differences recognized in other comprehensive income under separate component of equity is reclassified from equity to profit or loss when recognizing the disposal gain/loss.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the NCIs in that foreign operation, instead of recognized in profit or loss. In partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(6)Current and non-current distinction for assets and liabilities

An asset is classified as current when:

(a) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
(b) The Company holds the asset primarily for the purpose of trading
(c) The Company expects to realize the asset within twelve months after the reporting period
(d) The asset is cash or cash equivalent, unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

(a) The Company expects to settle the liability in its normal operating cycle
(b) The Company holds the liability primarily for the purpose of trading
(c) The liability is due to be settled within twelve months after the reporting period
(d) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(7)Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (including fixed-term deposits that have maturities equal to or less than three months from the date of acquisition).

(8)Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are recognized initially at fair value plus or minus, in the case of financial assets and financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

A. Financial assets

The Company accounts for regular way purchase or sales of financial assets on the settlement date basis.

Financial assets of the Company are classified as financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables. The Company determines the classification of its financial assets at initial recognition based on their natures and purposes.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

A financial asset is classified as held for trading if:

(a) it is acquired principally for the purpose of selling in short term;
(b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
(c) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial asset at fair value through profit or loss; or a financial asset may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

(a) it eliminates or significantly reduces measurement or recognition inconsistency; or
(b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Company is provided internally on that basis to the key management personnel.

Financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss (including those received during the period of initial investment).

If financial assets do not have quoted prices in an active market and their far value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Company classifies as at fair value through profit or loss, upon initial recognition designates as available-for-sale, or those for which the holder may not recover substantially all of its initial investment due to credit worsening.

Loans and receivables are separately presented on the balance sheet as receivables or bond investments with no active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset other than the financial assets at fair value through profit or loss is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset. The carrying amount of the financial asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss.

A significant or prolonged decline in the fair value of an available-for-sale equity instrument below its cost is considered a loss event.

Other loss events include:

(a) significant financial difficulty of the issuer or obligor; or
(b) breach of contract, such as a default or delinquency in interest or principal payments; or
(c) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(d) the disappearance of an active market for that financial asset due to financial difficulties of the issuer.

For held-to-maturity financial assets and loans and receivables measured at amortized cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial asset that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exits for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. Interest income is accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

In the case of equity investments classified as available-for-sale, where there is evidence of impairment, the amount recorded for impairment is the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. The impairment amount is reclassified from equity to profit or loss. Impairment losses on equity investments are not reversed through profit or loss. Increases in their fair value after impairment are recognized directly in equity.

In the case of debt instruments classified as available-for-sale, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. Future interest income is based on the reduced carrying amount of assets and calculated using the effective interest rate which is the discount rate for measuring impairment loss. Interest income is recognized in profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

Derecognition of financial assets

A financial asset is derecognized when:

(a) The rights to receive cash flows from the asset have expired
(b) The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred
(c) The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

B. Financial liabilities and equity instruments

Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract of the Company 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 within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

A financial liability is classified as held for trading if:

(a) it is acquired principally for the purpose of selling it in short term;
(b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
(c) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated upon initial recognition as at fair value through profit or loss when doing so results in more relevant information, because either:

(a) it eliminates or significantly reduces measurement or recognition inconsistency; or
(b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses from subsequent measurement on liabilities at fair value through profit or loss, including interests, are recognized in profit or loss.

If the financial liabilities at fair value through profit or loss do not have quoted prices in an active market and their far value cannot be reliably measured, then they are classified as financial liabilities measured at cost on balance sheet and carried at cost as at the reporting date.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include payables and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Relevant gains or losses and amortization amounts are recognized in profit or loss when the liabilities are derecognized and amortized through the effective interest rate method.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

C. 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.

(9) 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 use 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 inputs.

(10) Inventories

Inventories are valued at lower of cost or net realizable value item by item.

Costs incurred in bringing each inventory to its present location and conditions are accounted for as follows:

Raw materials - At actual purchase cost, using weighted average method
Finished goods and work in progress –

Including cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity, using weighted average method.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(11) Investments accounted for using the equity method

The Company’s investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company’s share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the Company’s related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Company’s percentage of ownership interests in the associate or joint venture, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a prorata basis.

When the associate or joint venture issues new stock, and the Company’s interest in an associate or a joint venture is reduced or increased as the Company fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 *Impairment of Assets*. In determining the value in use of the investment, the Company estimates:

(a) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
(b) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets.

Upon loss of significant influence over the associate or joint venture, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(12) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. 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. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 "Property, plant and equipment". When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	10 to 25 years
Machinery	5 to 10 years
Transportation	2 to 6 years
Office equipment	3 to 5 years
Other equipment	1 to 25 years

An item of property, plant and equipment or any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The property, plant and equipment's residual values, useful lives and methods of depreciation are reviewed at each financial year. If the expected values differ from the estimates, the differences are recorded as a change in accounting estimate.

(13) Leasing

Group as a lessee

Finance leases which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

Group as a lessor

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Rental incomes under operating lease are recognized on a straight-line basis over the lease term. Contingent rents are recognized as revenue in the period in which they are earned.

(14) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, not meeting the recognition criteria, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit (CGU) level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are recognized in profit or loss.

The Company's accounting policies for intangible assets are as follows:

	Cost of Computer Software
Useful economic life	1 to 5 years
Amortization method	Straight-line method during the contract term
Internally generated or acquired externally	Acquired externally

(15) Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 "Impairment of Assets" may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company would conduct impairment tests at individual or CGU level. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired. An asset's recoverable amount is the higher of an asset's net fair value or its value in use.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the recoverable amount of the asset or CGU. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years.

Impairment loss or reversals of continuing operations are recognized in profit or loss.

(16) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time

Provisions for sales returns and allowances

The Company estimates provisions for sales returns and allowances based on past experience and other known factors.

(17) Treasury Stock

The Company's own equity instruments repurchased (treasury shares) are recognized at repurchase cost and deducted from equity. Any difference between the carrying amount and the consideration is recognized in equity.

(18) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. Conditions and methods for the recognition of various types of revenue are listed below:

Sale of goods

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

(a) the significant risks and rewards of ownership of the goods have passed to the buyer;
(b) neither continuing managerial involvement nor effective control over the goods sold have been retained;
(c) the amount of revenue can be measured reliably;
(d) it is probable that the economic benefits associated with the transaction will flow to the entity; and
(e) the costs incurred in respect of the transaction can be measured reliably.

For the customer loyalty points programme that the Company operates, consideration received is allocated between the goods sold and the points issued, with the consideration allocated to the points equal to their fair value. The fair value of the points issued is deferred and recognized as revenue when the points are redeemed.

Interest income

Interest incomes from financial assets at amortized costs (including loans and receivables and held-to-maturity financial assets) and available-for-sale financial assets are estimated using the effective interest method and recognized in profit or loss.

Dividend income

Dividend incomes are recognized only when the Group has the right to receive the dividends.

(19) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(20) Post-employment benefits

All regular employees of Kinsus and its domestic subsidiaries are entitled to pension plans that are managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with Kinsus and its domestic subsidiaries. Therefore, fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations. For the defined contribution plan, Kinsus and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations and the contribution is expensed as incurred.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

(a) the date of the plan amendment or curtailment, and
(b) the date that the Company recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(21) Share-based payment transactions

The cost of equity-settled transactions between the Company and its employees is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share

The cost of restricted stocks issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Company recognized unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period.

(22) Income tax

Income tax expense (benefit) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The 10% income tax for undistributed earnings of the Company and its subsidiaries is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred income tax

Deferred income tax is a temporary difference between the tax bases of assets and liabilities and their carrying amounts in balance sheet at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

(a) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit (loss);

(b) In respect of taxable temporary differences associated with investments in subsidiaries, and associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, any unused tax losses and carry forward of unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

(a) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

(b) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed and recognized at each reporting date.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company’s consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

(1) Judgement

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

(a) De facto control without a majority of the voting rights in subsidiaries

The Company does not have majority of the voting rights in certain subsidiaries. However, after taking into consideration factors such as absolute size of the Company's holding, relative size of the other shareholdings, how widely spread are the remaining shareholders, contractual arrangements between shareholders, potential voting rights, etc., the Company reached the conclusion that it has de facto control over these subsidiaries. Please refer to Note 4 for further details.

(2) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that would have a significant risk for a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are discussed below.

(a) Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including income approach (for example, the discounted cash flows model) or the market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

(b) Post-employment benefits

The cost of post-employment benefit pension plan and the present value of the defined benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions, including the change in the discount rate and expected salary level. The assumptions used for measuring pension cost and defined benefit obligation are disclosed in Note 6.

(c) Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 6.

(d) Revenue recognition - customer loyalty programmes

The Company uses statistical techniques to estimate the fair value of award credits under customer loyalty programmes. Parameters used in the estimation include: assumptions on the expected exchange rate, commodity portfolio available for future exchange and customer preference. Before the points issued under the programme expire, the estimates have material uncertainty. Please refer to Note 6 for more details.

(e) Revenue recognition – sale returns and allowances

The Company estimates sales returns and allowances based on past experience and other known factors as reductions of sales revenue upon sales. Please refer to Note 6 for more details.

(f) 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 benefit and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provision is based on various factors, such as past experience in tax audit and different 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. As of December 31, 2017, the un-recognized portion of the Company’s defferred tax assets was disclosed in Note 6.

(g) Inventory

Estimates of net realizable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1)Cash and cash equivalents

	As of December 31,	
	2017 (NT$’000)	2016 (NT$’000)
Cash and petty cash	6,765	5,693
Checking and saving	2,321,910	2,948,555
Time deposit	8,013,337	8,258,398
Total	10,342,012	11,212,646

(2)Financial assets at fair value through profit or loss

	As of December 31,	
	2017 (NT$’000)	2016 (NT$’000)
Held for trading:		
Money market fund	1,511,079	3,198,334
Valuation adjustment	42,754	70,101
Total	1,553,833	3,268,435

No financial asset at fair value through profit or loss was pledged as collateral.

(3)Bond investments with no active market

	As of December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Time deposits	423,057	423,057
Current	423,057	423,057
Non-current	-	-

There was no bond investments with no active market pledged as collateral.

(4)Financial assets carried at cost

	As of December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Stocks	50,000	50,000
Non-current	50,000	50,000

A. Because the interval of reasonable estimates of the fair value of unlisted stocks held by the Company is significantly variable and the probabilities of each estimate cannot be reasonably evaluated, these stocks cannot be measured in fair value. Thus they are carried at cost.

B. No financial assets carried at cost were pledged as collateral.

(5)Notes receivable

	As of December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Notes receivable – from operations	1,756	3,030
Less: allowance for doubtful accounts	-	-
Net	1,756	3,030

No notes receivable was pledged by the Group as collateral.

(6)Accounts receivable and accounts receivable - related parties, net

A. Accounts receivable, net

	As of December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Accounts receivable, gross	3,405,732	3,282,698
Less: allowance for doubtful accounts	(23,972)	(53,303)
Less: allowance for return & discount	(28,700)	(31,566)
Net of allowances	3,353,060	3,197,829
Accounts receivable - related parties, gross	333,700	399,736
Less: allowance for doubtful accounts	-	-
Net of allowances	333,700	399,736
Total accounts receivable, net	3,686,760	3,597,565

B. The Company evaluated sales return and discount based on experiences and other known factors and recorded it as a reduction against sales at the time of recognizing revenue.

C. The Company entered into factoring agreements with banks. Accounts receivables from selected customers are transferred to banks without recourse. Details of the agreed credit limits and accounts receivables transferred were as follows:

	Financial Institution	Accounts receivable de-recognized (NT$'000)	Advance received (NT$'000)	Collateral	Credit Limit
12/31/2017	Mega International Commercial Bank - LanYa Branch	218,494	89,303	None	Note
12/31/2016	Mega International Commercial Bank - LanYa Branch	249,402	49,298	None	Note

Note: The credit limits were US$30,000 thousand as of December 31, 2017 and 2016.

