Stock Code: 6187

All Ring Tech Co., Ltd.

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2017 Annual Report

This annual report is available at

http://mops.twse.com.tw/mops/web/index and http://www.allring-tech.com.tw/

Information declaration website designated by the Securities and Futures Bureau: Same as above

Annual report disclosure website: Same as above

Published on May 15, 2018

1. Spokesperson of All Ring Tech Co., Ltd.
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Title: Vice President
Tel: (07) 607-1828
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2. Deputy Spokesperson of All Ring Tech Co., Ltd.
Name: Hsiao-Mei Wang
Title: Associate Manager
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3. Address and Contact of the Headquarter and Branches
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Tel: (07) 607-1828

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5. Financial Report Certificated Public Accountants (CPAs) of Recent Year
Name: Tsi-Yu Lin, Tsi-Meng Liu
Firm Name: PricewaterhouseCoopers (PwC) Taiwan
Address: 12F, No. 395, Sec. 1, Linsen Rd., East Dist., Tainan City
Website: www.pwc.com.tw
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6. Name and Address of Overseas Securities Trading Agencies and Inquiry Method for Overseas Securities: None

7. Company Website: http://www.allring-tech.com.tw/

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VIII. Special Notes

I. Letter to Shareholders

Business Report

Dear shareholders,

Thank you for taking time from your busy schedule to attend the Company's regular meeting of shareholders today so that we can report to you on the operating performance for the past year and our future outlook. I would like to sincerely welcome you on behalf of All Ring Tech Co., Ltd.

We hereby report the operating performance for the past year and the future outlook of All Ring Tech Co., Ltd. and its subsidiaries:

1. 2017 Annual Business Report

(1) Implementation results of business plan

The consolidated net operating revenue and net profit after tax in 2017 of the Company and its subsidiaries total NT$1,866,853 thousand and NT$303,196 thousand respectively. The consolidated net operating revenue decreased by 11.63％ compared to the 2016 net operating revenue of NT$2,112,459 thousand, while the net profit after tax decreased by 15.07% compared to the 2016 net profit after tax of NT$ 357,016 thousand.

(2) Budget Execution: All Ring Tech Co., Ltd. and its subsidiaries did not release financial forecasts for 2017, so no budget achievement needs reporting.

(3) Analysis of Financial Revenue/Expenditure and Profitability

Expressed in Thousands of New Taiwan Dollars

Item/Year		2017	2016
Financial revenue and expenditure	Interest income	5,510	2,763
	Interest paid	1,006	1,546
Profitability	Return on assets (ROA) (%)	12.03	15.21
	Return on shareholders' equity (%)	16.46	20.16
	Operating profit to paid-in capital ratio (%)	48.04	52.32
	Net profit before to paid-in capital ratio (%)	42.78	50.60
	Net profit margin (%)	16.24	16.90
	Basic earnings per share (NTD) (after retrospective adjustment)	3.60	4.21

(4) Research and Development (R&D) Status

The R&D results in 2017 are listed below: Please see pages 77 and 78 for details.

2. Business Outlook for 2018

(1) Business Policy

A. Customer-oriented. Strive to meet the customer's needs.

B. Focus on R&D and marketing.

C. Make full use of external resources and expand the scale of operations.

D. Research, development and innovation. Aim for excellence.

(2) Expected Sales Volume and Its Basis

All Ring Tech Co., Ltd. and its subsidiaries expect the sales volume to increase over 2017 and benefit the Company, after considering changes in the overall economic environment, industrial trends, and the Company's development.

(3) Important Production and Sales Policies

In addition to maintaining current customers, with our future operating key strategy we will strive to seek new customers. Other key strategies include focusing on research and development, and improving customer satisfaction, in order to maintain the highest market share in the industrial equipment market, and achieve better operating performance.

(4) Future Development Strategy

As a leading supplier in the semiconductor and passive-device industries, we will keep upgrading our current products and offer better service to meet customers' needs. To supply process equipment to energy-saving related industries, we will continue to develop new machines at customers' request.

(5) Impacts of External Competition, Government Regulations and Overall Business Environment

In such a competitive environment as we are in, there is no better way to maintain long-term competitive advantages than prioritizing customers' needs. Under its entrepreneurial belief, "Creation, Service, Speed, Saving, Harmony, Confidence" and the spirit of "focusing and outstanding", All Ring Tech Co., Ltd. will continue to develop core technologies, follow the market trend, and comply with government-backed domestic equipment promotion, with a goal to boost customers' competency with inexpensive production facilities and hopefully create a mutual win-win benefit.

We wish all shareholders good health and all the best!

Sincerely,

Ching-Lai Lu
Chairman of the Board

June 14, 2018

II. Company Overview

1. Date of Establishment: May 24, 1996

2. Company History:

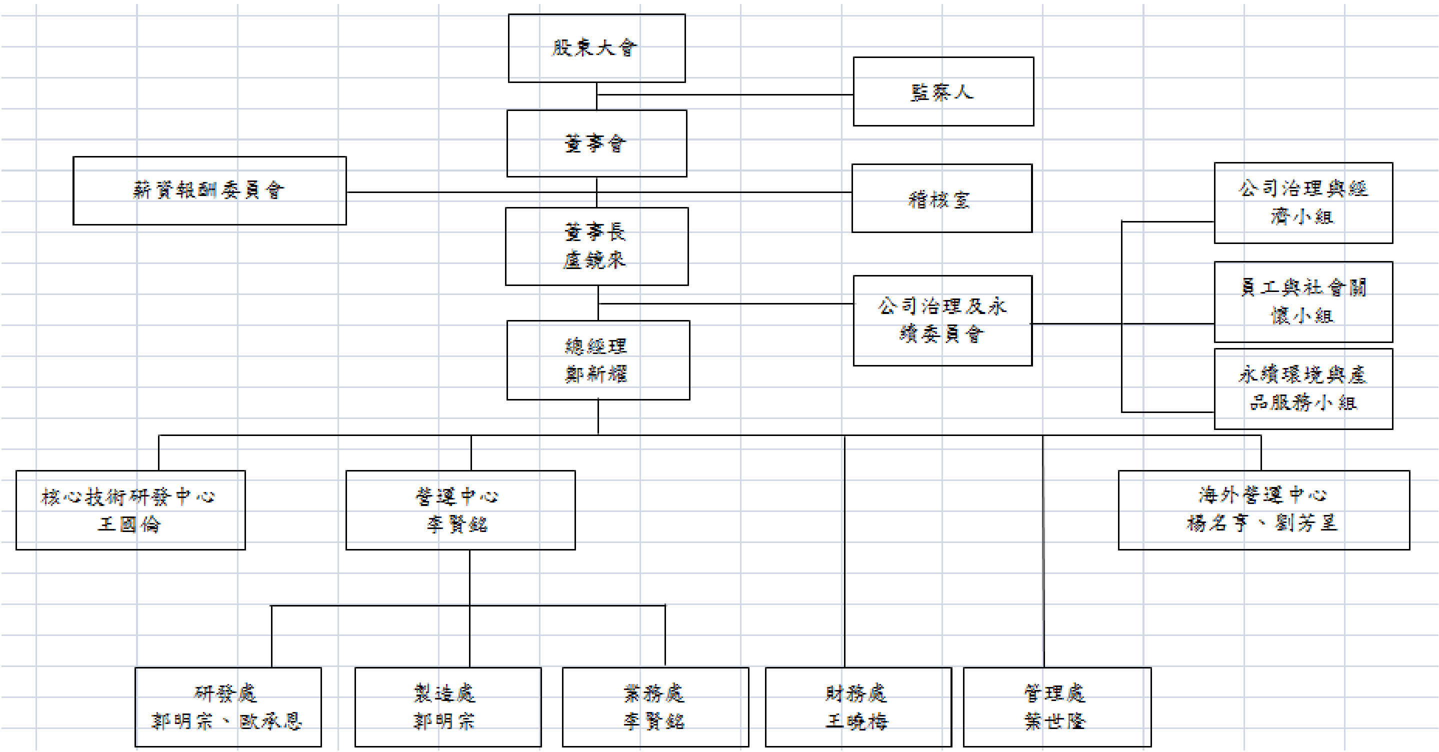
May 1996	**All Ring Tech Co., Ltd. was established with a capital of NT$10 million. Its main businesses included engineering design for automated machineries, processing and manufacturing, assembly, and computer software development and design.**
April 1997	**The Company successfully developed the automatic multilayer capacitance and inductance cutting machine (RK-C40).**
March 1998	**The Company received the Automated Engineering Services Institution Registration Certificate from the Industrial Development Bureau, Ministry of Economic Affairs.**
August 1998	**The Company successfully developed the dry cutting machine (RK-C60).**
December 1998	**The Company successfully developed the inductance tester (RK-T50).**
May 1999	**The Company purchased land, building and plants at Yenchao Township, Kaohsiung County.**
August 2000	**The Company successfully developed the swash plate inductance tester (RK-T50).**
	The Company organized a cash capital increase of NT$80 million and converted NT$11.2 million in earnings to capital and increased its capital to NT$131.2 million.
	The Company received ISO 9001 from SGS Taiwan (SGS).
October 2000	**The Company received approval from the Securities and Futures Bureau and became a public company.**
December 2000	**The Company invested in Pai Fu International Limited.**
December 2000	**The Company invested in Zhixin Information Co., Ltd.**
February 2001	**The Company successfully developed the automated assembly system for radiators (RK-H1000) and the glue dispenser (RK-DU01).**
June 2001	**The Company converted a total of NT$72,970,780 in earnings and employee bonuses to capital and increased the capital to NT$204,170,780.**
August 2001	**The Company was ranked second in the top 100 fastest-growing backbone firms by the CommonWealth magazine.**
October 2001	**The Company was awarded in the 8th Innovation and Research Award and the 4th Rising Star Award by the Small and Medium Enterprise Administration of the Ministry of Economic Affairs for the chip capacitance tester.**
November 2001	**All Ring Tech entered technical collaboration with Zhixin Information and successfully developed a digital telescopic camera.**
December 2001	**The Company was registered as an "emerging stock" on the Gre Tai Securities Market.**
May 2002	**All Ring Tech's investment in the Luzhu Plant in Southern Taiwan Science Park was approved.**
	The Company successfully developed the chip implantation machine (RK-ICM2000).
June 2002	**The Company received approval from the Securities and Futures Bureau and was listed on the OTC.**
July 2002	**The Company converted a total of NT$55,829,220 in earnings and employee bonuses to capital and increased the capital to NT$260 million.**
November 2002	**The Company successfully developed the ball mounter (RK-IB600R).**
July 2003	**The Company converted a total of NT$69 million in earnings and employee bonuses to capital and increased the capital to NT$320 million.**
	The Company received the 2003 Outstanding Photonics Product Award from the Photonics Industry & Technology Development Association.
January 2004	**All Ring Tech became the first company to begin operations in Luzhu Science Park.**
July 2004	**The Company invested in Egiga Source Technology Co., Ltd.**
August 2004	**The Company converted a total of NT$41,333,110 in earnings and employee bonuses to capital and increased the capital to NT$437,255,580.**
October 2004	**The Company successfully developed the PCBI IN LINE TFT manufacturing equipment.**
April 2005	**The Company successfully developed the wafer crystallite screening machine and received subsidies from Southern Taiwan Science Park.**
June 2005	**The Company successfully developed the glue spreader.**
August 2005	**The Company converted a total of NT$55 million in earnings and employee bonuses to capital and increased the capital to NT$518,879,390.**
November 2005	**The Company invested in Laser Med. Technology Co., Ltd.**
October 2006	**The Company was awarded in the 15th edition of the National Award of Outstanding Small and Medium Enterprises by the Small and Medium Enterprise Administration of the Ministry of Economic Affairs.**
October 2006	**The Company successfully developed the dual-track voltage dependent resistor testing machine.**
May 2007	**The Company successfully developed the FPD laser repair machine (including lighting functions).**
May 2007	**The Company successfully developed the inductance coil winding machine.**
May 2007	**The Company introduced Taiwan Intellectual Property Management System (TIPS).**
December 2007	**The Company successfully developed the 12-inch wafer screening machine.**
August 2008	**The Company successfully developed the LED test and packaging machine.**

