English Translation of Financial Statements and a Report Originally Issued in Chinese

Ticker: 3189

KINSUS INTERCONNECT TECHNOLOGY CORP.
PARENT-COMPANY-ONLY FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
AS OF DECEMBER 31, 2017 AND 2016
AND FOR THE YEARS THEN ENDED

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The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

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Parent-company-only financial statements

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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.

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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.

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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.

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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.

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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

Ernst & Young

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.

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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
AAAA	Cash flows from operating activities:		
A10000	Net income before tax	$617,128	$2,627,932
A20000	Adjustments:		
A20010	Profit or loss not effecting cash flows:		
A20100	Depreciation	2,343,599	2,259,944
A20200	Amortization	23,069	19,197
A20300	Bad debt expense (gain on recovery)	(29,010)	4,289
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
A21200	Interest income	(52,634)	(62,885)
A21900	Cost of share based payment	8,371	-
A22300	Share of profit or loss of subsidiaries, associates and joint ventures	88,187	199,580
A22500	Loss on disposal of property, plant and equipment	4,092	451
A23800	Gain on reversal of impairment loss	(17,100)	17,100
A30000	Changes in operating assets and liabilities:		
A31110	Financial Assets at fair value through profit or loss	1,435,817	695,568
A31130	Notes receivable	1,274	(1,195)
A31150	Accounts receivable	160,235	402,904
A31160	Accounts receivable - related parties	32,776	(11,971)
A31180	Other receivable	86,230	37,350
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

Code	Items	2017	2016
BBBB	Cash flows from investing activities:		
B01800	Acquisition of investment accounted for under equity method	(600,000)	(602,000)
B02700	Acquisition of property, plant and equipment	(5,356,287)	(4,255,307)
B02800	Proceeds from disposal of property, plant and equipment	23	241,776
B03800	Decrease (increase) in refundable deposits	(48)	(1,636)
B04500	Acquisition of intangible assets	(30,657)	(14,536)
BBBB	Net cash provided by (used in) investing activities	(5,986,969)	(4,631,703)
CCCC	Cash flows from financing activities:		
C00100	Increase in (repayment of) short-term loans	986,017	(554,166)
C01600	Increase in long-term loans	870,000	800,000
C01700	Repayment of long-term loans	(298,088)	(303,111)
C03000	Increase in guarantee deposits received	-	2,000
C04500	Payment of cash dividends	(1,336,350)	(1,559,075)
C05100	Treasury stock purchased	32,885	-
CCCC	Net cash provided by (used in) financing activities	254,464	(1,614,352)
EEEE	Net Increase (decrease) in cash and cash equivalents	(1,035,484)	(1,165,453)
E00100	Cash and cash equivalents at beginning of period	9,833,450	10,998,903
E00200	Cash and cash equivalents at end of period	$8,797,966	$9,833,450

(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.

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 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$'000)	As of December 31, 2016 (NT$'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.

Item	For the year ended December 31, 2017 (NT$'000)	For the year ended December 31, 2016 (NT$'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

	As of December 31,			
	2017		2016	
Investee companies	Amount (NT$'000)	Percentage of Ownership	Amount (NT$'000)	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 (NT$'000)	2016 (NT$'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$'000)	For the year ended December 31, 2016 (NT$'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$'000)	For the year ended December 31, 2016 (NT$'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$'000)	For the year ended December 31, 2016 (NT$'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$'000)	2016 (NT$'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 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.

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)

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' 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				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 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)

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	
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 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)	11.68	$-	-	$-	$-

Note: Accounts receivable

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

Kinsus Interconnect Technology Corp.

1. Statement of Cash and Cash Equivalents

As of December 31, 2017

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Petty cash:		$200	1.Exchange Rate
			USD:NTD=29.76 : 1
			JPY:NTD=0.2642 : 1
			GBP:NTD=40.11 : 1
Savings:			EUR:NTD=35.57: 1
Mega International Commercial Bank－LanYa Branch	#00938-6	596,619	2.Cash and Cash equivalents
Shanghai Commercial & Saving Bank－ZhongLi Branch	#01581-8	93,550	were not pledged.
Land Bank of Taiwan－ZhongLi Branch	#34180-5	138,181	3.The amount of bank account
Bank Of Taiwan－BeiTou Branch	#110093-5	152,365	included in others does not exceed
Others		68,558	5% of the account balance.
Foreign currency bank accounts:			
Mega International Commercial Bank－LanYa Branch	#01566-9	271,685	
Bank of Taiwan－BeiTou Branch	#7070888	190,424	
Others		15,843	
Subtotal		1,527,225	
Fixed-term deposits:			
Mega International Commercial Bank－LanYa Branch		4,430,411	
Shanghai Commercial & Saving Bank－ZhongLi Branch		2,495,000	
Bank of Taiwan－BeiTou Branch		145,130	
Land Bank of Taiwan－ZhongLi Branch		200,000	
Subtotal		7,270,541	
Total		$8,797,966	

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

Kinsus Interconnect Technology Corp.