D. The collection term of accounts receivables are generally on 60 to 120 day after monthly closing. The movement schedule of the impairment provision for accounts receivable, including related parties, was presented as below. (Please also refer to Note 12 for credit risk disclosure)

	Impaired Individually (NT$'000)	Impaired Collectively (NT$'000)	Total (NT$'000)
As of January 1, 2017	-	53,303	53,303
Provision (reversal)	-	(29,065)	(29,065)
Effect of exchange rate changes	-	(266)	(266)
As of December 31, 2017	-	23,972	23,972
As of January 1, 2016	-	47,799	47,799
Provision (reversal)	-	6,531	6,531
Effect of exchange rate changes	-	(1,027)	(1,027)
As of December 31, 2016	-	53,303	53,303

Aging analysis for the net accounts receivable, including related parties, were as follows.

		Accounts receivable – past due, but not impaired				
	Neither past due nor impaired (NT$'000)	Less than 61 days (NT$'000)	61 to 90 days (NT$'000)	91 to 120 days (NT$'000)	Longer than 120 days (NT$'000)	Total (NT$'000)
12/31/2017	3,466,530	216,653	3,577	-	-	3,686,760
12/31/2016	3,391,325	206,240	-	-	-	3,597,565

(7)Inventory

A. Details of inventory.

	As of December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Raw material	548,399	682,338
Supplies	33,683	41,619

Work in process	862,335	769,623
Finished goods	603,925	711,312
Merchandises	79,372	53,352
Total	2,127,714	2,258,244

B. For the years ended December 31, 2017 and 2016, the Company recognized NT$18,172,762 thousand and NT$17,414,521 thousand under the caption of costs of sale, respectively. The following items were also included in cost.

Item	For the year ended December 31, 2017 (NT$'000)	2016 (NT$'000)
Loss from inventory market decline	431,156	21,905
Loss from physical taking	22,366	39,428
Loss in inventory write-off obselencense	2,337,809	1,785,503
Total	2,791,331	1,846,836

C. The inventories were not pledged.

(8)Investments accounted for using the equity method

	As of December 31,			
	2017		2016	
Investee	Carrying amount (NT$'000)	Percentage of ownership (%)	Carrying amount (NT$'000)	Percentage of ownership (%)
FuYang Technology Corp.	823,380	35.65%	432,689	36.00%

A.The Company invested cash in FuYang Technology Corp. during May 2016 for interest ownership of 36%. The investment is accounted for as an investment in associates due to the Company's ability to exercise its significant influence.

In May 2017, the Company participated in FuYang's cash offering by unproportionately investing NT$479,422 thousand for 19,176,872 shares of FuYang and, therefore, recognized a capital surplus amounting to NT$7,484 thousand. As a result of the offering, the Company's share interest on FuYang decreased to 35.65%.

B.Investments in associates

The aggregate carrying amount of the Company's interests in FuYang Technology Corp. is NT$823,380 thousand. The aggregate financial information based on the Company's share of FuYang Technology Corp. is as follows.

	As of December 31, 2017 (NT$'000)	As of December 31, 2016 (NT$'000)
Profit or loss from continuing operations	(77,880)	(12,783)
Other comprehensive income (post-tax)	(19,180)	(4,528)
Total comprehensive income	(97,060)	(17,311)

There were no contingent liabilities or capital commitments with respect to the investment in the associate as of December 31, 2017 and 2016. Nor any of the Company's share interest on FuYang was pledged as collateral.

C.The Group's investment accounted for under equity method as of December 31, 2017 and 2016 amounted to NT$823,380 thousand and NT$432,689 thousand, respectively, while the related investment income/loss and other comprehensive income were NT$(97,060) and NT$(17,311) for the years then ended. They were measured based on the audited financial statements of the investee for the same correspondent periods.

D.No investment accounted for under equity method was pledged as collateral as of December 31, 2017.

(9) Property, plant and equipment

	Land (NT$'000)	Buildings (NT$'000)	Machinery (NT$'000)	Office Equipment (NT$'000)	Transportation (NT$'000)	Other Equipment (NT$'000)	Construction in progress and equipment awaiting inspection (including prepaid equipment) (NT$'000)	Total (NT$'000)
Cost:								
As of 1/1/2017	1,562,442	6,339,169	17,574,081	144,191	15,587	4,305,580	4,376,874	34,317,924
Addition	-	-	15,672	22,181	3,264	148,681	6,633,073	6,822,871
Disposals	-	(1,957)	(119,326)	(99)	-	(187,109)	-	(308,491)
Effect of EX rate	-	(56,310)	(124,815)	(1,246)	(1,293)	(27,141)	(2,380)	(213,185)

Reclassification	47,287	7,727	4,149,411	24,110	-	1,377,862	(5,608,717)	(2,320)
As of 12/31/2017	1,609,729	6,288,629	21,495,023	189,137	17,558	5,617,873	5,398,850	40,616,799
As of 1/1/2016	1,557,800	5,556,743	16,781,076	131,576	15,809	3,992,908	5,238,467	33,274,379
Addition	-	3,938	10,253	9,376	1,805	198,196	3,997,933	4,221,501
Disposals	-	(10,510)	(1,846,796)	(10,971)	(1,355)	(417,520)	(2,575)	(2,289,727)
Effect of EX rate	-	(241,745)	(521,279)	(4,625)	(672)	(108,420)	(10,111)	(886,852)
Reclassification	4,642	1,030,743	3,150,827	18,835	-	640,416	(4,846,840)	(1,377)
As of 12/31/2016	1,562,442	6,339,169	17,574,081	144,191	15,587	4,305,580	4,376,874	34,317,924
Depreciation and impairment:								
As of 1/1/2017	-	1,943,702	10,758,229	96,815	12,926	2,674,868	-	15,486,540
Depreciation	-	289,493	2,472,758	32,403	1,198	617,564	-	3,413,416
(Gain on reversal of)								
Impairment loss	-	-	(15,576)	-	-	(4,022)	-	(19,598)
Disposal	-	(1,957)	(113,240)	(99)	-	(187,109)	-	(302,405)
Effect of EX rate	-	(16,971)	(84,371)	(968)	(1,288)	(18,562)	-	(122,160)
Reclassification	-	-	(822)	22	-	75	-	(725)
As of 12/31/2017	-	2,214,267	13,016,978	128,173	12,836	3,082,814	-	18,455,068
As of 1/1/2016	-	1,743,546	10,148,920	80,839	11,552	2,531,103	-	14,515,960
Depreciation	-	284,820	2,520,866	29,751	2,586	625,994	-	3,464,017
(Gain on reversal of)								
Impairment loss	-	-	17,100	-	-	4,026	-	21,126
Disposal	-	(10,510)	(1,556,702)	(9,724)	(418)	(408,217)	-	(1,985,571)
Effect of EX rate	-	(74,154)	(372,329)	(3,866)	(794)	(76,664)	-	(527,807)
Reclassification	-	-	374	(185)	-	(1,374)	-	(1,185)
As of 12/31/2016	-	1,943,702	10,758,229	96,815	12,926	2,674,868	-	15,486,540
Net carrying amount:								
As of 12/31/2017	1,609,729	4,074,362	8,478,045	60,964	4,722	2,535,059	5,398,850	22,161,731
As of 12/31/2016	1,562,442	4,395,467	6,815,852	47,376	2,661	1,630,712	4,376,874	18,831,384

A. " Significant components " of buildings primarily comprised the main buildings and the facilities, which are depreciated based on their respective useful economic life of 20 to 25 years and 3 to 20 years.

B. Details of property, plant & equipment and prepayment for machinery is as follows:

	As of December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Property, plant and equipment	19,151,653	16,578,663
Prepayment for equipment	3,010,078	2,252,721
Total	22,161,731	18,831,384

C. Please refer to Note 8 for details on property, plant and equipment pledged as collaterals.

D. The Company purchased 40 parcels of land with a total area of 36,115.24 square meters. Lands are located at the addresses of No. 1113, 1114, 1438 to 1443,1479,1486 to 1487 at ShiLeiZi Sub-section, ShiLeiZi Section, No. 1044, 1047 to 1049 at QingHua Section, and No. 0001, 697 to 700 and 712 to 726 at RongHua Section, XinFeng Village. Due to regulatory restrictions, land cannot be registered under the Company's name while it has been temporarily registered under the general manager's name and, to secure the Company's right to the land, mortgage registration has been set aside with the Company being the obligee.

(10) Intangible assets

	Computer software (NT$'000)
Cost:	
As of January 1, 2017	42,255
Additions – acquired separately	34,980
Derecognized upon retirement	(15,804)
Reclassification	-
Effect of exchange rate changes	(404)
As of December 31, 2017	61,027
As of January 1, 2016	55,622
Additions – acquired separately	20,457
Derecognized upon retirement	(33,411)
Reclassification	1,377
Effect of exchange rate changes	(1,790)
As of December 31, 2016	42,255

Amortization and Impairment:	
As of January 1, 2017	23,435
Amortization	30,655
Derecognized upon retirement	(15,804)
Reclassification	-
Effect of exchange rate changes	(109)
As of December 31, 2017	38,177
As of January 1, 2016	25,342
Amortization	31,215
Derecognized upon retirement	(33,411)
Reclassification	1,185
Effect of exchange rate changes	(896)
As of December 31, 2016	23,435
Carrying amount, net:	
As of December 31, 2017	22,850
As of December 31, 2016	18,820

Amounts of amortization recognized for intangible assets are as follows:

	For the year ended December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Operating expense	170	205
Sales and marketing	618	869
General and administrative	29,759	29,445
Research and development	108	696
Total	30,655	31,215

(11) Other non-current assets

	As of December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Refundable deposits	79,652	49,919
Long-term prepaid rent	234,372	245,466
Total	314,024	295,385

As of December 31, 2017 and 2016, among the long-term prepaid rent, the balances of right to use land amounted to NT$234,372 thousand and NT$245,466 thousand, respectively.

(12) Short-term loans

	Interest interval (%)	As of December 31, 2017 (NT$'000)	As of December 31, 2016 (NT$'000)
Unsecured bank loans	0.71~2.7434	3,297,397	2,228,478

As of December 31, 2017 and 2016, the line of unused short-term loan credit for the Company amounted to NT$6,480,683 thousand and NT$6,192,525 thousand, respectively.

(13) Other payable

	As of December 31, 2017 (NT$'000)	As of December 31, 2016 (NT$'000)
Accrued expense	2,307,749	2,293,765
Equipment payable	1,287,098	725,692
Accrued interest	3,138	2,344
Total	3,597,985	3,021,801

(14) Provisions

	Sales Returns and Allowances (NT$'000)
As of January 1, 2016	294
Additions	-
Used	-
Reversal	(294)
Adjustment to present value due to discount rate change and passage of time	-
As of December 31, 2016	-

Sales returns and allowances

The Company incurred sales returns and allowances based on past experiences and other known factors as reductions against sales revenue upon sale, recording it under the caption of provisions.

(15) Other current liabilities

A.