August 2008	The Company converted a total of NT$34,927,500 in earnings and employee bonuses to capital and increased the capital to NT$579,909,750.
September 2008	The Company successfully developed the light testing machine.
November 2008	The Company was awarded the Taiwan Intellectual Property Management System (TIPS) certification by the Industrial Development Bureau of the Ministry of Economic Affairs.
November 2008	The Company successfully developed the section examination machine.
February 2009	The Company was ranked 66th among companies that generated the most profits for shareholders by the Global Views magazine.
February 2009	The Company successfully developed the LED test and screening machine.
February 2009	The Company successfully developed the rotary electroplating machine.
December 2009	The Company established the robotic R&D center.
January 2010	The Company established the All Ring Tech Charity and Welfare Foundation.
November 2010	The Company invested in All Ring Tech (Kunshan) Co., Ltd. through its subsidiary company IMAGINE and purchased plants in Kunshan, China.
June 2011	The Company invested and established the subsidiary company Uni-Ring Tech. Co., Ltd.
October 2011	The Company passed onsite inspections by the Kaohsiung Customs Office.
September 2012	Uni-Ring Tech successfully developed and shipped the floor sweeping machine.
December 2012	All Ring Tech began promoting CSR.
September 2013	The Company received two stars in the Best Companies to Work for Award.
September 2013	The Company was awarded the "Most Successful Machinery Equipment Technology Cooperation Award" by the ASE Group.
March 2015	The Company received the Best Supplier Award from ASE Group.
July 2015	All Ring Tech organized a cash capital increase of NT$222 million and increased the capital to
March 2016	NT$863,679,020.
March 2017	The Company received the Best Supplier Award from ASE Group.
	The Company received the Best Supplier Award from ASE Group.
April 2017	
May 2017	The Company was awarded the Excellent Workplace Award by the Southern Taiwan Science Park.
June 2017	The Company was ranked 37th for "growth", "profitability", and "highest profitability" in the
October 2017	Commonwealth magazine's evaluation.
March 2018	The Company was ranked among the top 50 OTC companies in average employee welfare funding in 2016.
	The Company received the Authorized Economic Operator (AEO) certificate from the Customs Administration.
	The Company received the Best Supplier Award from ASE Group.

III. Corporate Governance Report

1. Organization

(1) Organization structure



(2) Responsibilities and functions of major departments

<table>
<tr><th colspan="2">Unit</th><th>Functions</th></tr>
<tr><td colspan="2">Auditing Office</td><td>It is responsible for internal audits and the effective operations of the internal control system as well as strict compliance with regulations and related standards and providing improvement recommendations.</td></tr>
<tr><td>Administration Division</td><td>Information Management Office</td><td>The Office is responsible for general administration, human resources, and computer system software and hardware planning and management. It is also responsible for the design and modification of programs based on institutional procedures and maintaining the normal functions of computers.</td></tr>
<tr><td colspan="2">Finance Division</td><td>It is responsible for the Company's finances, accounting, and shareholder services.</td></tr>
<tr><td colspan="2">Sales and Marketing Division</td><td>It is responsible for evaluating and expanding the semiconductor, passive components, automated LED equipment markets, formulating plans, sales, customer credit investigation, payment collection, and after-sales services.</td></tr>
<tr><td colspan="2">Manufacturing Division</td><td>It is responsible for the production of semiconductors, passive components, automated LED equipment, after-sales services, quality inspections, control and management, procurement of raw materials, and warehouse management.</td></tr>
</table>

Unit	Functions
R&D Division	**It is responsible for the design and development of the machinery, electronic control, software and hardware of semiconductors, passive components, automated LED equipment as well as the design and development of the machinery, electronic control, software and hardware of new products.**
Corporate Governance and Sustainability Committee	**The Board of Directors approved Vice President Chien-De Li's role as promoter of corporate governance and corporate social responsibility on May 4, 2018. He shall ensure the advancement and implementation of overall work based on the responsibilities and work scope of each unit and report the implementation status to the Board of Directors regularly.**

2. Information on Directors, Supervisors, President, Vice Presidents, Assistant Vice Presidents, and Heads of Departments and Branches

(1) Directors and Supervisors

Unit: thousand shares; April 15, 2018

Title	Name	Nationality or Place of Registration	Gender	First-time Elected Date	Elected Date	Term	Shares Held When Elected		Shares Currently Held		Shares Held by Spouse and Minors		Shares Held in the Name of Other Persons		Education and Work Experience	Current Position in the Company and/or Other Companies	Other officers, directors or supervisors who are spouses or relatives within the second degree of kinship		
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship
Chairman	Ching-Lai Lu	Taiwan	Male	1996.05.27	2017.06.15	3 years	3,757	4.46	3,757	4.46	299	0.35	7,312	8.68	EMBA, National Cheng Kung University Philips Chien Yuan Electronics	Director of Pai Fu Co. and Chairman of Uni-Ring Tech. Co., Ltd.	Representative Director	Yu-Ru Chong	Spouse
Director	Hsin-Yao Cheng	Taiwan	Male	2005.06.07	2017.06.15	3 years	504	0.60	504	0.60	1	-	-	-	Graduated from Cheng Shiu Junior College of Technology E&R Engineering Corporation	(Note 1)	-	-	-
Director	Fengqiao Investment Co., Ltd.	Taiwan	-	2010.05.12	2017.06.15	3 years	7,226	8.58	7,312	8.68	-	-	-	-	-	-	-	-	-
Representative Director	Yu-Ru Chong	Taiwan	Female	2017.06.15	2017.06.15	3 years	299	0.35	299	0.35	-	-	-	-	Graduated from National University of Tainan Person in charge of Fengqiao Investment	Person in charge of Fengqiao Investment	Chairman	Ching-Lai Lu	Spouse
Director	Hanlin Construction Co., Ltd.	Taiwan	-	2017.06.15	2017.06.15	3 years	775	0.92	775	0.92	-	-	-	-	-	-	-	-	-
Representative Director	Ching-Han Chiu Huang	Taiwan	Male	2017.06.15	2017.06.15	3 years	-	-	-	-	-	-	-	-	Linyuan Junior High School Person in charge of Hanlin Construction	Person in charge of Hanlin Construction	-	-	-
Director	Chien-Chang Chen	Taiwan	Male	2011.06.22	2017.06.15	3 years	2,732	3.24	2,732	3.24	-	-	-	-	Sanji High School Person in charge of Fu-Du Building & Construction Co., Ltd.	Director of Fu-Du Building & Construction Co., Ltd.	-	-	-
Director	Chin-Po	Taiwan	Male	2002.05.27	2017.06.15	3	-	-	-	-	-	-	-	-	Graduated from National	Person in charge of	-	-	-