2. Statement of Financial Assets at Fair Value through Profit or Loss

As of December 31, 2017

(In Thousands of New Taiwan Dollars)

Financial Instruments	Shares	Par value(NTD)	Amount	Interest Rates	Acquisition costs	Fair Value		Note
						Unit price(NTD)	Amount	
Money market funds:								
Taishin Ta Chong Money Market Fund	18,812,748	-	$255,796	-	$255,796	14.1226	$265,685	
Taishin 1699 Money Market Fund	15,608,975	-	204,559	-	204,559	13.4470	209,894	
FSITC Money Market Fund	1,168,258	-	200,000	-	200,000	177.3740	207,219	
Mega Diamond Money Market Fund	21,355,432	-	257,509	-	257,509	12.4658	266,212	
Jih Sun Money Market	31,315,952	-	450,000	-	450,000	14.7275	461,206	
Subtotal			1,367,864		1,367,864		1,410,216	
Add: Valuation adjustments of financial assets held for trading					42,352			
Total					1,410,216			

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

Kinsus Interconnect Technology Corp.

3. Statetment of Accounts Receivable, net

As of December 31, 2017

(In Thousands of New Taiwan Dollars)

Client Name	Amount	Note
Client A	$278,280	1.The amount of individual client included in others does not exceed 5% of the account balance.
Client B	282,674	
Client C	144,037	2.Non related parties.
Client D	140,340	
Client E	131,216	
Client F	126,704	
Others	1,313,040	
Subtotal	2,416,291	
Less: allowance for sales returns and discounts	(11,400)	
Less: allowance for doubtful accounts	(22,670)	
Net	$2,382,221	

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

Kinsus Interconnect Technology Corp.

4. Statement of Receivable from Related Parties

As of December 31, 2017

(In Thousands of New Taiwan Dollars)

Related Parties	Amount	Note
AzureWave Technologies Inc.	$125	Sale of goods.
Pegatron Corporation	234	
Kinsus Interconnect Technology Suzhou Corp.	27	
AzureWave Technologies (Shanghai) Inc.	568	
	$954	

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

Kinsus Interconnect Technology Corp.

5. Statement of Other Receivables from Related Parties

As of December 31, 2017

(In Thousands of New Taiwan Dollars)

	Amount	Note
Kinsus Interconnect Technology Suzhou Corp.	$1,797	The other receivables incurred mainly from disposal of fixed assets, tools and spare parts.
Piotek Computer (Suzhou) Co., Ltd.	1,661	
Xiang-Shuo (Suzhou) Trading Limited	2,310	
FuYang Technology Corp.	5,888	
Total	$11,656	

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

Kinsus Interconnect Technology Corp.

6. Statement of Inventories

As of December 31, 2017

(In Thousands of New Taiwan Dollars)

Item	Amount: Cost	Amount: Net Realizable Value	Note
Raw materials	$323,927	$313,795	1.Inventories are valued at lower of cost or net realizable value item by item.
Supplies & parts	34,065	33,603	
Work in progress	943,981	992,788	
Finished goods	571,807	748,712	2.The insurance coverage for inventories was NT$ 1,505,456 thousand as of December 31, 2017.
Merchandises	83,515	89,283	
Subtotal	1,957,295	$2,178,181	
Less: allowance for inventory valuation losses	(701,697)		3.Inventories were not pledged.
Net	$1,255,598		

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

Kinsus Interconnect Technology Corp.

7. Statement of Changes in Long-term Investment Accounted for Under the Equity Method

For the Year ended December 31, 2017

(In Thousands of New Taiwan Dollars)

Investee companies	As of January 1, 2017		Additions		Decrease		As of December 31, 2017			Fair Value/Net assets value		Collateral	Note
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	%	Amount	Unit price (NTD)	Total amount		
KINSUS CORP. (USA)	500,000	$36,663	-	$3,211 (Note1)	-	$-	500,000	100.00%	$39,874	$79.75	$39,874	None	
KINSUS HOLDING (SAMOA) LIMITED	166,308,720	2,526,740	-	-	-	183,300 (Note2)	166,308,720	100.00%	2,343,440	14.09	2,343,440	None	
KINSUS INVESTMENT CO., LTD.	100,000,000	1,214,882	60,000,000	523,167 (Note3)	-	-	160,000,000	100.00%	1,738,049	10.86	1,738,049	None	
Total		$3,778,285		$526,378		$183,300			$4,121,363		$4,121,363		

Note1: Including investment gain recognized under equity method amounted to NT$6,172 thousand and foreign currency statements translation adjustments amounted to NT$2,961 thousand.