	As of December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Other current liabilities	66,292	69,362
Unearned sales revenue	136,948	81,049
Deferred revenue - Customer Loyalty Programmes	4,041	1,623
Current portion of long-term loans	512,112	536,257
Total	719,393	688,291

B. Customer loyalty programs

	For the year ended December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Balance, beginning	1,623	1,302
Deferred during the period	4,835	642
Recognized in profit or loss	(2,417)	(321)
Balance, ending	4,041	1,623

	As of December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Current	4,041	1,623
Non-current	-	-
Total	4,041	1,623

(16) Long-term loans

Details of long-term loans were as follows:

Debtor	Type of Loan	Maturity	Loan Balance As of Dec. 31, 2017 (NT$'000)	Repayment
Mega International Commercial Bank - LanYa Branch	Secured bank loan	2020.05.07	66,000	Note 3
Mega International Commercial Bank - LanYa Branch	Credit loan	2018.08.12-2022.07.05	2,157,912	Note 2
The Shanghai Commercial & Savings Bank - ZhongLi Branch	Secured bank loan	2018.09.09-2019.01.15	35,000	Note 2
Total			2,258,912	
Less: current portion			(512,112)	
Non-current portion			1,746,800	

Debtor	Type of Loan	Maturity	Loan Balance As of Dec. 31, 2016 (NT$'000)	Repayment
Mega International Commercial Bank - LanYa Branch	Secured bank loan	2020.05.07	96,000	Note 3
Mega International Commercial Bank - LanYa Branch	Credit loan	2018.08.12-2021.09.05	1,676,397	Note 2
The Shanghai Commercial & Savings Bank - ZhongLi Branch	Secured bank loan	2017.04.15-2019.01.15	75,000	Note 1 and 2
The Shanghai Commercial & Savings Bank - ZhongLi Branch	Credit loan	2017.01.15-2017.04.15	3,750	Note 2

Taipei Fubon Commercial Bank – BeiTou Branch	Credit loan	2017.12.14	193,500	Note 4
Total			2,044,647	
Less: current portion			(536,257)	
Non-current portion			1,508,390	

Note 1: A term is defined as every 3 months starting from the initial draw-down date. Grace period is 2 years (8 terms). The rest is repayable in installments of equal amount for 12 terms.

Note 2: A term is defined as every 3 months starting from the initial draw-down date. Grace period is 1 year (4 terms). The rest is repayable in installments of equal amount for 16 terms.

Note 3: Grace period is 1 year. The loan principal is to repay in 16 installments starting the second year with 4% for the first repayment, 12% for the second, and 6% for each of the rest.

Note 4: One year after the initial draw-down date is considered term one and the following terms are defined as every 6 months since then. The principal and interest are repayable in installments of equal amount for 5 terms.

A. A portion of property, plant and equipment were pledged to Mega International Commercial Bank and Shanghai Commercial & Savings Bank (the first-priority mortgagors) as collaterals for secured bank loans. Please refer to Note 8 for more details.

B. As of December 31, 2017 and 2016, the interest rate intervals for long-term loans were 1.022%~2.8% and 1.076%~2.590%, respectively.

(17) Other non-current liabilities

	As of December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Accrued pension costs	25,962	31,009
Deposits received	50,577	59,119
Total	76,539	90,128

(18) Post-employment benefits

Defined contribution plan

The Company and its domestic subsidiaries adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company and its domestic subsidiaries will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company and its domestic subsidiaries have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Subsidiaries located in the People's Republic of China will contribute social welfare benefits based on a certain percentage of employees' salaries or wages to the employees' individual pension accounts.

Pension benefits for employees of overseas subsidiaries and branches are provided in accordance with the local regulations.

Expenses under the defined contribution plan for the years ended December 31, 2017 and 2016 were NT$124,379 thousand and NT$113,660 thousand, respectively.

Defined benefits plan

Kinsus and its domestic subsidiaries adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, Kinsus and its domestic subsidiaries contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee.

The fund is operated in a portfolio basis by Governance Committee on Labor Retirement Fund in accordance with the Rule for Custody and Operating the Labor Retirement Fund. The investment of the Fund may be executed either by the Committee itself or by outsourced other profession institutions with its investment strategy, including both active and passive management, targeting in a medium or longer term. In considering the risks of market, credit and liquidity, the Committee establishes the ceiling of fund investment and control plan, in one hand, to reduce investment risk to an affordable extent and, in the other hand, to achieve the targeted return flexibly. As of December 31, 2017, the Company plans to contribute NT$4,735 thousand to the funds under its defined benefit scheme during the following year.

As of December 31, 2017 and 2016, the maturities of Kinsus' defined benefit plan are in 2037 and 2036. Pension costs recognized in profit or loss were as follows.

	For the year ended December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Current period service costs	135	189
Net interest of defined benefit liability (asset)	558	683
Previous period service costs	-	-
Settlement	-	-
Total	693	872

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	As of		
	Dec. 31, 2017 (NT$'000)	Dec. 31, 2016 (NT$'000)	Jan. 1, 2016 (NT$'000)
Defined benefit obligation	129,761	130,404	127,707
Plan assets at fair value	(103,799)	(99,395)	(93,559)
Other non-current liabilities – net defined benefit liability	25,962	31,009	34,148

Reconciliation of liability (asset) of the defined benefit liability is as follows:

	Present value of defined benefit obligation (NT$'000)	Fair value of plan assets (NT$'000)	Net defined benefit liability (asset) (NT$'000)
1/1/2016	127,707	(93,559)	34,148
Current service cost	189	-	189
Interest expense (revenue)	2,554	(1,871)	683
Past service cost and settlement	-	-	-
Total	2,743	(1,871)	872
Re-measurement on defined benefit liability/assets:			
Actuarial gain/loss due to change in population statistic assumptions	(726)	-	(726)
Actuarial gain /loss due to change in financial assumptions	5,073	-	5,073
Experience adjustments	(4,393)	1,005	(3,388)
Re-measurement on defined benefit assets	-	-	-
Total	(46)	1,005	959

Benefits paid	-	-	-
Contributions by employer	-	(4,970)	(4,970)
Effect of exchange rate	-	-	-
12/31/2016	130,404	(99,395)	31,009
Current service cost	135	-	135
Interest expense(revenue)	2,347	(1,789)	558
Past service cost and settlement	-	-	-
Total	2,482	(1,789)	693
Re-measurement on defined benefit liability/assets:			
Actuarial gain/loss due to change in population statistic assumptions	2,109	-	2,109
Actuarial gain/loss due to change in financial assumptions	4,902	-	4,902
Experience adjustments	(8,789)	774	(8,015)
Re-measurement on defined benefit assets	-	-	-
Total	(1,778)	774	(1,004)
Benefits paid	(1,347)	1,347	-
Contributions by employer	-	(4,736)	(4,736)
Effect of exchange rate	-	-	-
12/31/2017	129,761	(103,799)	25,962

The actuarial assumptions used for the Company's defined benefit plan are shown below:

	As of December 31,	
	2017	2016
Discount rate	1.60%	1.80%
Expected rate of salary increases	3.00%	3.00%

Sensitivity analysis:

	For the year ended December 31,			
	2017 (NT$'000)		2016 (NT$'000)	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increase by 0.5%	-	(12,019)	-	(12,157)
Discount rate decrease by 0.5%	13,482	-	13,692	-
Expected salary level increased by 0.5%	13,220	-	13,534	-
Expected salary level decreased by 0.5%	-	(11,919)	-	(12,080)

For the purpose of sensitivity analysis above, the Company calculated the impact on defined benefit obligation due to a reasonable and feasible change of one single assumption (i.e. discount rate or expected salary level) with other assumptions remaining equal. Please note that the sensitivity analysis has its limitation due to the co-relation between different actuarial assumptions and the rarity that only one assumption changes at a time. The method used in the analysis is consistent for both current and prior years.

(19) Equity

A. Common shares

As of December 31, 2017 and 2016, the Company's authorized capital and paid-in capital were NT$5,500,000 thousand and NT$4,460,000 thousand, respectively, each share at par value of NT$10, divided into 446,000 thousand shares. Each share represents a voting right and a right to receive dividends.

B. Capital surplus

	As of December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Additional paid-in capital	5,850,000	5,850,000
Differences between equity purchase price and carrying amount arising from actual acquisition or disposal of subsidiaries	50,925	50,925

All changes in interests in subsidiaries	38,894	38,894
Change in joint ventures accounted for using equity method	7,484	-
Employee stock option in affiliate company	845	-
Shared-Based Payment	8,371	-
Total	5,956,519	5,939,819

According to the Taiwan Company Act, the capital surplus shall not be used except for making good the deficit of the Company. When a company incurs no loss, it may distribute the capital surplus related to the income derived from the issuance of new shares at a premium or income from endowments received by the company up to a certain percentage of paid-in capital. The said capital surplus could be distributed in cash to its shareholders in proportion to the number of shares being held by each of them. Capital surplus related to long-term equity investments cannot be used for any purpose.

C. Treasury stock

No treasury stock was held by the Company as of December 31, 2017 while treasury stock amounted to NT$32,885 thousand, divided into 550 thousand shares, as of December 31, 2016.

The movement schedule of treasury stock for the years ended December 31, 2017 and 2016 were as below (in thousand shares).

Purpose of repurchase	Beginning balance	Addition	Decrease	Ending balance
For the year ended December 31, 2017				
To be transferred to employees	550	-	550	-
For the year ended December 31, 2016				
To be transferred to employees	550	-	-	550

The Company transferred 550,000 shares of treasury stocks to qualified employees in accordance with its "Rule for Buying Back the Company's Own Stocks in Second Time". The measurement date was at September 22nd, 2017.

According to the Securities and Exchange Law of the R.O.C., the total shares of treasury stock shall not exceed 10% of the Company's issued stock, and the total purchase amount shall not exceed the sum of the retained earnings, additional paid-in capital-premiums and realized additional paid-in capital. As such, the ceiling number of shares of treasury stock that the Company could hold as of December 31, 2017 were 44,600 thousand shares, with the maximum payments of NT$23,509,106 thousand.

In compliance with Taiwan Securities and Exchange Law, treasury stock should not be pledged, nor should it be entitled to voting rights or receiving dividends.

D. Appropriation of earnings and dividend policies

(a) Earning distribution

According to the Company's original Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

a. Payment of all taxes and dues;
b. Offset prior years' operation losses;
c. Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
d. Set aside or reverse special reserve in accordance with law and regulations; and
e. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

(b) Dividend policies

The Company is in an industry with versatile environment. For long-term finance planning requirements and to meet the shareholders' demand for cash, dividend policy aims for a steady balance. Cash dividends distributed each year shall not be less than 10% of the total dividends paid.

(c) Legal reserve

According to the Company Act, legal reserve shall be set aside until such amount equal total authorized capital. Legal reserve can be used to offset deficits. If the Company does not incur any loss, the portion of legal reserve exceeding 25% of the paid-in capital may be distributed to shareholders by issuing new shares or by cash in proportion to the number of shares held by each shareholder.

(d) Special reserve

Following the adoption of Taiwan IFRS, the Company complies with Order No. Jin-Guan-Zheng-Fa 1010012865 issued by FSC on April 6, 2012. On the Company's first-time adoption of the Taiwan IFRS, for any unrealized revaluation gains and cumulative translation adjustments recorded under shareholders' equity that the Company elects to transfer to retained earnings by application of the exemption under IFRS 1, an equal amount of special capital reserve shall be set aside. After the adoption of Taiwan IFRS for the preparation of financial statements, the Company shall set aside supplemental special reserve based on the difference between the amount already set aside according to the requirements in the preceding point and other net deductions from shareholders' equity when appropriating distributable earnings. For any subsequent reversal of other net deductions from shareholders' equity, the amount reserved may be distributed as earnings.

The Company did not incur any special reserve upon the first-time adoption of Taiwan IFRS.

(e) The appropriations of 2017 and 2016 earnings were approved through the Board of Directors' meetings and shareholders' meetings held on January 29, 2018 and May 26, 2017, respectively. The details of the distributions are as follows:

	Appropriation of earnings		Dividend per share (in NT$)	
	2017 (NT$'000)	2016 (NT$'000)	2017	2016
Legal reserve	49,168	223,371		
Special reserve	77,064	613		
Cash dividends	669,000	1,336,350	1.50	3.00
Total	795,232	1,560,334		

Please refer to Note 6(23) for details on employees' compensation and remuneration to directors and supervisors.