Title	Name	Nationality or Place of Registration	Gender	First-time Elected Date	Elected Date	Term	Shares Held When Elected		Shares Currently Held		Shares Held by Spouse and Minors		Shares Held in the Name of Other Persons		Education and Work Experience	Current Position in the Company and/or Other Companies	Other officers, directors or supervisors who are spouses or relatives within the second degree of kinship		
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship
(Independent)	Wang					years									Chiao Tung University Person in charge of Shintron	Shintron Enterprise			

Title	Name	Nationality or Place of Registration	Gender	First-time Elected Date	Elected Date	Term	Shares Held When Elected		Shares Currently Held		Shares Held by Spouse and Minors		Shares Held in the Name of Other Persons		Education and Work Experience	Current Position in the Company and/or Other Companies	Other officers, directors or supervisors who are spouses or relatives within the second degree of kinship		
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship
Director (Independent)	Huan-Ming Chou	Taiwan	Male	2010.05.12	2017.06.15	3 years	-	-	-	-	-	-	-	-	PhD in Mechanical Engineering, National Cheng Kung University Dean of College of Engineering, Kun Shan University	Dean of College of Engineering, Kun Shan University	-	-	-

Title	Name	Nationality or Place of Registration	Gender	First-time Elected Date	Elected Date	Term	Shares Held When Elected		Shares Currently Held		Shares Held by Spouse and Minors		Shares Held in the Name of Other Persons		Education and Work Experience	Current Position in the Company and/or Other Companies	Other officers, directors or supervisors who are spouses or relatives within the second degree of kinship		
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship
Supervisor	Hong-Ren Lin	Taiwan	Male	2002.05.27	2017.06.15	3 years	1,552	1.84	1,552	1.84	70	0.08	-	-	Graduated from Tatung University Person in charge of Jie Kuen Enterprise Inc.	Person in charge of Jie Kuen Enterprise Inc.	-	-	-
Supervisor	Kuo-Cheng Wu	Taiwan	Male	2017.06.15	2017.06.15	3 years	750	0.89	696	0.83	255	0.30	-	-	M.S. from Department of Electronics Engineering, National Chiao Tung University Person in Charge of Sysnix Co., Ltd.	Person in Charge of Sysnix Co., Ltd.	-	-	-
Supervisor	Jincheng Investment Co., Ltd.	Taiwan	-	2017.06.15	2017.06.15	3 years	2,005	2.38	2,005	2.38	-	-	-	-	-	-	-	-	-
Representative of Supervisor	Ching-Hsu Tsai	Taiwan	Male	106.06.15	106.06.15	3 years	-	-	-	-	-	-	-	-	Graduated from the Department of Electrical Engineering, Cheng Shiu University Person in charge of Jincheng Investment	Person in charge of Jincheng Investment	-	-	-

Note 1: The Company's President, Director of Kunshan Wanrun Electronic Technology Co., Ltd., Director of Imagine Group Limited, and Director of All Ring Tech (Kunshan) Co., Ltd.

B. Major Shareholders of Corporate Shareholders:

April 15, 2018

Name of Corporate Shareholder	Major Shareholders of Corporate Shareholders
Fengqiao Investment Co., Ltd.	Yu-Ru Chong (50.65%) and Ching-Lai Lu (40.39%)
Jincheng Investment Co., Ltd.	Ching-Hsu Tsai (41.56%)
Hanlin Construction Co., Ltd.	Ching-Han Chiu Huang (8.00%)

C. Substantial Shareholders of Corporate Shareholders: Not Applicable.

D. Information on Directors and Supervisors

April 15, 2018

Criteria / Name	Whether directors have five or more years of work experience and the following professional qualifications			Compliant to the requirements of independence										Number of Positions as an Independent Director in Other Public Companies
	Instructor or Above in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	Currently serving as a judge, prosecutor, lawyer, accountant or other professional or technical staffs who have been certified by national examinations and licensed by the competent authorities	Work experience necessary for business administration, legal affairs, finance, accounting, or business sector of the Company	1	2	3	4	5	6	7	8	9	10	
Ching-Lai Lu			✓				✓		✓	✓		✓	✓	-
Hsin-Yao Cheng			✓				✓	✓	✓	✓	✓	✓	✓	-
Ching-Han Chiu Huang (Note 1)			✓	✓		✓	✓	✓	✓	✓	✓	✓		-
Chien-Chang Chen			✓	✓			✓	✓	✓	✓	✓	✓	✓	-

Criteria / Name	Whether directors have five or more years of work experience and the following professional qualifications			Compliant to the requirements of independence										Number of Positions as an Independent Director in Other Public Companies
	Instructor or Above in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	Currently serving as a judge, prosecutor, lawyer, accountant or other professional or technical staffs who have been certified by national examinations and licensed by the competent authorities	Work experience necessary for business administration, legal affairs, finance, accounting, or business sector of the Company	1	2	3	4	5	6	7	8	9	10	
Yu-Ru Chong (Note 2)			✓					✓	✓	✓		✓		-
Chin-Po Wang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Huan-Ming Chou	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Hong-Ren Lin			✓	✓			✓	✓		✓	✓	✓	✓	-
Kuo-Cheng Wu			✓	✓			✓	✓	✓	✓	✓	✓	✓	-
Ching-Hsu Tsai (Note 3)			✓	✓		✓	✓	✓	✓	✓	✓	✓		-

(Note 1): Mr. Ching-Han Chiu Huang is the corporate representative of the Company's corporate director Hanlin Construction Co., Ltd.

(Note 2): Ms. Yu-Ru Chong is the corporate representative of the Company's corporate director Fengqiao Investment Co., Ltd.

(Note 3): Mr. Ching-Hsu Tsai is the corporate representative of the Company's corporate supervisor Jincheng Investment Co., Ltd.

(Note 4): For any director or supervisor who fulfills the relevant condition(s) 2 years before being elected or during the term of office, please provide the "V" sign in the corresponding field.✓

(1) Not employed by the Company or an affiliated company.

(2) Not serving as a director or supervisor of the company or any affiliated business (this does not apply in cases where the person is an independent director of the company, its parent company, or subsidiary where the company holds, directly and indirectly, more than 50% of the voting shares).

(3) Not a natural-person shareholder who holds more than 1% of issued shares or is ranked top 10 in terms of the total quantity of shares held, including the shares held in the name of the person's spouse, minor children, or in the name of others.

(4) Not a spouse, a relative within second-degree kinship or blood relative within fifth-degree kinship of any of the personnel listed in (1) to (3) above.

(5) Not a director, supervisor, or employee of an institutional shareholder that directly holds more than 5% of the total number of issued shares of the Company or is ranked top 5 in terms of quantity of shares held.

(6) Not a director (member of the governing board), supervisor (member of the supervising board), managerial officer, or shareholder holding more than 5% of shares of a specified company or institution that has a financial or business relationship with the Company.

(7) Not a professional individual or owner, partner, director (member of the governing board), supervisor (member of the supervising board), managerial officer, or spouse thereof, of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting, or consultation services to the company or to any affiliated business. However, this excludes members of the Remuneration Committee who have been appointed to exercise duties in accordance with Article 7 of Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.

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

(9) Where none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.

(10) Where the person is not elected in the capacity of the government, a judicial person, or a representative thereof as provided in Article 27 of the Company Act.

(2) Information on the President, Vice Presidents, Associate Managers, and supervisors from each branch and subsidiaries:

Unit: thousand shares; April 15, 2018

Title	Name	Nationality	Gender	Date of Appointment	Shares held		Shares Held by Spouse and Underage Children		Shares Held in the Name of Other Persons		Education and Work Experience	Positions Currently Held in Other Companies	Managers who have spousal or second-degree family relationships within the Company			Employee stock options exercised by managers
					Number of Shares	Percentage of Shares	Number of Shares	Percentage of Shares	Number of Shares	Percentage of Shares			Title	Name	Relationship	
President	Hsin-Yao Cheng	Taiwan	Male	2010.10.01	504	0.60	1	-	-	-	Graduated from Cheng Shiu Junior College of Technology E&R Engineering Corporation	(Note 1)	None	None	None	None
Chief Operating Officer	Hsien-Ming Li	Taiwan	Male	2013.05.09	34	0.04	-	-	-	-	EMBA, National Cheng Kung University Darfon Electronics	None	None	None	None	None
R&D Division Vice President	Ming-Heng Yang	Taiwan	Male	2011.07.01	24	0.03	3	-	-	-	EMBA, National Cheng Kung University Excelsior Technology Inc.	None	None	None	None	None
President's Office Vice President	Chien-De Li	Taiwan	Male	2017.03.16	21	0.02	31	0.04	-	-	MBA from National University (U.S.A.) President Securities Corp.	None	None	None	None	None
R&D Division Associate Manager	Ming-Tsung Kuo	Taiwan	Male	2012.04.05	18	0.02	-	-	-	-	Graduated from National Chiayi Institute of Agriculture Cheing Ming Machinery Co., Ltd.	None	None	None	None	None
R&D Division Associate Manager	Cheng-En Ou	Taiwan	Male	2014.08.07	9	0.01	-	-	-	-	Graduated from Cheng Shiu Junior College of Technology SHT Electronics Taiwan	None	None	None	None	None
Sales and Marketing Division Associate Manager	Fang-Cheng Liu	Taiwan	Male	2012.08.23	-	-	-	-	-	-	Graduated from Oriental Institute of Technology Che Tai International Co., Ltd.	None	None	None	None	None