Note2: Including investment loss recognized under equity method amounted to NT$128,718 thousand and foreign currency statements translation adjustments amounted to NT$54,582 thousand.

Note3: Including investment gain recognized under equity method amounted to NT$34,359 thousand, foreign currency statements translation adjustments amounted to NT$19,521 thousand, capital increased to NT$600,000 thousa earnings distribution of NT$100,000 thousand, an increase of NT$7,484 thousand due to unapproportionate subscription in affiliate's cash offering, and an increase of NT$845 thousand due to affiliate's employee stock option.

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

Kinsus Interconnect Technology Corp.

8. Statement of Short-term Loan

As of December 31, 2017

(In Thousands of New Taiwan Dollars)

Description	Type	As of December 31, 2017	Contract Period	Interest Rates	Collateral	Note
Mega International Commercial Bank－LanYa Branch	Credit loans	$662,160	2017.11.28-2018.11.27	Note	None	
HSBC－Taipei Branch	Credit loans	1,060,957	2014.01.20-2021.01.20	Note	None	
Standard Chartered Bank-Dunhua Branch	Credit loans	540,000	2017.07.26-2018.07.26	Note	None	
		$2,263,117				

Note: As of December 31, 2017, the interest rate intervals for short-term loans were 0.71%~1.95%.

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

Kinsus Interconnect Technology Corp.

9. Statement of Accounts Payable

As of December 31, 2017

(In Thousands of New Taiwan Dollars)

Vendor Name	Amount	Note
Mitsubishi Corporation	$97,511	1.The amount of individual vendor included in "others" does not exceed 5% of the account balance.
Taiwan Uyemura Co., Ltd.	94,883	
Hitachi Chemical Co. (Hong Kong) Ltd.	91,699	
Panasonic Taiwan Co. Ltd.	88,690	2. All accounts are not related parties.
Jetchem Internationl Co. Ltd.	76,916	
Others	881,718	
Total	$1,331,417	

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

Kinsus Interconnect Technology Corp.

10. Statement of Payables to Related Parties

As of December 31, 2017

(In Thousands of New Taiwan Dollars)

Related Parties	Amount	Note
Kinsus Interconnect Technology Suzhou Corp.	$201,977	Purchase of goods.

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

Kinsus Interconnect Technology Corp.

11. Statement of Other Payables

As of December 31, 2017

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Employee Bonus	$327,954	The amount of individual vendor included in others does not exceed 5% of the account balance.
Accrued Payroll	458,258	
Accrued Manufacturing Overhead－outsourced	117,726	
Accrued Repair And Maintenance Expense	218,045	
Compensation Payable To Directors And Supervisors	4,912	
Accrued Interest Payable	1,739	
Payables On Equipment	727,509	
Accrued Manufacturing Overhead-outsourced－related parties	3,741	
Accrued Commission Expense－related parties	3,402	
Accrued Repair And Maintenance Expense-related parties	452	
Others	428,718	
Total	$2,292,456	
Payables On Equipment		
Shin Wu Machinery Trading Co., Ltd.	192,708	
Chu Yang Technology Engineering Co., Ltd.	46,163	
Guo-Gong Construction Co., Ltd.	42,770	
Others	445,868	
Total	$727,509	

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

Kinsus Interconnect Technology Corp.

12. Statement of Changes in Current Tax Liablities

For the Year ended December 31, 2017

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Balance as of January 1, 2017	$469,126	
Add: Income tax accrual for 2017	192,296	
10% surtax on undistributed earnings	67,241	
Adjustments in respect of current income tax of prior periods	(13,353)	
Less：Income tax payment for 2016	(188,111)	
Interest withheld	(1,982)	
Interim temporary tax payment	(231,532)	
Balance as of December 31, 2017	$293,685	

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

Kinsus Interconnect Technology Corp.

13. Statement of Long-Term Loans

As of December 31, 2017

(In Thousands of New Taiwan Dollars)

Lenders	Description	Year maturity	Interest Rates	Amount	Reimbursement	Collateral
Mega International Commercial Bank－LanYa Branch	Credit loans	2021.09.05	Note	$750,000	A term is defined as every 3 months starting from the initial draw-down date. Grace period is 1 years (4 terms). The rest is repayable in installments of equal amount for 16 terms.	None
Mega International Commercial Bank－LanYa Branch	Credit loans	2022.07.05	Note	870,000	A term is defined as every 3 months starting from the initial draw-down date. Grace period is 1 years (4 terms). The rest is repayable in installments of equal amount for 16 terms.	None
Mega International Commercial Bank－LanYa Branch	Credit loans	2018.08.12	Note	35,712	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.	None
Total				1,655,712		
Less: Current portion of long-term loans				(290,087)		
Non-current portion of long-term loans				$1,365,625		

Note：As of December 31, 2017, the interest rate intervals for long-term loans were 1.022% ~2.3700%

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

Kinsus Interconnect Technology Corp.