E. Non-controlling interests

	For the year ended December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Beginning balance	2,145,059	24,367,665
Net loss attributable to NCIs	(156,354)	(160,677)
Other comprehensive income attributable to NCIs:		
Exchange differences arising on translation of foreign operations	(34,357)	(130,929)
Non-controlling interests increase / decrease	(37,911)	-
Ending balance	1,916,437	2,145,059

(20) Share-based payment plans

Certain employees of the Company are entitled to share-based payment as part of their remunerations. Services are provided by the employees in return for the equity instruments granted. These plans are accounted for as equity-settled share-based payment transactions.

A. Share-based payment plan for employees of the parent entity

The Company transferred its treasury stocks to qualified employees in accordance with its "Rule for Buying Back the Company's Own Stocks in Second Time" on September 22nd, 2017 at a price of NT$59.79 per share.

The fair value of the share options is estimated at the grant date using a binomial option pricing-model, taking into account the terms and conditions upon which the share options were granted.

The relevant details of the aforementioned share-based payment plan are as follows:

Date of grant	Total number of share options granted	Exercise price of share options (NT$)
September 22, 2017	550,000	59.79

The fair value of the share-based payment above was computed by using Black-Scholes valuation model. The underlying assumptions are as below.

	Information regarding treasury stock granted to employee
Exercise price	NT$59.79
Market unit price at measurement date	NT$75.2
Expected volatility (%)	25.26%
Risk-free interest rate (%)	0.6%
Expected dividend yield (%)	-%
Expected option life (Years)	0.032877 years
Fair value	NT$15.4

The details of the plan regarding treasury stock transferred to employee was as below.

	For the year ended December 31, 2017	
	Number of share options outstanding (in thousands)	Weighted average exercise price of share options (NT$)
Outstanding at beginning of period	-	-
Granted	550	59.79
Exercisable at end of period	(550)	(59.79)
Outstanding at end of period	-	-

For share options granted during the period, weighted average fair value of those options at the measurement date (NT$)	15.4

B. The expense recognized for employee services received during the year ended December 31, 2017 is shown in the following table.

	For the year ended December 31, 2017 (NT$'000)
Total expense arising from equity-settled share-based payment transactions	8,371

(21) Sale

	For the year ended December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Sale of goods	22,655,084	23,182,483
Less: sales returns and allowances	(657,944)	(485,401)
Services rendered	127,888	157,707
Other operating revenue	210,458	310,277
Total	22,335,486	23,165,066

(22) Operating lease

A. Group as a lessee

The commercial leasing agreements that the Company entered into for buildings and plants have an average term of one to five years. There are no restrictive covenants for the Company in the contracts.

Total future minimum lease payments due to irrevocable leasing contracts were as follows.

	As of December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Less than one year	100,592	89,893
More than one year but less than five years	203,571	304,162
Total	304,163	394,055

Expenses under operating lease were as follows.

	For the year ended December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Minimum lease payment	169,804	148,762

B. Group as a lessor

The leasing agreements that the Company entered into for plants have an average term of one to three years.

Total future minimum lease payments due to irrevocable leasing contracts were as follows.

	As of December 31	
	2017 (NT$'000)	2016 (NT$'000)
Less than one year	42,379	42,379
More than one year but less than five years	35,316	77,694
	77,695	120,073

For the years ended December 31, 2017 and 2016, rent incomes of the Company amounted to NT$59,309 thousand and NT$26,903 thousand, respectively.

(23) Summary statement of employee benefits, depreciation and amortization by function is as follows.

Function / Nature	2017 (NT$'000)			2016 (NT$'000)		
	Cost of goods sold	Operating expense	Total	Cost of goods sold	Operating expense	Total
Employee benefit						
Salaries & wages	3,065,400	842,549	3,907,949	2,972,538	923,223	3,895,761
Labor and health insurance	221,379	65,929	287,308	185,291	71,144	256,435
Pension	90,007	35,065	125,072	77,990	36,542	114,532
Other employee benefit	285,560	143,919	429,479	218,370	100,111	318,481
Depreciation	2,766,131	647,285	3,413,416	3,093,276	370,741	3,464,017
Amortization	170	30,485	30,655	205	31,010	31,215

According to the resolution, not lower than 10% of profit of the current year is distributable as employees' compensation and no higher than 1% of profit of the current year is distributable as remuneration to directors and supervisors. However, the Company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on profit of the year ended December 31, 2017, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2017 to be not lower than 10% and not higher than 1% of profit of the current nine-month period, respectively, recognized as employee benefits expense. As such, employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2017 amount to NT$80,693 thousand and NT$4,912 thousand, respectively. Employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2016 amount to NT$343,533 thousand and NT$20,911 thousand. The aforementioned employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2017 were estimated based on post-tax net income of the period and recognized as salary expenses. The number of stocks distributed as employees' compensation, if any, shall be calculated based on the closing price one day earlier than the date of shareholders' meeting and considered the impacts of ex-right/ex-dividend.

The Company's Board has determined the employees' compensation and directors' remuneration, all in cash, to be NT$80,693 thousand and NT$4,912 thousand, respectively, in a meeting held on January 29, 2018.

No material differences exist between the estimated amount and the actual distribution of the employee bonuses and remuneration to directors and supervisors for the year ended December 31, 2017.

The Company's Board has determined the employees' compensation and directors' remuneration, all in cash, to be NT$343,533 thousand and NT$20,911 thousand, respectively, in a meeting held on February 8, 2017.

No material differences exist between the estimated amount and the actual distribution of the employee bonuses and remuneration to directors and supervisors for the year ended December 31, 2016.

(24) Non-operating incomes and expenses

A. Other incomes

	For the year ended December 31,	
	2017	2016
	(NT$'000)	(NT$'000)
Interest income	62,316	72,471
Other income－gain from reversal of allowance for doubtful accounts receivable	29,065	(6,531)

Other income－others	145,665	129,732
Total	237,046	195,672

B. Other gains and losses

	For the year ended December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Loss from disposal of property, plant and equipment	(5,847)	(43,555)
Foreign exchange gain (loss), net	66,318	(48,989)
Financial assets at fair value through profit	7,140	10,653
Impairment loss on non-financial assets	19,598	(21,126)
Other expenses	(37,331)	(28,880)
Total	49,878	(131,897)

C. Finance costs

	For the year ended December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Interests on bank loans	79,146	71,306

(25) Components of other comprehensive income (OCI)

For the year ended December 31, 2017

	Arising during the period (NT$'000)	Reclassification during the period (NT$'000)	Subtotal (NT$'000)	Income tax benefit (expense) (NT$'000)	OCI, Net of tax (NT$'000)
Not reclassified to profit or loss:					
Actuarial gains or losses on defined benefits plan	1,004	-	1,004	-	1,004
To be reclassified to profit or loss in subsequent period:					
Exchange differences arising on translation of foreign operations	(92,241)	-	(92,241)	-	(92,241)

Unrealized valuation gain (loss) on available-for-sale financial assets	(19,180)	-	(19,180)	-	(19,180)
Total OCI	(110,417)	-	(110,417)	-	(110,417)

For the year ended December 31, 2016

	Arising during the period (NT$'000)	Reclassification during the period (NT$'000)	Subtotal (NT$'000)	Income tax benefit (expense) (NT$'000)	OCI, Net of tax (NT$'000)
Not reclassified to profit or loss:					
Actuarial gains or losses on defined benefits plan	(959)	-	(959)	-	(959)
To be reclassified to profit or loss in subsequent period:					
Exchange differences arising on translation of foreign operations	(361,332)	-	(361,332)	39,834	(321,498)
Unrealized valuation gain (loss) on available-for-sale financial assets	(4,528)	-	(4,528)	-	(4,528)
Total OCI	(366,819)	-	(366,819)	39,834	(326,985)

(26) Income tax

A. The major components of income tax expense (income) are as follows:

Income tax expense (benefit) recognized in profit or loss

	For the year ended December 31, 2017 (NT$'000)	For the year ended December 31, 2016 (NT$'000)
Current income tax expense (benefit):		
Current income tax expense	327,564	618,253
Reversal of uncertain tax position upon finalization	(13,174)	(122,096)

Deferred tax expense (benefit):		
Deferred tax expense (benefit) relating to origination and reversal of temporary differences	(120,589)	273
Total income tax expense	193,801	496,430

B. Income tax recognized in other comprehensive income

	For the year ended December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Deferred tax expense (benefit):		
Exchange differences arising on translation of foreign operations	-	(39,834)

C. A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the year ended December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Accounting profit (loss) before tax from continuing operations	529,123	2,569,458
Tax payable at the enacted tax rates	134,351	508,837
10% surtax on Undistributed earnings	77,705	120,013
Tax effect of income tax-exempted	(17,525)	(43,296)
Tax effect of expenses not deductible for tax purposes	82	37
Tax effect of deferred tax assets/liabilities	17,440	32,935
Reversal of uncertain tax position upon finalization	(13,174)	(122,096)
Others	(5,078)	-
Total income tax expense (income) recognized in profit or loss	193,801	496,430

D. Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2017

	Beginning balance as of Jan. 1, 2017 (NT$'000)	Deferred tax income (expense) recognized in P/L (NT$'000)	Deferred tax income (expense) recognized in OCI (NT$'000)	Deferred tax income (expense) recognized in equity (NT$'000)	Increase from business acquisition (NT$'000)	Exchange adjustment (NT$'000)	Ending balance as of Dec. 31, 2017 (NT$'000)
Temporary differences							
Prepaid appreciation tax on agricultural land	9,593	-	-	-	-	-	9,593
Unrealized loss on inventory valuation	281	121,101	-	-	-	-	121,382
Unrealized exchange loss (gain)	(631)	(299)	-	-	-	-	(930)
Other	8	110	-	-	-	(3)	115
Cumulative translation adjustment	-	(323)	-	-	-	-	(323)
Deferred tax income/ (expense)		120,589	-	-	-	(3)	
Net deferred tax assets/(liabilities)	9,251						129,837
Reflected in balance sheet as follows:							
Deferred tax assets	9,882						131,090
Deferred tax liabilities	(631)						(1,253)

For the year ended December 31, 2016

	Beginning balance as of Jan. 1, 2016 (NT$'000)	Deferred tax income (expense) recognized in P/L (NT$'000)	Deferred tax income (expense) recognized in OCI (NT$'000)	Deferred tax income (expense) recognized in equity (NT$'000)	Increase from business acquisition (NT$'000)	Exchange adjustment (NT$'000)	Ending balance as of Dec. 31, 2016 (NT$'000)
Temporary differences							
Prepaid appreciation tax on agricultural land	9,593	-	-	-	-	-	9,593
Unrealized loss on inventory valuation	287	(6)	-	-	-	-	281

Unrealized exchange loss (gain)	(356)	(275)	-	-	-	-	(631)
Other	-	8	-	-	-	-	8
Cumulative translation adjustment	(39,834)	-	39,834	-	-	-	-
Deferred tax income/ (expense)		(273)	39,834	-	-	-	
Net deferred tax assets/(liabilities)	(30,310)						9,251
Reflected in balance sheet as follows:							
Deferred tax assets	9,880						9,882
Deferred tax liabilities	(40,190)						(631)

E. Unrecognized deferred tax assets

As of December 31, 2017 and 2016, deferred tax assets that have not been recognized as they may not be used to offset future taxable income amounted to NT$824,146 thousand and NT$1,056,371 thousand, respectively.