Title	Name	Nationality	Gender	Date of Appointment	Shares held		Shares Held by Spouse and Underage Children		Shares Held in the Name of Other Persons		Education and Work Experience	Positions Currently Held in Other Companies	Managers who have spousal or second-degree family relationships within the Company			Employee stock options exercised by managers
Finance Division Associate Manager	Hsiao-Mei Wang	Taiwan	Female	2010.10.01	58	0.07	3	-	-	-	Graduated from Chung Yuan Christian University Chien Hsing Accounting Firm	None	None	None	None	None
Administration Division Associate Manager	Shih-Long Yeh	Taiwan	Male	2015.05.12	13	0.02	-	-	-	-	Graduated from National Cheng Kung University PricewaterhouseCoopers	None	None	None	None	None
R&D Division Associate Manager	Kuo-Lun Wang	Taiwan	Male	2016.03.21	-	-	-	-	-	-	Graduated from the Institute of Mechanical Engineering, National Cheng Kung University Contrel Technology Co., Ltd.	None	None	None	None	None
President's Office Associate Manager (Note 2)	Ming-Chieh Tsai	Taiwan	Male	2018.02.27	-	-	-	-	-	-	Graduated from United Engineering Professional School Chengxin Intellectual Property Rights	None	None	None	None	None

Note 1: The Company's President, Director of Kunshan Wanrun Electronic Technology Co., Ltd., Director of Imagine Group Limited, and Director of All Ring Tech (Kunshan) Co., Ltd.

Note 2: Mr. Ming-Chieh Tsai was promoted to Associate Manager on February 27, 2018.

(3) Renumeration paid out to Directors, Supervisors, the President, and Vice Presidents

A. Remuneration for Directors (including Independent Directors)

Unit: 1,000 shares/NT$ 1,000; December 31, 2017

Title	Name	Director Remuneration								Proportion of NIAT after summing up the four items of A, B, C, and D (Note 11)		Remuneration Paid to Concurrent Employees												Proportion of NIAT after summing items A, B, C, D, E, F, and G (Note 11)		(Note 12)
		Base Compensation (A) (Note 2)		Severance Pay and Pension (B)		Director Remuneration (C) (Note 3)		Expenses from Professional Practice (D) (Note 4)				Salaries, Bonuses and Special Allowances (E) (Note 5)		Severance Pay and Pension (F)		Employee Remuneration (G) (Note 6)				Amount of shares that may be purchased through the employee stock warrant (H) (Note 7)		New restricted employee shares acquired (I) (Note 13)				
		The Company	All companies listed in this financial report (Note 8)	The Company	All companies listed in this financial report (Note 8)	The Company	All companies listed in this financial report (Note 8)	The Company	All companies listed in this financial report (Note 8)	The Company	All companies listed in this financial report (Note 8)	The Company	All companies listed in this financial report (Note 8)	The Company	All companies listed in this financial report (Note 8)	The Compa		All companies listed in this financial report (Note 8)		The Company	All companies listed in this financial report (Note 8)	The Company	All companies listed in this financial report (Note 8)	The Company	All companies listed in this financial report (Note 8)	
																Cash	Stock	Cash	Stock							

Chairman	Ching-Lai Lu	-	-	-	-	681	681	48	48	0.24	0.24	1,777	1,777	-	-	-	-	-	-	-	-	-	-	0.83	0.83	-
Director	Hsin-Yao Cheng	-	-	-	-	681	681	48	48	0.24	0.24	3,877	3,877	-	-	501	-	501	-	-	-	-	-	1.68	1.68	-
Director	Chien-Chang Chen	-	-	-	-	235	235	48	48	0.09	0.09	-	-	-	-	-	-	-	-	-	-	-	-	0.09	0.09	-
Director	Fengqiao Investment Co., Ltd.	-	-	-	-	235	235	-	-	0.08	0.08	-	-	-	-	-	-	-	-	-	-	-	-	0.08	0.08	-
Representative Director	Yu-Ru Chong (Note 1)	-	-	-	-	-	-	32	32	0.01	0.01	-	-	-	-	-	-	-	-	-	-	-	-	0.01	0.01	-
Director	Hanlin Construction Co., Ltd.	-	-	-	-	235	235	-	-	0.08	0.08	-	-	-	-	-	-	-	-	-	-	-	-	0.08	0.08	-
Representative Director	Ching-Han Chiu Huang (Note 2)	-	-	-	-	-	-	48	48	0.02	0.02	-	-	-	-	-	-	-	-	-	-	-	-	0.02	0.02	-
Director (Independent)	Chin-Po Wang	-	-	-	-	290	290	72	72	0.12	0.12	-	-	-	-	-	-	-	-	-	-	-	-	0.12	0.12	-
Director (Independent)	Huan-Ming Chou	-	-	-	-	290	290	64	64	0.12	0.12	-	-	-	-	-	-	-	-	-	-	-	-	0.12	0.12	-
Director	Kuo-Cheng Wu (Note 3)	-	-	-	-	-	-	16	16	0.01	0.01	-	-	-	-	-	-	-	-	-	-	-	-	0.01	0.01	None

(Note 1): Ms. Yu-Ru Chong is the corporate representative of the Company's corporate director Fengqiao Investment Co., Ltd.
(Note 2): Mr. Ching-Han Chiu Huang is the corporate representative of the Company's corporate director Hanlin Construction Co., Ltd.
(Note 3): Mr. Kuo-Cheng Wu has resigned at the general shareholders meeting on June 15, 2017.

Range of Remuneration

Range of Remuneration Paid to the Directors of the Company	Names of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company (Note 9)	All companies listed in this financial report (Note 10) I	The Company (Note 9)	All companies listed in this financial report (Note 10) J
Less than NT$2,000,000	Ching-Lai Lu, Hsin-Yao Cheng, Chien-Chang Chen, Yu-Ru Chong, Ching-Han Chiu Huang, Chin-Po Wang, Huan-Ming Chou, Kuo-Cheng Wu	Ching-Lai Lu, Hsin-Yao Cheng, Chien-Chang Chen, Yu-Ru Chong, Ching-Han Chiu Huang, Chin-Po Wang, Huan-Ming Chou, Kuo-Cheng Wu	Chien-Chang Chen, Yu-Ru Chong, Ching-Han Chiu Huang, Chin-Po Wang, Huan-Ming Chou, Kuo-Cheng Wu	Chien-Chang Chen, Yu-Ru Chong, Ching-Han Chiu Huang, Chin-Po Wang, Huan-Ming Chou, Kuo-Cheng Wu
NT$2,000,000~NT$4,999,999	-	-	Ching-Lai Lu	Ching-Lai Lu
NT$5,000,000~NT$9,999,999	-	-	Hsin-Yao Cheng	Hsin-Yao Cheng
NT$10,000,000~NT$14,999,999	-	-	-	-
NT$15,000,000~NT$29,999,999	-	-	-	-
NT$30,000,000~NT$49,999,999	-	-	-	-
NT$50,000,000~NT$99,999,999	-	-	-	-
More than NT$100,000,000	-	-	-	-
Total	8	8	8	8

(Note 1): The name of directors shall be listed separately (for corporate shareholders, the name of corporate shareholders and representative shall be listed separately), and the payments shall be disclosed collectively. If a director also serves as a President or vice president, he/she should fill up this form and the (3-1) or (3-2) below.

(Note 2): Remuneration to the Director in the past year (including salary, additional pay, severance pay, bonuses and rewards).

(Note 3): The amount is the proposed remuneration to directors according to the most recent earnings distribution that has been approved by the Board of Directors but has not been submitted to the shareholders meeting.

(Note 4): Business expenses paid out to directors in the most recent year (including transport, special expenses, various allowances, accommodation, vehicles, and provision of physical goods and services). If housing, vehicle or other means of transportation, or personal expense is provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, please note the remuneration paid to such driver. However, such remuneration shall not be included.

(Note 5): Remuneration for directors concurrently holding positions in the company (for positions that include the President, Vice President, other managerial officers, or employees) shall include salaries, job remuneration, severance, bonuses, performance fees, transport fees, special expenses, various subsidies, accommodation, vehicles, and provision of physical items and services. If housing, vehicle or other means of transportation, or personal expense is provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, please note the remuneration paid to such driver. However, such remuneration shall not be included. Any compensations listed under IFRS 2 Share-Based Payment, including issuance of employee stock options, new restricted employee shares and cash capital increase by stock subscription shall

also be included.

(Note 6): For directors concurrently holding positions in the company in the most recent year (including the President, vice presidents, other managerial officers, or employees) and receiving the remuneration (including stock and cash), the employee remuneration paid in the most recent year upon the approval of the Board of Directors shall be disclosed. If such remuneration cannot be estimated, the remuneration to be distributed in the most recent year shall be based on the proportion of the remuneration distributed last year and filled in Table 1-3.

(Note 7): Shares subscribable under employee stock option plan by the director also working as an employee (including the position of President, vice president, other managerial officer and staff) as of the date of report (excluding shares already exercised). This table shall be filled out and the attached Table 15 shall also be filled out.