14. Statement of Operating Revenues

For the Year ended December 31, 2017

(In Thousands of New Taiwan Dollars)

Item	Quanity	Amount	Note
BGA Substrate	5,675,921 thousands PCS	$13,492,372	
Service revenue		127,888	
Others		2,665,774	
Total net opearating revenues		$16,286,034	

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

Kinsus Interconnect Technology Corp.

15. Statement of Operating Costs

For the Year ended December 31, 2017

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Direct Materials		
Beginning balance	$409,483	
Add: Raw materials purchased	3,411,364	
Less: Ending balance	(323,927)	
Raw materials sold directly	(153,991)	
Transferred to supplies and parts	(21,104)	
Transferred to other accounts	(73,924)	
Direct materials used	3,247,901	
Supplies and parts		
Beginning balance	45,041	
Add: Supplies and parts purchased	1,980,902	
Transferred from direct materials	21,104	
Less: Ending balance	(34,065)	
Supplies and parts sold directly	(11,855)	
Ransferred to other accounts	(2,650)	
Supplies and parts used	1,998,477	
Direct labor	1,318,448	
Manufacturing overhead (Detailed list 29)	4,990,974	
Manufacturing cost	11,555,800	
Add: Work in process, beginning balance	545,529	
Less: Work in process, ending balance	(943,981)	
Transferred from other accounts	(2,048)	
Cost of finished goods	11,155,300	
Add: Finished goods, beginning balance	473,807	
Less: Finished goods, ending balance	(571,807)	
Transferred to other accounts	(2,186,234)	
Cost of goods sold at normal production level	8,871,066	
Merchandise cost		
Beginning balance	54,921	
Add: Merchandise purchased	2,344,656	
Less: Ending balance	(83,515)	
Transferred to other accounts	(4,441)	
Cost of merchandise sold	2,311,621	
Cost of raw materials sold directly	153,991	
Cost of supplies and parts sold directly	11,855	
Loss from inventory valuation	491,174	
Loss from inventory scrapped	1,664,988	
Gain from inventory physical taking	21,227	
Revenue from sale of scraps	(317,861)	
Total	$13,208,061	

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

Kinsus Interconnect Technology Corp.

16. Statement of Manufacting Overhead

For the Year ended December 31, 2017

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Indirect labor	$723,278	
Employee compensation	65,059	
Repair and maintenance	759,384	
Utilities	765,015	
Manufacturing overhead－outsourced	313,600	
Depreciation	1,794,086	
Others	570,552	
Total	$4,990,974	

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

Kinsus Interconnect Technology Corp.

17. Statement of Selling

For the Year ended December 31, 2017

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Salaries and wages	$55,445	
Employee compensation	1,936	
Travelling	20,149	
Shipping	19,399	
Depreciation	16	
Sample fee	25,502	
Commission expenses	82,835	
Import fee	20,702	
Others	121,310	
Total	$347,294	

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

Kinsus Interconnect Technology Corp.

18. Statement of General and Administrative

For the Year ended December 31, 2017

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Salaries and wages	$217,007	
Employee compensation	7,350	
Remuneration of directors and supervisors	4,912	
Utilities	62,695	
Depreciation	517,353	
Amortization	23,069	
Miscellaneous purchase	85,859	
Others	328,246	
Total	$1,246,491	

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

Kinsus Interconnect Technology Corp.

19. Statement of Research and Development

For the Year ended December 31, 2017

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Salaries and wages	$172,459	
Employee compensation	6,348	
Depreciation	32,144	
Materials utilized for testing	571,881	
Testing	147,245	
Others	54,175	
Total	$984,252	

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

Kinsus Interconnect Technology Corp.

20. Statement of Non-Operaring Incomes and Expenses

For the Year ended December 31, 2017

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Other incomes			
	Interest income	$52,634	
	Rent revenue	40,263	
	Gain on reversal of bad debts	29,010	
	Other income－others	77,175	
Total		$199,082	
Other gains and losses			
	Loss on disposal of property, plant and equipment	$(4,092)	
	Foreign exchange gains, net	28,247	
	Gain on financial assets at fair value through profit	6,700	
	Gain on reversal of impairment loss on property, plant and equipment	17,100	
	Other expenses	(2,580)	
Total		$45,375	
Finance costs			
	Interest on borrowings from banks	$39,078	
Share of profit or loss of subsidiaries, associates and joint ventures			
	Investment losses	$88,187	