F. Unused balance of deductible net operating loss within the Company was listed as following.

		Unused balance		
		As of December 31,		
Occurrence year	Accumulated net operating loss (NT$'000)	2017 (NT$'000)	2016 (NT$'000)	Expiration Year
2012	135,158	97,609	98,291	2022

G. Imputation credit information

	As of December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Balances of imputation credit	2,320,670	2,140,790

The Company's expected/actual creditable ratio for 2017 and 2016 were 18.16% and 15.36%. However, effective January 1, 2015, the creditable ratio for the individual shareholders residing in the Republic of China will be half of the original creditable ratio according to the revised Article 66-6 of the Income Tax Law.

As of December 31, 2017, the Company did not have unappropriated earnings resulted in the years of 1997 and before.

H. The assessment of income tax return

As of December 31, 2017, the assessment status of income tax returns of the Company and subsidiaries were as follows.

	The assessment of income tax returns
The Company	Note
Subsidiary - Pegavision Corporation	Assessed and approved up to 2015
Subsidiary - Kinsus Investment Co., Ltd.	Assessed and approved up to 2015

Remark: The Company's tax filings up to 2015, except for 2014, were finalized as of December 31, 2017.

(27) Earnings per share

Basic earnings per share is calculated by dividing net profit for the year attributable to the common shareholders of the parent entity by the weighted average number of common shares outstanding during the year.

Diluted earnings per share are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

A. Basic earnings per share

	For the year ended December 31,	
	2017	2016
Net income available to common shareholders of the parent (in NT$'000)	491,676	2,233,705
Weighted average number of common shares outstanding (in thousand shares)	446,000	445,450
Basic earnings per share (in NT$)	$1.10	$5.01

B. Diluted earnings per share

	For the year ended December 31,	
	2017	2016
Net income available to common shareholders of the parent (in NT$'000)	491,676	2,233,705
Net income available to common shareholders of the parent after dilution (in NT$'000)	491,676	2,233,705
Weighted average number of common shares outstanding (in thousand shares)	446,000	445,450
Effect of dilution:		
Employee bonus – stock (in thousand shares)	1,932	5,383
Weighted average number of common shares outstanding after dilution (in thousand shares)	447,932	450,833
Diluted earnings per share (in NT$)	$1.10	$4.95

No other transactions that would significantly change the outstanding common shares or potential common shares incurred during the period subsequent to reporting date and up to the approval date of financial statements.

(28) Subsidiary that has material non-controlling interests

Proportion of equity interest held by non-controlling interests:

		As of December 31,	
Name	Country	2017	2016
PIOTEK HOLDINGS LTD. and its subsidiary	China	51.00%	51.00%

	As of December 31,	
Accumulated balances of material non-controlling interest:	2017 (NT$'000)	2016 (NT$'000)
PIOTEK HOLDINGS LTD. and its subsidiary	989,234	1,370,753

	For the year ended December 31,	
Profit/(loss) allocated to material non-controlling interest:	2017 (NT$'000)	2016 (NT$'000)
PIOTEK HOLDINGS LTD. and its subsidiary	(347,748)	(278,764)

The summarized financial information of this subsidiary is provided below. This information is based on amounts before inter-company eliminations.

Summarized information of profit or loss is as follows.

	For the year ended December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Operating revenue	4,307,300	4,190,571
Profit/loss from continuing operation	(709,695)	(568,886)
Total comprehensive income for the period	(778,603)	(830,882)

Summarized information of financial position is as follows.

	As of December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Current assets	2,051,595	2,098,636
Non-current assets	2,112,365	2,585,677
Current liabilities	1,594,928	1,044,255
Non-current liabilities	550,173	842,596

Summarized cash flow information is as follows.

	For the year ended December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Operating activities	(253,649)	(198,386)
Investing activities	(55,350)	(39,600)
Financing activities	124,217	(193,459)
Net increase/(decrease) in cash and cash equivalents	(198,311)	(463,330)

7. RELATED PARTY TRANSACTIONS

(1)Deal with related parties as of the end of the reporting period

Related parties and relation

Related parties	Relation
Pegatron Corporation	Parent company
FuYang Technology Corp.	Associate
AS FLY TRAVEL SERVICE LIMITED	Other related party
AzureWave Technologies, Inc.	Other related party
AzureWave Technologies (Shanghai) Inc.	Other related party
PEGATRON JAPAN INC.	Other related party
Maintek Computer (Suzhou) Co., Ltd.	Other related party
GNDC Co., Ltd.	Other related party

(2) Significant transactions with related parties

A. Sales to

	For the year ended December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Parent company	1,405,487	1,393,606
Associate	-	30,741
Other related parties	56,738	39,172
Total	1,462,225	1,463,519

Selling prices and collection terms to related parties are similar to those to third party customers for the years ended December 31, 2017 and 2016. The collection terms are 30 to 60 days from the end of delivery month by telegraphic transfer.

B. Purchases

	For the year ended December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Associate	69,658	15,870
Other related parties	2	-
Total	69,660	15,870

The product specification of goods purchased from related parties in the years ended December 31, 2017 and 2016 differed from those purchased from other vendors. Therefore, transaction prices were not comparable. The payment terms for related parties and non-related parties were 30 to 120 days from the end of delivery month by telegraphic transfer.

C. For the years ended December 31, 2017 and 2016, the Company recognized travelling expenses of NT$0 and NT$152 thousand, respectively, for commissioning other related parties to handle travelling logistics.

D. For the years ended December 31, 2017 and 2016, the Company recognized rent expenses of NT$90,249 thousand and NT$68,236 thousand, respectively, for plants leased from the Parent.

Moreover, for the years ended December 31, 2017 and 2016, the Company recognized rent expenses of NT$850 thousand and NT$923 thousand, respectively, for plants leased from other related parties.

In addition, for the years ended December 31, 2017 and 2016, the Company recognized rent expenses of NT$253 thousand and NT$265 thousand (tax included), respectively, for various facilities leased from the Parent.

E. For the years ended December 31, 2017 and 2016, the Company recognized operating expenses of NT$4,776 thousand and NT$5,591 thousand, respectively, for services provided by other related parties.

Moreover, for the years ended December 31, 2017 and 2016, the Company recognized operating expenses of NT$4,220 thousand and NT$1,073 thousand (tax included), respectively, for services provided by the Parent.

In addition, for the years ended December 31, 2017 and 2016, the Company incurred operating expenses of NT$75,194 thousand and NT$70,504 thousand (tax included), respectively, for utility bills paid by the Parent on behalf of the Company.

The Company recognized NT$2,285 thousand of operating expense for the year ended December 31, 2017 due to subcontracting maintenance and repair for factories to associate.

F. For the years ended December 31, 2017 and 2016, the Company recognized rent income of NT$5,039 thousand and NT$5,332 thousand, for plants leased to other related parties.

For the years ended December 31, 2017, the Company recognized rent income of NT$39,142 thousand for plants leased to associate.

G. For the years ended December 31, 2017 and 2016, the Company recognized other income of NT$259 thousand and NT$1,877 thousand, for provided services to other related parties.

For the year ended December 31, 2017, the Company recognized other income of NT$18,709 thousand for utility bills paid for associate.

For the year ended December 31, 2017, the Company paid on behalf of associate in amount of NT$140 thousand.

H. For the years ended December 31, 2017 and 2016, the Company recognized other income of NT$0 and NT$41,930 thousand, for selling equipment and spare parts to other related parties.

I. Accounts receivable - related parties

	As of December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Parent company	326,216	357,057
Associate	-	32,319
Other related parties	7,484	10,360
Total	333,700	399,736
Less: allowance for doubtful accounts	-	-
Net	333,700	399,736

J. Accounts payable - related parties

	As of December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Other related parties	-	16,059

K. Salaries and rewards to key management of the Company

	For the year ended December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Short-term employee benefits	67,255	96,019
Post-employee benefits	756	810
Total	68,011	96,829

L. Other receivables

	As of December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Associate	5,888	305,891
Other related parties	355	1,755
Total	6,243	307,646

M.Refundable deposits

	As of December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Parent company	10,000	10,000

N. Accrued expenses

	As of December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Ultimate parent company	19,076	16,594
Associate	452	-
Other related parties	658	936
Total	20,186	17,530

8. PLEDGED ASSETS

The following assets of the Company are pledged as collaterals.

Item	Carrying Amount As of December 31, 2017 (NT$'000)	Carrying Amount As of December 31, 2016 (NT$'000)	Purpose
Property, plant and equipment - machinery (carrying amount)	141,132	244,492	Long-term secured loans
Property, plant and equipment - other equipment (carrying amount)	2,422	5,157	Long-term secured loans
Refundable deposits	2,000	2,000	Security deposit to custom authority
Total	145,554	251,649	

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) The Company's unused letters of credit (LC) as of December 31, 2017 were as follows.

Currency	LC Amount (in thousand)		Security (in thousand)
JPY	JPY	1,606,281	-
USD	USD	5,853	-
Euro	EUR	49	-

(2) Details of significant constructions in progress and outstanding contracts of property, plant and equipment as of December 31, 2017 were as follows.

Nature of Contract	Contract Amount (NT$'000)	Amount Paid (NT$'000)	Outstanding Balance (NT$'000)
Machinery and construction contracts	5,342,849	4,298,606	1,044,243

10. SIGNIFICANT DISASTER LOSS

None

11. SIGNIFICANT SUBSEQUENT EVENT

(1)Income tax rate applicable to the Company would be changed to 20% from 17% starting the year of 2018 in accordance with an amendment to Taiwan Income Tax Act resolved in the third-reading by Legislative Yuan on January 18, 2018. The Company's deferred tax asset and deferred tax liability would increase by NT$3,933 thousand and NT$38 thousand, respectively, subsequently in 2018 as a result of the tax rate change.

(2)The Company's board of directors has approved an issuance of restricted stock awards in a meeting held on January 29, 2018. Total share volume to be issued are 5,500,000 and each at a price of NT$10. The final issuance terms and conditions are subject to the Company's board approval.

12. OTHERS

(1) Categories of financial instruments

Financial assets

	As of December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Financial assets at fair value through profit or loss:		
Held for trading	1,553,833	3,268,435
Loans and receivable		
Cash and cash equivalents (excluding cash on hand)	10,335,247	11,206,953
Bond investments with no active market	423,057	423,057
Notes receivable	1,756	3,030
Accounts receivable	3,353,060	3,197,829
Accounts receivable - related parties	333,700	399,736
Other receivable	208,485	289,514
Other receivable - related parties	6,243	307,646
Total	16,215,381	19,096,200

Financial liabilities

	As of December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Financial liabilities measured at amortized cost:		
Short-term loans	3,297,397	2,228,478
Payables	6,168,825	5,212,437
Long-term loans (including current portion)	2,258,912	2,044,647
Total	11,725,134	9,485,562

(2) Objectives and policies of financial risk management

The Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activates. The Company identifies, measures, and manages the aforementioned risks based on its policy and risk preferences.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market risk comprises currency risk, interest rate risk and other price risk (e.g. equity instruments).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables. There are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Company's exposure to foreign currency risk relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign operations. The Company has certain foreign currency receivables denominated in the same foreign currency as certain foreign currency payables, therefore natural hedge is achieved. Thus, hedge accounting is not adopted.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit (loss) and equity is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rates of US dollars. The sensitivity analysis is as follows:

If NT dollars appreciates/depreciates against US dollars by 1%, net income (loss) for the years ended December 31, 2017 and 2016 would increase/decrease by NT$4,904 thousand and NT$9,223 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk relates primarily to the Company's investments with variable interest rates and loans with fixed and variable interest rates, which are all categorized as loans and receivables.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as of the end of the reporting period and presumed to be held for one accounting year, including investments and loans with variable interest rates. If interest rate increases/decreases by 0.1%, the net income (loss) for the years ended December 31, 2017 and 2016 would decrease/increase by NT$3,256 thousand and decrease/increase by NT$1,340 thousand, respectively.