(Note 8): Total remuneration in various items paid out to the Company's directors by all companies (including this Company) listed in the consolidated statement shall be disclosed.

(Note 9): For the total remuneration in various items paid out to the Company's directors, the name of each director shall be disclosed in the corresponding range of the remuneration.

(Note 10): Total remuneration in various items paid to every director of this Company by all companies (including this Company) listed in the consolidated statement shall be disclosed. The name of the director shall also be disclosed in the proper remuneration range.

(Note 11): The after-tax net profit refers to the after-tax net profit in the most recent fiscal year; for companies that have adopted IFRSs, the after-tax net profit refers to the after-tax net profit in the parent company only or individual financial report in the most recent year.

(Note 12): a. The remuneration the company's director receives from other non-subsidiary companies that this company has invested in shall be disclosed in this column.

b. If the director receives remuneration from investments in other companies that are not subsidiaries of this company, the said remuneration shall be included in Column J in the remuneration range table. The name of the column shall also be changed to "All investments in other companies".

c. Remuneration in this case shall refer to compensation, consideration, employee benefits, and expenses of business execution and other related payments received for being a director, supervisor, or managerial officer of other non-subsidiary companies that this company has invested in.

(Note 13): New shares subscribed under the restrictive employee stock option plan by the Director also working as an employee (including the position of President, vice president, other managerial officer and staff) as of the date of report. This table shall be filled out and the attached Table 15 shall also be filled out.

＊The content of compensation disclosed in this table is derived based on a concept different from the concept of income stipulated in the Income Tax Act. The purpose of the table is for the disclosure of information, instead of taxation.

B. Remuneration for Supervisors

Unit: NT$ 1,000; December 31, 2017

Title	Name	Supervisor Remuneration						Proportion of NIAT after summing items A, B, and C (Note 8)		Compensation Paid to Supervisors from an Invested Company Other than the Company's Subsidiary (Note 9)
		Base Compensation (A) (Note 2)		Compensation (B) (Note 3)		Expenses from Professional Practice (C) (Note 4)				
		The Company	All companies listed in this financial report (Note 5)	The Company	All companies listed in this financial report (Note 5)	The Company	All companies listed in this financial report (Note 5)	The Company	All companies listed in this financial report (Note 5)	
Supervisor	Hong-Ren Lin	-	-	235	235	40	40	0.09	0.09	None
Supervisor	Kuo-Cheng Wu	-	-	235	235	24	24	0.09	0.09	None
Supervisor	Jincheng Investment Co., Ltd.	-	-	235	235	-	-	0.08	0.08	None
Supervisor Representative	Ching-Hsu Tsai (Note 1)	-	-	-	-	32	32	0.01	0.01	None
Supervisor	Wan-Chi Tsai (Note 2)	-	-	-	-	16	16	0.01	0.01	None
Supervisor	Chun-Chieh Chen (Note 2)	-	-	-	-	16	16	0.01	0.01	None

(Note 1): Mr. Ching-Hsu Tsai is the corporate representative of the Company's corporate director Jincheng Investment Co., Ltd.
(Note 2): Mr. Tsai Wanji and Mr. Chun-Chieh Chen has resigned at the general shareholders meeting on June 15, 2017.

Range of Remuneration

<table>
<tr><th rowspan="3">Range of Remuneration Paid to the Supervisors of the Company</th><th colspan="2">Names of Supervisor</th></tr>
<tr><th colspan="2">Total of (A+B+C)</th></tr>
<tr><th>The Company (Note 6)</th><th>All companies listed in this financial report (Note 7) D</th></tr>
<tr><td>Less than NT$2,000,000</td><td>Hong-Ren Lin, Kuo-Cheng Wu, Ching-Hsu Tsai, Wan-Chi Tsai, Chun-Chieh Chen</td><td>Hong-Ren Lin, Kuo-Cheng Wu, Ching-Hsu Tsai, Wan-Chi Tsai, Chun-Chieh Chen</td></tr>
<tr><td>NT$2,000,000~NT$4,999,999</td><td>-</td><td>-</td></tr>
<tr><td>NT$5,000,000~NT$9,999,999</td><td>-</td><td>-</td></tr>
<tr><td>NT$10,000,000~NT$14,999,999</td><td>-</td><td>-</td></tr>
<tr><td>NT$15,000,000~NT$29,999,999</td><td>-</td><td>-</td></tr>
<tr><td>NT$30,000,000~NT$49,999,999</td><td>-</td><td>-</td></tr>
<tr><td>NT$50,000,000~NT$99,999,999</td><td>-</td><td>-</td></tr>
<tr><td>More than NT$100,000,000</td><td>-</td><td>-</td></tr>
<tr><td>Total</td><td>5</td><td>5</td></tr>
</table>

Note 1: The names of Supervisors shall be listed separately (the names and representatives of corporate shareholders shall be listed separately) and the amounts paid shall be disclosed in a summary.

Note 2: Remuneration to supervisors in the past year (including salary, additional pay, severance pay, bonuses and rewards).

Note 3: The amount is the proposed remuneration to supervisors according to the most recent earnings distribution approved by the Board of Directors, but this figure has not yet been submitted to the shareholders meeting.

Note 4: This is business expense of Supervisors in the past year (including transportation allowance, special allowance, stipends, dormitory, and car). If housing, vehicle or other means of transportation, or personal expense is provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, please note the remuneration paid to such driver. However, such remuneration shall not be included.

Note 5: The total pay to the Supervisor from all companies in the consolidated statements (including the Company) shall be disclosed.

Note 6: The name of each Supervisor shall be disclosed in the range of remuneration corresponding to the amount of all the remuneration paid to the supervisors by the company.

Note 7: The names of Supervisors paid by all companies in the consolidated statements (including the Company) shall be disclosed in their respective remuneration range.

Note 8: The after-tax net profit refers to the after-tax net profit in the most recent fiscal year; for companies that have adopted IFRSs, the after-tax net profit refers to the after-tax net profit in the parent company only or individual financial report in the most recent year.

Note 9: a. Remuneration which the company's supervisors receive from other non-subsidiary invested by the Company shall be disclosed in this column.

b. If Supervisors of the Company received remuneration from investees other than subsidiaries of the Company, the remuneration received by Supervisors of the Company from investees other than subsidiaries of the Company shall be included in D column of the Remuneration Range Table and the name of the field shall be changed to "All Reinvestment Enterprises".

c. Remuneration in this case shall refer to compensation, consideration, employee benefits, and expenses of business execution and other related payments received for being a director, supervisor, or managerial officer of other non-subsidiary companies that this company has invested in.

＊The content of compensation disclosed in this table is derived based on a concept different from the concept of income stipulated in the Income Tax Act. The purpose of the table is for the disclosure of information, instead of taxation.

C. Remuneration for the President and Vice Presidents

Unit: 1,000 shares/NT$ 1,000; December 31, 2017

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="2">Salary (A) (Note 2)</th><th colspan="2">Severance Pay and Pension (B) (Note 1)</th><th colspan="2">Bonus and Special Allowance (C) (Note 3)</th><th colspan="4">Profit Sharing-Employee Bonus (D) (Note 4)</th><th colspan="2">Proportion of NIAT after summing the 4 items of A, B, C, and D (%) (Note 9)</th><th colspan="2">Amount of employee stock warrant acquired (Note 5)</th><th colspan="2">Shares obtained through restricted stock award (Note 11)</th><th rowspan="3">Whether or not the person receives remuneration from other non-subsidiary companies that this company has invested in (Note 10)</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">All companies listed in this financial report (Note 6)</th><th rowspan="2">The Company</th><th rowspan="2">All companies listed in this financial report (Note 6)</th><th rowspan="2">The Company</th><th rowspan="2">All companies listed in this financial report (Note 6)</th><th colspan="2">The Company</th><th colspan="2">All companies listed in this financial report (Note 6)</th><th rowspan="2">The Company</th><th rowspan="2">All companies listed in this financial report (Note 6)</th><th rowspan="2">The Company</th><th rowspan="2">All companies listed in this financial report (Note 6)</th><th rowspan="2">The Company</th><th rowspan="2">All companies listed in this financial report (Note 6)</th></tr>
<tr><th>Cash Bonus</th><th>Stock bonus</th><th>Cash Bonus</th><th>Stock bonus</th></tr>
<tr><td>President</td><td>Hsin-Yao Cheng</td><td rowspan="5">9,297</td><td rowspan="5">9,928</td><td rowspan="5">393</td><td rowspan="5">393</td><td rowspan="5">8,103</td><td rowspan="5">8,125</td><td rowspan="5">2,841</td><td rowspan="5">-</td><td rowspan="5">2,841</td><td rowspan="5">-</td><td rowspan="5">6.81</td><td rowspan="5">7.02</td><td rowspan="5">-</td><td rowspan="5">-</td><td rowspan="5">-</td><td rowspan="5">-</td><td rowspan="5">None</td></tr>
<tr><td>Chief Operating Officer</td><td>Hsien-Ming Li</td></tr>
<tr><td>Vice President</td><td>Ming-Heng Yang</td></tr>
<tr><td>Vice President</td><td>Chien-De Li</td></tr>
<tr><td>Vice President (Note 2)</td><td>Cheng-En Ou</td></tr>
</table>

(Note 1): Pension fund refers to the amount set aside as expenses.