(4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract and result in a financial loss. The Company is exposed to credit risk from operating activities (primarily for accounts and notes receivable) and financing activities (primarily for bank deposits and other financial instruments).

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit risk of all customers are assessed based on a comprehensive review of the customers' financial status, credit ratings from credit institutions, past transactions, current economic conditions and the Company's internal credit ratings. The Company also employs some credit enhancement instruments (e.g. prepayment or insurance) to reduce certain customers' credit risk.

As of December 31, 2017 and 2016, receivables from the top ten customers were accounted for 40.77% and 47.67% of the Company's total accounts receivable, respectively. The concentration of credit risk is relatively insignificant for the remaining receivables.

Credit risk from balances with banks, fixed-income securities and other financial instruments is managed by the Company's finance division in accordance with the Company's policy. The counterparties that the Company transacts with are determined by internal control procedures. They are banks with fine credit ratings and financial institutions, corporate and government agencies with investment-grade credit ratings. Thus, there is no significant default risk. Conclusively, no significant credit risk is expected by the Company.

(5) Liquidity risk management

The Company maintains financial flexibility through the use of cash and cash equivalents, highly-liquid marketable securities, bank loans, etc. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted interest payment relating to borrowings with variable interest rates is extrapolated based on the estimated yield curve as of the end of the reporting period.

<u>Non-derivative financial instruments</u>

	Less than 1 year (NT$'000)	1 to 2 years (NT$'000)	2 to 3 years (NT$'000)	3 to 4 years (NT$'000)	4 to 5 years (NT$'000)	Total (NT$'000)
<u>As of December 31, 2017</u>						
Loans	3,901,916	693,052	560,167	371,390	164,792	5,691,317
Payables	6,168,825	-	-	-	-	6,168,825
<u>As of December 31, 2016</u>						
Loans	2,825,676	552,030	477,777	376,274	151,614	4,383,371
Payables	5,212,437	-	-	-	-	5,212,437

(6) Fair values of financial instruments

A. The evaluation methods and assumptions applied in determining the fair value

Fair value is the price that would be received to sell a financial asset or paid to transfer a financial liability in an orderly transaction between willing market participants (not under coercion or liquidation). The following methods and assumptions are used by the Company in estimating the fair values of financial assets and liabilities:

(a) The carrying amount of cash and cash equivalents, receivables, payables and other current liabilities approximate their fair value due to their short maturity.

(b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (e.g. listed stocks and bonds).

(c) Fair value of equity instruments without active markets (including listed companies' shares from private placement, stocks of public companies not traded in an active market and unlisted stocks) are estimated using the market approach. Under the approach, factors, such as the trading prices of comparable equity instruments in an active market, and other relevant information (i.e. discount due to lack of liquidity, stock price-to-earning ratio (PER) and price-to-book ratio (PBR) of similar companies) are input into the pricing model for its fair value.

B. Fair value of financial instruments measured at amortized cost

The carrying amount of the Company's financial assets and liabilities measure at amortized cost approximates their fair value.

C. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(7) for fair value measurement hierarchy for financial instruments of the Company.

(7) Fair value measurement hierarchy

A. Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

B. Fair value measurement hierarchy of the Company’s assets and liabilities

The Company does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Company’s assets and liabilities measured at fair value on a recurring basis is as follows:

As of December 31, 2017

	Level 1 (NT$’000)	Level 2 (NT$’000)	Level 3 (NT$’000)	Total (NT$’000)
Financial assets:				
Financial assets at fair value through profit or loss				
Funds	1,553,833	-	-	1,553,833
Financial liabilities:				
None				

As of December 31, 2016

	Level 1 (NT$’000)	Level 2 (NT$’000)	Level 3 (NT$’000)	Total (NT$’000)
Financial assets:				
Financial assets at fair value through profit or loss				
Funds	3,268,435	-	-	3,268,435

Financial liabilities:

None

Transfers between Level 1 and Level 2 during the period

For the years ended December 31, 2017 and 2016, there were no transfers between Level 1 and Level 2 fair value hierarchy.

(8) Significant financial assets and liabilities denominated in foreign currencies

Information regarding the Company's significant financial assets and liabilities denominated in foreign currencies was listed below.

	As of December 31,					
	2017			2016		
	Foreign Currencies ($'000)	Exchange Rate	NTD (NT$'000)	Foreign Currencies ($'000)	Exchange Rate	NTD (NT$'000)
Financial assets						
Monetary items:						
USD	134,359	29.76	3,998,580	119,476	32.25	3,853,096
CNY	99,637	4.5528	453,827	115,027	4.649	534,759
Financial liabilities						
Monetary items:						
USD	145,431	29.76	4,328,039	142,824	32.25	4,606,070
CNY	118,753	4.5545	540,860	104,865	4.649	487,514

The above information is disclosed based on the carrying amount of foreign currency (after being converted to functional currency).

Foreign exchange gain/loss on monetary financial assets and liabilities is shown as below.

	For the year ended December 31,	
Foreign currency resulting in exchange gain or loss	2017 (NT$'000)	2016 (NT$'000)
USD	59,592	(48,995)
Other	6,726	6

(9) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages and adjusts its capital structure in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. ADDITIONAL DISCLOSURES

(1) Information on significant transactions

A. Financing provided to others: None.

B. Endorsement/Guarantee provided to others: Please refer to attachment 1.

C. Marketable securities held as of December 31, 2017 (excluding investments in subsidiaries, associates and joint ventures): Please refer to attachment 2.

D. Individual securities acquired or disposed of with accumulated amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2017: Please refer to attachment 3.

E. Acquisition of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2017: Please refer to attachment 4.

F. Disposal of individual real estate with amount of at least NT$100 million or 20 percent of the paid-in capital for the year ended December 31, 2017: None.

G. Related party transactions with purchase or sales amount of at least NT$100 million or 20 percent of the paid-in capital for the year ended December 31, 2017: Please refer to attachment 5.

H. Receivables from related parties of at least NT$100 million or 20 percent of the paid-in capital as of December 31, 2017: None.

I. Derivative instrument transactions: None.

J. Intercompany relationships and significant intercompany transactions for the year ended December 31, 2017: Please refer to attachment 11.

(2) Information on investees

A. Investees over whom the Company exercises significant influence or control (excluding investees in Mainland China): Please refer to attachment 6.

B. Investees over which the Company exercises control shall be disclosed of information under Note 13(1):

(a) Financing provided to others: None.

(b) Endorsement/Guarantee provided to others: None.

(c) Marketable securities held as of December 31, 2017 (excluding investments in subsidiaries, associates and joint ventures): Please refer to attachment 7.

(d) Individual securities acquired or disposed of with accumulated amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2017: Please refer to attachment 8.

(e) Acquisition of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2017: None.

(f) Disposal of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2017: None.

(g) Related party transactions with purchase or sales amount of at least NT$100 million or 20 percent of the paid-in capital for the year ended December 31, 2017: Please refer to attachment 9.

(h) Receivables from related parties of at least NT$100 million or 20 percent of the paid-in capital as of December 31, 2017: Please refer to attachment 10.

(i) Derivative instrument transactions: None.

(3) Information on investments in Mainland China:

A. Name of investee in China, main business, paid-in capital, method of investment, investment flows, percentage of ownership, investment gain or loss, carrying amount at the end of reporting period, inward remittance of earning or loss and the upper limit on investment in China:

(In Thousands of New Taiwan Dollars)

Name of Investee in China	Main Business	Paid-in Capital (NT$'000)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2017 (NT$'000)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2017 (NT$'000)	Profit/ Loss of Investee (NT$'000)	Percentage of Ownership (Direct or Indirect Investment)	Share of Profit/Loss (NT$'000)	Carrying Amount as of December 31, 2017 (NT$'000)	Accumulated Inward Remittance of Earnings as of Dec. 31, 2017 (NT$'000)	Accumulated Outflow of Investment from Taiwan to Mainland China as of Dec. 31, 2017 (NT$'000)	Investment Amounts Authorized by Investment Commission, MOEA (NT$'000)	Upper Limit on Investment in China by Investment Commission, MOEA (NT$'000)
					Outflow (NT$'000)	Inflow (NT$'000)									
Kinsus Interconnect Technology Suzhou Corp.	Manufacturing and selling PCB (not high-density fine-line)	2,083,200 (Note 2)	(Note 1)	2,083,200 (Note 2)	-	-	2,083,200 (Note 2)	230,564 (Note 2 and Note 4)	100%	230,564 (Note 2、Note 4 and Note 7)	1,252,356 (Note 2、Note 4 and Note 7)	-	2,083,200 (Note 2)	2,083,200 (Note 2)	No upper limit (Note 5)

Piotek Computer (Suzhou) Co., Ltd.	Researching, developing, producing and selling electronic components, PCBs and related products and providing after-sale services	4,960,992 (Note 2)	(Note 1)	2,804,991 (Note 2)	-	-	2,804,991 (Note 2)	(697,565) (Note 2 and Note 4)	51%	(355,758) (Note 2、Note 4 and Note 7)	992,826 (Note 2、Note 4 and Note 7)	-	2,804,991 (Note 2)	2,804,991 (Note 2)	No upper limit (Note 5)
Xiang-Shuo (Suzhou) Trading Limited	Trading of PCB (not high-density fine-line) and material for related products	59,520 (Note 2)	(Note 1)	59,520 (Note 2)	-	-	59,520 (Note 2)	(2,273) (Note 2 and Note 4)	100%	(2,273) (Note 2、Note 4 and Note 7)	61,474 (Note 2、Note 4 and Note 7)	-	59,520 (Note 2)	59,520 (Note 2)	No upper limit (Note 5)
Pegavision Contact Lenses (Shanghai) Corporation	Selling medical equipment	65,062 (Note 3)	(Note 1)	65,062	-	-	65,062	13,598 (Note 2 and Note 4)	36.81%	5,005 (Note 2、Note 4 and Note 7)	21,661 (Note 2、Note 4 and Note 7)	-	65,062	65,062	880,459 (Note 6)

Note 1: Investment in Mainland China through companies in the third area.

Note 2: Amounts in foreign currencies are translated into New Taiwan dollars using the exchange rates on the balance sheet date.

Note 3: The paid-in capital is USD2,100 thousand, equivalent to NT$65,062 thousand.

Note 4: Gain/loss on investment is recognized based on the audited financial statements of the parent company in Taiwan.

Note 5: The Company meets the conditions of corporate operation headquarter in the Principle of Evaluation for Investment and Technical Cooperation in Mainland China. Thus, there is no upper limit on investment amount.

Note 6: The upper limit on investment for Pegavision Contact Lenses (Shanghai) Corporation is calculated as 60% of the net value of the financial statements audited by accounts of Pegavision Corporation’s net equity.

Note 7: Transactions are eliminated upon preparation of consolidated financial statements.

B. Significant transactions with investees in China:

(a) Purchase and balances of related accounts payable as of December 31, 2017:
Please refer to attachment 11 for details.

(b) Sale and balance of related accounts receivable as of December 31, 2017:
Please refer to attachment 11 for details.

(c) Property transaction amounts and resulting gain or loss: None.

(d) Ending balance of endorsements/guarantees or collateral provided and the purposes:
Please refer to attachment 1.

(e) Maximum balance, ending balance, interest rate range and total interest for current period from financing provided to others: None.

(f) Transactions that have significant impact on profit or loss of current period or the financial position, such as services provided or rendered: Please refer to attachment 11 for details.

(g) Above transactions are eliminated upon preparation of consolidated financial statements. Please refer to attachment 11 for details.

14. OPERATING SEGMENT

For management purposes, the Company is organized into operating segments based on different products and services and has two reportable operating segments as follows.

IC Substrate: This segment produces and manufactures BGA substrates and sells the products to manufacturers of electronic products.