(Note 2): Associate Manager Cheng-En Ou was promoted to Vice President on February 27, 2018.

Range of Remuneration

Range of Compensations Paid to Presidents and Vice Presidents	Name of President and Vice Presidents	
	The Company (Note 7)	All companies listed in this financial report (Note 8) E
Less than NT$2,000,000	-	-
NT$2,000,000~NT$4,999,999	Hsin-Yao Cheng, Ming-Heng Yang, Chien-De Li, Cheng-En Ou	Hsin-Yao Cheng, Ming-Heng Yang, Chien-De Li, Cheng-En Ou
NT$5,000,000~NT$9,999,999	Hsien-Ming Li	Hsien-Ming Li
NT$10,000,000~NT$14,999,999	-	-
NT$15,000,000~NT$29,999,999	-	-
NT$30,000,000~NT$49,999,999	-	-
NT$50,000,000~NT$99,999,999	-	-
More than NT$100,000,000	-	-
Total	**5**	**5**

Note 1: The names of President and vice presidents shall be listed separately and the payments shall be disclosed collectively. If a director also serves as a President or vice president, he/she should fill this form and (1-1) or (1-2) above.

Note 2: President and vice presidents' compensations in 2016 (including salary, professional compensation and severance).

Note 3: Compensations of Presidents/vice presidents concurrently holding positions in the company shall include bonuses, performance fees, transport fees, special expenses, various subsidies, accommodation, vehicles, and provision of physical items and services. If housing, vehicle or other means of transportation, or personal expense is provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, please note the remuneration paid to such driver. However, such remuneration shall not be included.

Note 4: The amount is the employee remuneration (including stock bonus and cash bonus) to the President and vice presidents according to the most recent earnings distribution that has been approved by the Board of Directors but has not been submitted to the shareholders meeting. If the proposed profit sharing and bonus cannot be estimated, the proposed distribution amount shall be calculated based on the actual amount distributed in the previous year. The attached Table 1-3 shall also be filled out. Net profit refers to the after-tax net income for the most recent fiscal year; for those that have already adopted the IFRS principles, net profit refers to the after-tax net income in individual or consolidated financial reports for the most recent fiscal year.

Note 5: Shares subscribable under employee stock option plan by the Presidents and Vice Presidents also working as an employee as of the date of report (excluding shares already exercised). This table shall be filled out and the attached Table 15 shall also be filled out.

Note 6: The total pay to the President or Vice Presidents from all companies in the consolidated statements (including the Company) shall be disclosed.

Note 7: The names and remuneration of Presidents and Vice Presidents paid by the Company shall be disclosed in their respective remuneration range.

Note 8: The names of Presidents and Vice Presidents paid by all companies in the consolidated statements (including the Company) shall be disclosed in their respective remuneration range.

Note 9: The after-tax net profit refers to the after-tax net profit in the most recent fiscal year; for companies that have adopted IFRSs, the after-tax net profit refers to the after-tax net profit in the parent company only or individual financial report in the most recent year.

Note 10: a. The amount of remuneration received from investment companies other than subsidiaries by the company's President and vice president shall be stated clearly in this column.

b. If a President or Vice President of the Company received remuneration from investees other than subsidiaries of the Company, the remuneration received by the President or Vice President of the Company from investees other than subsidiaries of the Company shall be included in E column of the Remuneration Range Table and the name of the field shall be changed to "All Reinvestment Enterprises".

c. The remuneration means pay, remuneration, employee bonus and business expense received by the President or Vice President serving as a Director, Supervisor or manager of an investee of the Company other than subsidiaries.

Note 11: New shares subscribed under the restrictive employee stock option plan by the Director also working as an employee (including the position of President, vice president, other managerial officer and staff) as of the date of report. This table shall be filled out and the attached Table 15 shall also be filled out.

＊The content of compensation disclosed in this table is derived based on a concept different from the concept of income stipulated in the Income Tax Act. The purpose of the table is for the disclosure of information, instead of taxation.

D. Names of Managers and the Distribution of Employee Bonus:

Unit: 1,000 shares/NT$ 1,000; December 31, 2017

	Title	Name	Stock	Cash (Note 1)	Total	Total remuneration as a percentage of earnings (%) (Note 2)
Manager	Chairman	Ching-Lai Lu	-	4,907	4,907	1.62
	President	Hsin-Yao Cheng				
	Chief Operating Officer	Hsien-Ming Li				
	Vice President	Ming-Heng Yang				
	Vice President	Chien-De Li				
	Vice President (Note 3)	Cheng-En Ou				
	Associate Manager	Ming-Tsung Kuo				
	Associate Manager	Fang-Cheng Liu				
	Associate Manager	Hsiao-Mei Wang				
	Associate Manager	Shih-Long Yeh				
	Associate Manager	Kuo-Lun Wang				
	Associate Manager (Note 4)	Ming-Chieh Tsai				

Note 1: The 2017 earnings distribution table has not been approved by the general shareholders meeting and the employee remuneration distribution list has not been determined. The proposed distribution amount for this year is calculated based on actual distribution amounts in previous years in accordance with calculations.

Note 2: The net profit after tax ratio is calculated based on the Company's net profit after tax of NT$303,196 thousand in 2017.

Note 3: Associate Manager Cheng-En Ou was promoted to Vice President on February 27, 2018.

Note 4: Mr. Ming-Chieh Tsai was promoted to Associate Manager on February 27, 2018.

E. Comparison and analysis of the total remuneration paid to each of the Company's Directors, Supervisors, Presidents, and Vice Presidents over the past two years by the Company and all companies listed in the consolidated financial statement as a percentage of total NIAT, and descriptions of the policies, standards, and packages for payment of remuneration, the procedures for determining remuneration, and its linkage to business performance and future risk exposure:

(a) Analysis of the total remuneration paid by this company and by all consolidated entities (including this company) for the most recent two fiscal years to the company's Directors, Supervisors, Presidents, and Vice Presidents as a percentage of net income:

Item / Title	Ratio of total remuneration to net income (%)			
	2016		2017	
	The Company	All companies listed in this financial report	The Company	All companies listed in this financial report
Director	2.61	2.61	2.90	2.90
Supervisor	0.29	0.29	0.27	0.27
President and Vice Presidents	4.41	4.50	6.81	7.02

(b) Policies, standards, and packages for payment of remuneration, as well as the procedures for determining remuneration, and its linkage to business performance and future risk exposure:

The director and supervisor remuneration consists mainly of director and supervisor bonuses from the distribution of earnings and it is processed in accordance with Article 16 and 20 of the Company's Articles of Incorporation: All Directors and Supervisors shall be entitled to remuneration determined by the Board of Directors with authorization from the shareholders

meeting. The payment amount shall be based on prevailing rates of the industry regardless of operating profits or losses. The Company shall distribute no less than 3% of the profit for the year as employee remuneration and no more than 3% as director and supervisor remuneration based on the profitability status of the current year which refers to the profits before tax minus the distribution of employee remuneration and director and supervisor remuneration. Employee, director and supervisor remuneration shall be determined by the Board of Directors by a resolution adopted by a majority vote at a meeting attended by over two-thirds of the directors. A report of such distribution must also be presented at the shareholders meeting. Remuneration for the President and Vice Presidents include salary and bonuses based on their title and respective responsibilities. The amount shall be based on prevailing rates in the industry for similar positions and approved by the Remuneration Committee.

The Company's policies, standards, and packages for payment of remuneration, as well as the procedures for determining remuneration, and its linkage to business performance and future risk exposure are mainly based on related provisions in the Company's human resources regulations. The remuneration for directors, supervisors, and employees are appropriated based on the Articles of Incorporation and the proposal is submitted to the Remuneration Committee for review and reported to the shareholders meeting after approval from the Board of Directors. In addition to referencing the Company's overall performance, future business risks of the industry, and development trends, the Company also considers personal performance achievement rates and the level of contribution to the Company's performance to provide a reasonable amount of remuneration. All Ring Tech also reviews the remuneration system based on actual business operations and related laws to maintain a balance between sustainable management and risk management.

3. Implementation of Corporate Governance

(1) Operations of the Board of Directors

The Board met 6 times (A) in 2017. The attendance of Directors and Supervisors was as follows:

Title	Name (Note 1)	Actual attendance in person B	Attendance by Proxy	Actual attendance rate (%) [B/A] (Note 2)	Remarks (Note 3)
Chairman	Ching-Lai Lu	6	0	100.00%	Reappointed
Director	Hsin-Yao Cheng	6	0	100.00%	Reappointed
Director	Chien-Chang Chen	6	0	100.00%	Reappointed
Director	Kuo-Cheng Wu	2	0	100.00%	Outgoing
Director	Representative of Fengqiao Investment Co., Ltd.: Ching-Han Chiu Huang	2	0	100.00%	Outgoing
Director	Representative of Fengqiao Investment Co., Ltd.: Yu-Ru Chong	4	0	100.00%	Newly Appointed
Director	Representative of Hanlin Construction Co., Ltd.: Ching-Han Chiu Huang	4	0	100.00%	Newly Appointed
Independent Director	Chin-Po Wang	6	0	100.00%	Reappointed
Independent Director	Huan-Ming Chou	5	0	83.33%	Reappointed
Other required disclosure: 1. The items included in Article 14-3 of the Securities and Exchange Act and other comments objected or retained by other Independent Directors on record or the resolutions of the Board of Directors in a written statement should indicate the date, period, content of the motion, opinions of all Independent Directors and how the company handles the opinion of the Independent Directors: The Company's Independent Directors did not file objections or qualified opinions. Please refer to page 59-64. 2. Directors abstaining in certain proposals for being a stakeholder, (the name of the Director(s), the content of the proposal, reasons for abstentions and the results of voting counts should be stated): No such occurrences. 3. Targets for Strengthening the Functions of the Board of Directors in the current fiscal year and the most recent fiscal year (e.g., establishing an audit committee and enhancing information transparency) and evaluation of target implementation: (1) The Company has established the Remuneration Committee and amended the rules of procedures for the Board of Directors meetings. (2) The Company has assigned dedicated personnel to disclose items and announce material information in accordance with regulations to ensure that prompt and accurate information is announced on the MOPS. Materials information is also disclosed on the Company's website.					