Printed Circuit Board (PCB): This segment produces and manufactures PCBs and sells the products to manufacturers of electronic products.

No operating segments have been aggregated to form the above reportable operating segments.

The Company's operating segments adopts the same accounting policies as the ones in Note 4. Management monitors the operating results of its business units separately for the purpose of decision-making on resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and measured consistently with methods applied to operating profit or loss in the consolidated financial statements.

(1)Segment income (loss), assets and liabilities

For the year ended December 31, 2017

	IC Substrate (NT$'000)	PCB (NT$'000)	Elimination (NT$'000)	Consolidated (NT$'000)
External customer	16,262,695	6,072,791	-	22,335,486
Inter-segment	-	-	-	-
Total revenue	16,262,695	6,072,791	-	22,335,486
Segment income (loss)	753,599	(418,277)	-	335,322

For the year ended December 31, 2016

	IC Substrate (NT$'000)	PCB (NT$'000)	Elimination (NT$'000)	Consolidated (NT$'000)
External customer	17,922,696	5,242,370	-	23,165,066
Inter-segment	-	-	-	-
Total revenue	17,922,696	5,242,370	-	23,165,066
Segment income (loss)	2,484,374	(411,346)	-	2,073,028

Details of assets and liabilities under the Company's operating segments are as follows:

Segment assets	IC Substrate (NT$'000)	PCB (NT$'000)	Elimination (NT$'000)	Consolidated (NT$'000)
As of Dec. 31, 2017	35,163,890	7,113,587	-	42,277,477
As of Dec. 31, 2016	34,627,746	6,625,969	-	41,253,715

Segment liabilities	IC Substrate (NT$'000)	PCB (NT$'000)	Elimination (NT$'000)	Consolidated (NT$'000)
As of Dec. 31, 2017	8,796,253	3,566,226	-	12,362,479
As of Dec. 31, 2016	7,697,825	2,541,121	-	10,238,946

(2)Geographical information

Revenues from external customers

	For the year ended December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Taiwan	7,011,666	9,092,912
Other countries	15,323,820	14,072,154
Total	22,335,486	23,165,066

Note: The revenue information above is based on the location of the customers.

Non-current assets

	As of December 31,	
	2017 (NT$'000)	2016 (NT$'000)
Taiwan	18,860,569	14,888,571
U.S.A.	243	277
China	3,637,570	4,256,570
Japan	223	171
Total	22,498,605	19,145,589

(3)Information about major customers

No additional discourses for the years ended December 31, 2017 and 2016 due to no individual customer accounting for at least 10% of net sales.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Endorsement/Guarantee Provided to Others

For the Year ended December 31, 2017

Table 1

(In Thousands of Foreign Currency / New Taiwan Dollars)

Endorsement/ Guarantee Provider		Guaranteed Party											
No. (Note 1)	Name	Name	Nature of Relationship	Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee secured by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial	Maximum Endorsement/ Guarantee Amount Allowed	Endorsement provided by parent company to subsidiaries	Endorsement provided by subsidiaries to parent company	Endorsement provided to entities in China
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	Investee accounted for using equity method indirectly	The overall amount of guarantees/ endorsements provided to a subsidiary in which the Company holds directly over 50% (inclusive) of common equity interest shall not exceed 20% of the net worth in the current financial statements. $5,599,712	$1,785,600 USD 60,000 (Note 2)	$- (Note 2)	$-	$-	-%	Shall not exceed 50% of the net worth in the current financial statements. $13,999,281	Y	N	Y
0	Kinsus Interconnect Technology Corp.	Piotek Computer (Suzhou) Co., Ltd.	Investee accounted for using equity method indirectly	The overall amount of guarantees/ endorsements provided to a subsidiary in which the Company holds directly over 50% (inclusive) of common equity interest shall not exceed 20% of the net worth in the current financial statements. $5,599,712	$910,656 USD 30,600 (Note 2)	$455,328 USD 15,300 (Note 2)	$256,122	$-	1.63%	Shall not exceed 50% of the net worth in the current financial statements. $13,999,281	Y	N	Y

Note 1: Kinsus Interconnect Technology Corp. is coded "0".

Note 2: Amounts in foreign currencies are converted to New Taiwan Dollars using the exchange rates as of the balance sheet date.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Marketable Securities Held as of December 31, 2017

Table 2

(In Thousands of New Taiwan Dollars)

Name of Held Company	Type and Name of Marketable Securities	Relationship with the Issuer	Financial Statement Account	As of December 31, 2017			Fair Value (Note)	Note
				Shares / Units	Carrying Amount	Shareholding %		
Kinsus Interconnect Technology Corp.	Money market funds:							
	Taishin Ta Chong Money Market Fund	-	Financial assets at fair value through profit or loss	18,812,748	$255,796	-%	265,685	
	Taishin 1699 Money Market Fund	-	Financial assets at fair value through profit or loss	15,608,975	204,559	-%	209,894	
	FSITC Money Market Fund	-	Financial assets at fair value through profit or loss	1,168,258	200,000	-%	207,219	
	Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss	21,355,432	257,509	-%	266,212	
	Jih Sun Money Market	-	Financial assets at fair value through profit or loss	31,315,952	450,000	-%	461,206	
	Subtotal				1,367,864		$1,410,216	
	Add: Valuation adjustments of financial assets held for trading				42,352			
	Total				$1,410,216			

Note: Companies without quotes in the open markets are valued at net equities.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

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, 2017

Table 3

(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Carrying Value	Gain/Loss on Disposal	Shares/Units	Amount
Kinsus Interconnect Technology Corp.	Stock: Capital Money Market Fund	Financial assets at fair value through profit or loss	-	-	32,783,435	$510,667	-	$-	32,783,435	$524,417	$510,667	$13,750	-	$-
Kinsus Interconnect Technology Corp.	Stock: Kinsus Investment Co., Ltd.	Investments accounted for using the equity method	-	-	100,000,000	$1,000,000	60,000,000	$600,000	-	$-	$-	$-	160,000,000	$1,600,000

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Acquisition of Individual Real Estate with Amount of at Least NT$ 300 million or 20% of the Paid-in Capital

For the Year ended December 31, 2017

Table 4

(In Thousands of New Taiwan Dollars)

Acquiring Company	Name of Property	Transaction Date	Transaction Amount	Payment Status	Counter-party	Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose and Use of Acquisition	Other Terms
							Owner	Relationship with the Company	Transfer Date	Amount			
Kinsus Interconnect Technology Corp.	Houses and buildings Construction of XinFeng Plant	2014.02.13, 2015.03.24	$2,268,036	NT$2,154,634 thousand was paid as of December 31, 2017.	Guo-Gong Construction Co., Ltd.	None	None	None	None	None	Bidding	Production expansion and operation planning	None

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Related Party Transactions with Purchase or Sales Amount of At least NT$ 100 Million or 20% of the Paid-in Capital

For the Year ended December 31, 2017

Table 5

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/ Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment/ Collection Term	Unit Price	Payment/ Collection Term	Ending Balance	% to Total	
Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	Investee accounted for using equity method indirectly	Purchase	$2,271,629	29.36%	Payment within 30 days from the end of delivery month	Specs of goods purchased are different from others.The prices cannot be reasonablely compared.	Other vendors also enjoy payment within 30~120 days from the end of delivery month	Accounts payable $(201,977)	(13.17)%	Note

Note: Transactions are eliminated when the consolidated financial statements are prepared.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Investees over Which the Company Exercise Significant Influence or Control Directly or Indirectly (Excluding Investees in Mainland China)

As of December 31, 2017

Table 6

(In Thousands of Foreign Currency / New Taiwan Dollars)

Investor	Investee	Business Location	Main Business and Product	Original Investment Amount		Balance as of December 31, 2017			Net Income (Loss) of the Investee	Share of Income (Loss) of the Investee	Note
				As of December 31, 2016	As of December 31, 2017	Shares	%	Carrying Value			
Kinsus Interconnect Technology Corp.	KINSUS CORP. (USA)	CA. U.S.A.	Designing substrates, formulating marketing strategy analysis, developing new customers, researching and development new product technology	USD500	USD500	500,000 shares	100.00%	$39,874	$6,172	$6,172	Note
Kinsus Interconnect Technology Corp.	KINSUS HOLDING (SAMOA) LIMITED	Samoa	Investing activities	USD166,309	USD166,309	166,308,720 shares	100.00%	$2,343,440	$(128,718)	$(128,718)	Note
Kinsus Interconnect Technology Corp.	Kinsus Investment Co., Ltd.	Taoyuan City	Investing activities	$1,000,000	$1,600,000 (Note1)	160,000,000 shares	100.00%	$1,738,049	$34,359	$34,359	Note
Kinsus Investment Co., Ltd.	Pegavision Corporation	Taoyuan City	Manufacturing medical equipment	$286,418	$286,418	22,088,736 shares	36.81%	$540,228	$302,908	$111,514	Note
Kinsus Investment Co., Ltd.	FuYang Technology Corp.	Hsinchu County	Electronic Parts and Components Manufacturing	$450,000	$929,422	64,176,872 shares	35.65%	$823,380	$(216,395)	$(77,880)	Note
KINSUS HOLDING (SAMOA) LIMITED	KINSUS HOLDING (CAYMAN) LIMITED	Cayman Islands	Investing activities	USD72,000	USD72,000	72,000,000 shares	100.00%	USD 44,148	USD 7,671	USD 7,671	Note
KINSUS HOLDING (SAMOA) LIMITED	PIOTEK HOLDINGS LTD. (CAYMAN)	Cayman Islands	Investing activities	USD94,309	USD94,309	95,755,000 shares	51.00%	USD 34,597	USD (23,343)	USD (11,905)	Note
PIOTEK HOLDINGS LTD. (CAYMAN)	PIOTEK HOLDING LIMITED	British Virgin Islands	Investing activities	USD139,841	USD139,841	139,840,790 shares	100.00%	USD 67,837	USD (23,343)	USD (23,343)	Note
PIOTEK HOLDING LIMITED	PIOTEK (H.K.) TRADING LIMITED	Hong Kong	Trading activities	USD26	USD26	200,000 shares	100.00%	USD 2,404	USD 105	USD 105	Note
Pegavision Corporation	PEGAVISION HOLDINGS CORPORATION	Samoa	Investing activities	USD2,130	USD2,130	2,130,000 shares	100.00%	$48,672	$13,563	$13,563	Note
Pegavision Corporation	PEGAVISION JAPAN INC.	JAPAN	Selling medical equipment	JPY9,900	JPY 9,900	198 shares	100.00%	$4,195	$1,253	$1,253	Note

Note: Transactions are eliminated when the consolidated financial statements are prepared.

Note1 : The Company's original investment in Kinsus Investment Co., Ltd. was NT$500,000 thousand. While, Kinsus Investment Co., Ltd. reduced capital by NT$102,000 thousand to offset deficits in 2013. And increased capital by NT$602,000 thousand and NT$600,000 thousand in 2016 and 2017,respectively. After the increase, the Company's investment amount increased to NT$1,600,000 thousand.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Marketable Securities Held as of December 31, 2017 (Excluding Investments in Subsidiaries, Associates and Jointly Controlled Entities)

As of December 31, 2017

Table 7

(In Thousands of New Taiwan Dollars)

Name of Held Company	Type and Name of Marketable Securities	Relationship with the Issuer	Financial Statement Account	As of December 31, 2017				Guarantee, Pledge or Other Restricted Conditions		
				Shares (Unit)	Carrying Amount	%	Fair Value (Net Equity)	Shares	Carrying Amount	Note
Kinsus Investment Co., Ltd.	Money market funds:									
	Taishin Ta Chong Money Market Fund	-	Financial assets at fair value through profit or loss	829,070	$11,315	-%	$11,709	-	$-	
	Valuation adjustments of financial assets held for trading				394					
	Total				$11,709					
Kinsus Investment Co., Ltd.	Stocks:									
	Yi-Shuo Creative Co., Ltd.	-	Financial assets carried at cost	5,000,000	$50,000	7.49%	$- (Note)	-	$-	
Pegavision Corporation	Money market funds:									
	Yuanta Wan Tai Money Market Fund	-	Financial assets at fair value through profit or loss	6,965,260	$104,900	-%	$104,908	-	$-	
	Yuanta DE-Li Money Market Fund			1,665,875	27,000		27,000			
	Valuation adjustments of financial assets held for trading				8		$131,908			
	Total				$131,908					

Note: No quotes in active markets are available and the fair values cannot be measured reliably.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

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, 2017

Table 8

(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Carrying Value	Gain/Loss on Disposal	Shares/Units	Amount
Kinsus Investment Co., Ltd.	Stock: FuYang Technology Corp.	Investments accounted for using the equity method	-	-	45,000,000	$450,000	19,176,872	$479,422	-	$-	$-	$-	64,176,872	$929,422
Pegavision Corporation	Stock: Yuanta Wan Tai Money Market	Financial assets at fair value through profit or loss	-	-	17,879,293	$268,108	52,383,229	$787,900	63,297,263	$951,639	$951,108	$532	6,965,260	$104,900
Pegavision Corporation	Stock: Yuanta De-Li Money Market Fund	Financial assets at fair value through profit or loss	-	-	9,229,182	$149,000	13,723,896	$222,000	21,287,203	$344,186	$344,000	$186	1,665,875	$27,000

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Related Party Transactions with Purchase or Sales Amount of At least NT$100 Million or 20% of the Paid-in Capital

For the Year Ended December 31, 2017

Table 9

(In Thousands of US Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details: Purchase/ Sale	Transaction Details: Amount	Transaction Details: % to Total	Transaction Details: Payment/ Collection Term	Abnormal Transaction: Unit Price	Abnormal Transaction: Payment/ Collection Term	Notes/Accounts Payable or Receivable: Ending Balance	Notes/Accounts Payable or Receivable: % to Total	Note
Piotek Computer (Suzhou) Co., Ltd.	Pegatron Corporation	Parent company	Sales	USD 46,038	36.25%	Payment within 60 days from the end of delivery month	Specs of goods sold are different from others. Cannot be reasonably compared.	No non-related parties to be compared with.	Accounts receivable USD 10,954	28.24%	Note
Kinsus Interconnect Technology Suzhou Corp.	Kinsus Interconnect Technology Corp.	Parent company	Sales	USD 74,751	98.17%	Payment within 30 days from the end of delivery month	Specs of goods sold are different from others. Cannot be reasonably compared.	No non-related parties to be compared with.	Accounts receivable USD 6,787	99.98%	Note
Piotek Computer (Suzhou) Co., Ltd.	Piotek (H.K.) Trading Limited	Also a subsidiary under the Company's control	Sales	USD 13,756	10.83%	Payment within 60 days from the end of delivery month	Specs of goods sold are different from others. Cannot be reasonably compared.	No non-related parties to be compared with.	Accounts receivable USD 1,925	4.96%	Note
Piotek (H.K.) Trading Limited	Piotek Computer (Suzhou) Co., Ltd.	Also a subsidiary under the Company's control	Purchase	USD 13,756	100.00%	Payment within 60 days from the end of delivery month	Specs of goods sold are different from others. Cannot be reasonably compared.	No non-related parties to be compared with.	Accounts payable USD (1,925)	(100.00)%	Note
Piotek Computer (Suzhou) Co., Ltd.	Xiang-Shuo (Suzhou) Trading Limited	Also a subsidiary under the Company's control	Sales	USD 4,221	3.32%	Payment within 60 days from the end of delivery month	Specs of goods sold are different from others. Cannot be reasonably compared.	No non-related parties to be compared with.	Accounts receivable USD 295	0.76%	Note
Xiang-Shuo (Suzhou) Trading Limited	Piotek Computer (Suzhou) Co., Ltd.	Also a subsidiary under the Company's control	Purchase	USD 4,221	46.16%	Payment within 60 days from the end of delivery month	Specs of goods sold are different from others. Cannot be reasonably compared.	No non-related parties to be compared with.	Accounts payable USD (295)	(11.33)%	Note
Xiang-Shuo (Suzhou) Trading Limited	Piotek Computer (Suzhou) Co., Ltd.	Also a subsidiary under the Company's control	Sales	RMB 30,736	49.08%	Payment within 60 days from the end of delivery month	Specs of goods sold are different from others. Cannot be reasonably compared.	No non-related parties to be compared with.	Accounts receivable RMB 6,406	69.81%	Note
Piotek Computer (Suzhou) Co., Ltd.	Xiang-Shuo (Suzhou) Trading Limited	Also a subsidiary under the Company's control	Purchase	RMB 30,736	5.05%	Payment within 60 days from the end of delivery month	Specs of goods sold are different from others. Cannot be reasonably compared.	No non-related parties to be compared with.	Accounts payable RMB (6,406)	(3.24)%	Note

Note: Transactions are eliminated when the consolidated financial statements are prepared.

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Receivables from Related Parties of at Least NT$ 100 Million or 20% of the Paid-in Capital

As of December 31, 2017

Table 10

(In Thousands of US Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Ratio	Overdue		Amount Received in Subsequent Periods	Allowance for Doubtful Debts
					Amount	Action Taken		
Piotek Computer (Suzhou) Co., Ltd.	Pegatron Corporation	Parent company	USD 10,954 (Note)	4.18	$-	-	$-	$-
Kinsus Interconnect Technology Suzhou Corp.	Kinsus Interconnect Technology Corp.	Parent company	USD 6,787 (Note.Note1)	11.68	$-	-	$-	$-

Note: Accounts receivable

Note1: Transactions are eliminated when the consolidated financial statements are prepared.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Intercompany Relationships and Significant Intercompany Transactions for the Year Ended December 31, 2017

Table 11

Thousands of Foreign Currency / New Taiwan Dollars)

No. (Note 1)	Company Name	Counter-Party	Nature of Relationship (Note 2)	Intercompany Transaction Financial Statement Account	Amount	Terms	Percentage to Consolidated Net Revenue or Total Assets (Note 3)
	Year 2017						
0	Kinsus Interconnect Technology Corp.	Xiang-Shuo (Suzhou) Trading Limited	1	Other receivables	$2,310	-	0.01%
0	Kinsus Interconnect Technology Corp.	Xiang-Shuo (Suzhou) Trading Limited	1	Other income	$4,292	Payment within 60 days from the end of delivery month	0.02%
0	Kinsus Interconnect Technology Corp.	KINSUS CORP. (USA)	1	Accrued expense	$3,402	Payment within 30 days from the end of delivery month by TT	0.01%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	1	Accounts receivable	$27	Payment within 30 days from the end of delivery month	-%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	1	Accounts payable	$201,977	Payment within 30 days from the end of delivery month	0.48%
0	Kinsus Interconnect Technology Corp.	Piotek Computer (Suzhou) Co., Ltd.	1	Other receivables	$1,661	-	-%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	1	Other receivables	$1,797	-	-%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	1	Purchase	$2,271,629	Payment within 30 days from the end of delivery month	10.17%
0	Kinsus Interconnect Technology Corp.	KINSUS CORP. (USA)	1	Commission expense	$40,802	Payment within 60 days from the end of delivery month by TT	0.18%
0	Kinsus Interconnect Technology Corp.	KINSUS CORP. (USA)	1	Travel expense	$115	-	-%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	1	Manufacturing - processing	$289	Payment within 60 days from the end of delivery month	-%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	1	Sales revenue	$62,199	Payment within 30 days from the end of delivery month	0.28%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	1	Other income	$4,177	-	0.02%
0	Kinsus Interconnect Technology Corp.	Piotek Computer (Suzhou) Co., Ltd.	1	Other income	$6,857	-	0.03%
0	Kinsus Interconnect Technology Corp.	PIOTEK (H.K.) TRADING LIMITED	1	Other income	$3,321	-	0.01%
1	Piotek Computer (Suzhou) Co., Ltd.	PIOTEK (H.K.) TRADING LIMITED	3	Sales revenue	USD 13,756	Payment within 60~90 days from the end of delivery month	1.83%
1	Piotek Computer (Suzhou) Co., Ltd.	PIOTEK (H.K.) TRADING LIMITED	3	Accounts receivable	USD 1,925	Payment within 60~90 days from the end of delivery month	0.14%
1	Piotek Computer (Suzhou) Co., Ltd.	Xiang-Shuo (Suzhou) Trading Limited	3	Accounts receivable	USD 295	Payment within 60 days from the end of delivery month	0.02%
1	Piotek Computer (Suzhou) Co., Ltd.	Xiang-Shuo (Suzhou) Trading Limited	3	Other payable	RMB 33	Payment within 60 days from the end of delivery month	-%
1	Piotek Computer (Suzhou) Co., Ltd.	Xiang-Shuo (Suzhou) Trading Limited	3	Sales revenue	USD 4,221	Payment within 60 days from the end of delivery month	0.56%
1	Piotek Computer (Suzhou) Co., Ltd.	Xiang-Shuo (Suzhou) Trading Limited	3	Other income	RMB 145	Payment within 60~90 days from the end of delivery month	-%
1	Piotek Computer (Suzhou) Co., Ltd.	Xiang-Shuo (Suzhou) Trading Limited	3	Other expense	RMB 303	Payment within 60~90 days from the end of delivery month	0.01%
1	Piotek Computer (Suzhou) Co., Ltd.	Kinsus Interconnect Technology Suzhou Corp.	3	Other income	RMB 2,114	Payment within 60~90 days from the end of delivery month	0.04%
1	Piotek Computer (Suzhou) Co., Ltd.	Kinsus Interconnect Technology Suzhou Corp.	3	Account payable	USD 1	Payment within 60~90 days from the end of delivery month	-%
1	Piotek Computer (Suzhou) Co., Ltd.	Kinsus Interconnect Technology Suzhou Corp.	3	Other income	RMB 12	Payment within 60~90 days from the end of delivery month	-%
1	Piotek Computer (Suzhou) Co., Ltd.	Kinsus Interconnect Technology Suzhou Corp.	3	Purchase	USD 6	Payment within 60~90 days from the end of delivery month	-%
2	Xiang-Shuo (Suzhou) Trading Limited	Piotek Computer (Suzhou) Co., Ltd.	3	Sales revenue	RMB 30,736	Payment within 60 days from the end of delivery month	0.63%
2	Xiang-Shuo (Suzhou) Trading Limited	Piotek Computer (Suzhou) Co., Ltd.	3	Accounts receivable	RMB 6,406	Payment within 60 days from the end of delivery month	0.07%
2	Xiang-Shuo (Suzhou) Trading Limited	Kinsus Interconnect Technology Suzhou Corp.	3	Sales revenue	RMB 3,012	Payment within 60 days from the end of delivery month	0.06%
2	Xiang-Shuo (Suzhou) Trading Limited	Kinsus Interconnect Technology Suzhou Corp.	3	Accounts receivable	RMB 823	Payment within 60 days from the end of delivery month	0.01%

Note 1: Transaction information between Parent company and its subsidiaries should be disclosed by codes below:

(1) Parent company is coded "0".

(2) The subsidiaries are coded from "1" in the order presented in the table above.

Note 2: Relationship are divided into the following three types and the types are required to be indicated:

(1) From the parent company to a subsidiary.

(2) From a subsidiary to the parent company.

(3) Between subsidiaries.

Note 3: Regarding the percentage of transaction amount to consolidated operating revenues or total assets, it is computed based on the ending balance to consolidated total assets for balance sheet items; and based on interim accumulated amount to consolidated net revenue for income statement items.