Note 1: For directors and supervisors who are judicial persons, the name of judicial person shareholders and their representatives shall be disclosed.

Note 2. (1) Where directors or supervisors resign before the end of the year, the "remark" column shall be annotated with the date of resignation. Actual presence (attendance) rate (%) shall be calculated using the number of Directors' Meetings convened and actual presence (attendance) during the term of service.

(2) Where Directors and Supervisors were re-elected before the end of the year, both the incoming and outgoing Directors and Supervisors shall be listed accordingly. The "remark" column shall be annotated to indicate whether the Director or Supervisor was outgoing, incoming, or re-elected as well as the date of re-election. Actual presence (attendance) rate (%) shall be calculated using the number of Directors' Meetings convened and actual presence (attendance) during the term of service.

Note 3: The Company reelected Directors on June 15, 2017 and the Directors took office on June 15, 2017. The Board of Directors convened 2 meetings prior to the election and 4 meetings after the election.

(2) State of operations of the audit committee: Not applicable, as the Company does not have an audit committee.

(3) Supervisors' Participation in Board Meetings

The Board of Directors held 6 meetings (A) in the 2017. Information regarding attendance is provided as follows:

Title	Name	Number of attendance in person (B)	Actual attendance rate (%) [B/A] (Note)	Remarks (Note 2)
Supervisor	Hong-Ren Lin	5	83.33%	Reappointed
Supervisor	Kuo-Cheng Wu	3	75.00%	Newly Appointed
Corporate Supervisor	Representative of Jincheng Investment Co., Ltd.: Ching-Hsu Tsai	4	100.00%	Newly Appointed
Supervisor	Wan-Chi Tsai	2	100.00%	Outgoing
Supervisor	Chun-Chieh Chen	2	100.00%	Outgoing

Other required disclosure:

1. Structure and responsibilities of the Supervisory Board:

(1) Communication between Supervisors, the Company's employees and shareholders:

The Supervisors inspects the Company from time to time and often attends meetings of the Board of Directors, shareholders meetings, and other important company meetings and they maintain smooth communication channels with employees and shareholders.

(2) Communication between the Supervisor and the internal audit manager or CPA:

Supervisors can communicate with the internal audit manager and CPAs with regard the Company's finances, business status, etc. at any time. They can also attend meetings of the Board of Directors and listen to the business reports of the Directors and management and participate in decision making procedures.

2. If the supervisors stated opinions while attending the board meetings, the date and term of the meeting, the contents of the proposals discussed and resolutions passed in the meeting and the Company's actions in response to the opinions of the supervisors shall be provided: No such occurrences.

Note 1: (1) If a Supervisor has resigned before the end of the year, the resignation date must be specified in the remarks section. The actual attendance rate (%) shall be calculated by dividing the number of meetings held during the period by the number of the meetings that the Supervisor has actually attended.

(2) If a Supervisor has been reelected before the end of the year, the names of the new and old Supervisors must be filled in and the resignation, new appointment, second term appointment, or reelection dates shall be specified in the remarks section. Actual attendance rate (%) shall be calculated using the figures for actual attendance during the term of service.

Note 2: The Company reelected Supervisors on June 15, 2017 and the Supervisors took office on June 15, 2017. The Board of Directors convened 2 meetings prior to the election and 4 meetings after the election.

(4) State of Corporate Governance, Deviations in Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the Reasons for the Said Deviations

Assessed Item	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
1. Does the Company stipulate and disclose the Corporate Governance Best Practice Principles according to the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies?	V		The Company has passed the "Corporate Governance Practice Principles" in the meeting of the Board of Directors and uploaded them to the Market Observation Post System (MOPS) and company website.	No deviation
2. The shareholding structure of the Company and shareholders' rights (1) Does the Company establish an internal procedure for handling shareholder proposals, inquiries, disputes, and litigations? Are such matters handled according to the internal procedure?	V		The Company has established the "Rules of Procedure for Shareholders Meetings" and "Corporate Governance Best Practice Principles" and established a spokesperson system in accordance with regulations. The stock affairs unit and stock agency are responsible for processing related affairs and the contact window is disclosed on the Company's website.	No deviation
(2) Does the Company maintain a register of major shareholders with controlling power as well as a register of persons exercising ultimate control over those major shareholders?	V		The Company maintain excellent relations with major shareholders and we have established a stock affairs contact window and assigned professional stock affairs agencies to process related affairs with shareholders to keep abreast of all conditions at all times. The Company also announces the shareholding status of insiders every month to maintain control over the list of main shareholders and ultimate owners.	No deviation
(3) Does the Company establish and enforce risk control and firewall systems with its affiliated businesses?	V		The Company and affiliates operate independently and all entities have established internal control systems and management systems for control and management.	No deviation
(4) Does the Company stipulate internal rules that prohibit company insiders from trading securities using information not disclosed to the market?	V		The Company has established "Procedures for Handling Material Inside Information and Preventing Insider Trading" to regulate all company employees, managers, and Directors, as well as those who have learned of the Company's information based on positions or controlling relations to prevent any insider trading activities. The	No deviation

Assessed Item	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			Company also established the "Ethical Management Procedures for Grievances and Reports" to require employees to uphold the ethical confidentiality principles and established related reporting channels to prevent inappropriate actions.	
3. Organization and responsibilities of the Board of Directors (1)Has a diversity policy been established and implemented for the composition of the Board of Directors?	V		1. The Company established the "Corporate Governance Best Practice Principles" in the 9th meeting of the 8th-term Board of Directors on November 9, 2015. The "Strengthening the Functions of the Board of Directors" section in Chapter 3 of the Principles stipulated a diversity policy. The Company's Articles of Incorporation expressly stipulated a candidate nomination system for Directors and Supervisors. The Company shall evaluate the academic and experience of each candidate and take the opinions of stakeholders into consideration. The Company also abides by the Rules Governing the Election of Directors and Supervisors and the Corporate Governance Best Practice Principles to ensure the diversity and independence of the Directors and Supervisors. 2. The Company's 9th-term Board of Directors has met the requirements in the diversity policy. Please refer to Note 3: 3. The diversity policy on the formation of the Board of Directors is disclosed on the company website and on the Market Observation Post System.	No deviation
(2) In addition to salary and remuneration committee and audit committee established according to law, has the Company voluntarily established other functional committees?	V		The Company's Remuneration Committee is comprised of 3 individuals including 2 Independent Directors who account for more than half of the members.	No deviation

Assessed Item	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	**No**	**Summary**	
(3) Has the company established any rules for evaluating the performance of the Board of Directors and methods for evaluating them? Does the company perform such evaluations every year?	**V**		**The Company has established the "Board of Directors Performance Self-Assessment Regulations" on August 7, 2017. Starting from 2017, the Company issues performance self-assessment questionnaires to all members of the Board of Directors in December to facilitate self-assessments in addition to the overall operations of the Board of Directors. The self-assessment of the performance of the Company's Board of Directors include the following five aspects: 1. Degree of participation in the Company's operations; 2. Improvement in the quality of decision-making by the Board of Directors; 3. Composition and structure of the Board of Directors; 4. Election and continuous development of directors; 5. Internal controls. The criteria for evaluating the performance of board members include at least the following six aspects: 1. Understanding company goals and missions; 2. Understanding of the Company and director duties and functions; 3. Degree of participation in the Company's operation; 4. Management of internal relationship and communication; 5. Professionalism and continuing professional education; 6. Internal control. After the questionnaires are recovered each year, the unit responsible in the Company's Board of Directors analyzes them in accordance with the aforesaid regulations and submit the results to the Board of Directors. It also provides recommendations for improvement for areas that can be**	**No deviation**

<table>
<tr><th rowspan="2">Assessed Item</th><th colspan="3">Implementation Status (Note 1)</th><th rowspan="2">Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons</th></tr>
<tr><th><u>Yes</u></th><th><u>No</u></th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>improved. The aforementioned regulations and assessment results are disclosed on the Company's website.</td><td></td></tr>
<tr><td>(4) Does the Company regularly implement assessments on the independence of CPA?</td><td>V</td><td></td><td>The Company's Finance Division assesses the independence, competency, and professionalism of the CPA once each year. The results were submitted to the meeting of the Board of Director on February 27, 2018 for review and passage. The Finance Division has assessed and concluded that the CPAs Tsi-Meng Liu, Tsi-Yu Lin, and Yong-Chih Lin of PricewaterhouseCoopers have met the Company's criteria for independence, competency, and professionalism (Note 2) and they are qualified to serve as the Company's certifying CPAs. The Company has also obtained their statement of independence.</td><td>No deviation</td></tr>
<tr><td>4. Has the publicly-listed company set up a dedicated unit or appointed designated personnel to handle governance related affairs (including but not limited to supplying information requested by the directors and supervisors, processing company registration and change of registration and preparing minutes of the board meetings and shareholder meetings)?</td><td>V</td><td></td><td>The Board of Directors resolved in the meeting on May 4, 2018 to appoint Vice President Chien-De Li's role as promoter of corporate governance and corporate social responsibility to protect shareholder interests and strengthen the functions of the Board of Directors. Vice President Chien-De Li has accumulated more than three years of work experience in financial management in public companies. The duties of the corporate governance personnel are to provide information required for business execution by Directors and Supervisors, assisting Directors and Supervisors with legal compliance, and handling matters related to Board of Directors' meetings and Shareholders’ meetings.</td><td>No deviation</td></tr>
</table>

Assessed Item	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	**No**	**Summary**	
4. Has the publicly-listed company set up a dedicated unit or appointed designated personnel to handle governance related affairs (including but not limited to supplying information requested by the directors and supervisors, processing company registration and change of registration and preparing minutes of the board meetings and shareholder meetings)?	**V**		**The status of business operations in 2018 was as follows: 1. Assist independent directors and general directors in performing their duties by providing the necessary information and arranging for continuing education for directors: (1)Regularly report the latest revisions and amendments of laws and regulations related to business areas and corporate governance in the Company to the members of the Board of Directors (2) Review the confidentiality level of relevant information and provide company information required by the directors so as to maintain smooth communication and interaction between the Board of Directors and heads of divisions (3) Assist independent directors in arranging meetings with the head of internal audit or CPAs in accordance with the Corporate Governance Best Practice Principles when there is a need for independent directors to meet them in order to understand the Company's financial operations (4) Assist independent directors and general directors in drawing up annual continuing education plan and making arrangements for courses in accordance with the nature of the industry to which the Company belongs and the experience and background of directors 2.Assist in matters related to the proceedings of Board of Directors' meetings and shareholders meetings as well as legal compliance of resolutions: (1) Report the operations of**	**No deviation**

Assessed Item	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	<u>Yes</u>	<u>No</u>	Summary	
			corporate governance at the Company to the Board of Directors, independent directors and the Audit Committee, and confirm whether the convening of shareholders meetings and Board of Directors' meetings comply with relevant laws and regulations, as well as the Corporate Governance Best Practice Principles (2) Assist in and remind directors of the regulations to be complied with when performing their duties or officially voting on resolutions by the Board of Directors, and offer suggestions when the Board of Directors is going to vote on an illegal resolution. (3) Responsible for examining matters related to the release of major messages about the important resolutions approved by the Board of Directors to ensure the legality and accuracy of the content of these major messages, so as to maintain information symmetry during investor trading 3. Maintain investor relations: Arrange for directors to interact and communicate with major shareholders, institutional investors or general shareholders so that investors can obtain sufficient information to evaluate and determine the Company's reasonable market value, and ensure that shareholders' interests are well maintained 4.Draw up the agendas of the Board of Directors and notify directors of the agendas seven days before the meeting, convene meetings and provide meeting information, send out reminders regarding agendas that require recusal of directors and complete	

Assessed Item	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			the minutes of the Board of Directors' meeting twenty days after the meeting. 5. Handle prior registration for shareholders meetings, prepare meeting notices, agenda handbook, meeting minutes within the statutory period, as well as handle registration of changes due to amendment of regulations and re-election of directors	
5. Has the Company set up channels of communication for stakeholders (including but not limited to shareholders, employees, customers and suppliers), dedicated a section of your company's website for stakeholder affairs and adequately responded to stakeholders' inquiries on significant corporate social responsibility issues?	V		The company has established communication channels with stakeholders and announced their contact number and emails in the "Investors" section on the company website that is assessible to anyone.	No deviation
6. Does the Company commission professional shareholder services agency to hold shareholders meetings and other relevant affairs?	V		The Company has appointed President Securities Corp. to process affairs related to shareholders meetings.	No deviation
7. Information Disclosure (1) Did the company establish a website to disclose information on financial operations and corporate governance?	V		The company has established a website in Chinese and English to disclose information regarding the company's financial, business and corporate governance status. Information can also be found on the MOPS or the company website.	No deviation
(2) Did the company adopt other means of information disclosure (such as establishing an English language website, delegating a professional to collect and disclose company information, implement a spokesperson system, and disclosing the process of investor conferences on the company website)?	V		1. The Company has established an English language website and appointed a spokesperson. We also assigned designated personnel to take charge of the collection and disclosure of company information on websites. 2. The Company participates in investor conferences organized by international and domestic investment institutions from time to time and related briefing files in Chinese and English are disclosed on the MOPS and the "Investors" section on the company website.	No deviation

Assessed Item	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance (including but not limited to employee's rights, employee care, investor relations, supplier relations, stakeholders' rights, further studies of directors and supervisors, implementation of risk management policies and measurement standards, implementation of customer policies and purchase of liability insurance for the directors and supervisors of the Company)?	V		Other important information to facilitate better understanding of the Company's corporate governance practices (e.g., employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors): (1) Employee Benefits: The Company values the interests and future development of employees and it has established an employee welfare committee, provided various benefits, encouraged employees to participate in various training programs, and implemented a pension system in accordance with regulations. We have also established management-labor communication channels and a communication mailbox dedicated to employees. The Company has established CSR Best Practice Principles and various policies and plans for customer services, supplier management, and social participation. (2) Caring for Employees: The Company has established a welfare system that provides stability for employees' lives and a sound education and training system to build good relations with employees based on mutual trust and reliance; for example, the Company subsidizes employee club activities, provides cultural entertainment, free	No deviation

Assessed Item	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	**No**	**Summary**	
			annual employee health examinations, parking spaces, and organizes charity running events. (3) Investor relations: The Company has a spokesman and deputy spokesman who are responsible for handling shareholders' suggestions.	
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance (Including but not limited to employee's rights, employee care, investor relations, supplier relations, stakeholders' rights, further studies of directors and supervisors, implementation of risk management policies and measurement standards, implementation of customer policies and purchase of liability insurance for the directors and supervisors of the Company)?	V		(4) Supplier relations: The Company has established supplier management procedures to regulate business relations between suppliers and the Company. We also sign confidentiality agreements to prevent damaging the parties' business reputation and interests and to protect the rights and obligations of both parties. (5) Stakeholder relations: Stakeholders can communicate and make recommendations to All Ring Tech to safeguard their legal rights. (6) Directors and Supervisors' continuous training: The Company's Directors (including Independent Directors) and Supervisors participate in continuous training programs in accordance with regulations. The training hours meet or exceed regulatory requirements and the Company shall continue to arrange appropriate continuous training courses for Directors (including Independent Directors) and Supervisors. The contents of the courses have been announced on the MOPS. (7) Implementation of risk management policies and risk assessment standards: The	No deviation

Assessed Item	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	**No**	**Summary**	
			company has established regulations on important managerial targets and implements them in accordance with regulations. (8)Customer policy implementation status: The Company and its subsidiaries have received ISO 9001 quality assurance system certification and we have assigned dedicated customer service departments to ensure the implementation results of customer policies in overall operations. (9) The Company's purchase of liability insurance for Directors and Supervisors: The company has purchased liability insurance for Directors and Supervisors from Nan Shan Life. The coverage is from January 1, 2018 to December 31, 2018 and the insurance amount is NT$200 million.	
9. Improvements made in the most recent fiscal year in response to the results of corporate governance evaluation conducted by the Corporate Governance Center of the Taiwan Stock Exchange Corporation, and improvement measures and plans for items yet to be improved: The Company has formulated improvement plans for areas in the corporate governance evaluation that were not awarded points. A presentation file was formulated for review to strengthen the Company's corporate governance and increase information transparency. In terms of information transparency, the Company updates the annual reports and disclosure items on the company website and also accept invitations to investor conferences to make company information more transparent and reduce information asymmetry. With regard to the shareholders meeting, the Company adopted the electronic voting system for the first time and passed the amendment to the Articles of Incorporation in the 2017 general shareholders meeting. The Company has fully adopted a candidate nomination system to elect Directors and Supervisors. The Company is also evaluating and discussing the adoption of other benchmark items such as the establishment of a nomination committee.				

Note 1: Provide a brief description in the appropriate column, regardless whether "yes" or "no" is selected.

Note 2: The CPA independence evaluation and performance assessment tables are provided as follows:

Item	Specific Criteria	Assessment Standards	Score	Meet Independence Criteria
Independence Indicators				
1	The CPA does not have direct or indirect significant financial interest in his/her trustor.	5 points for no conflicts of interest and 0 point for existence of such conflicts.	5	Yes
2	The CPA and the trustor does not have any inappropriate relationship.	5 points for no inappropriate relationship and 0 point for existence of such relationship.	5	Yes

Item	Specific Criteria	Assessment Standards	Score	Meet Independence Criteria
Independence Indicators				
3	The CPA may not perform audit and assurance services on the financial statements of companies he/she has served within two (2) years before practicing.	5 points for no violations and 0 point for such violations.	5	Yes
4	The CPA may not permit others to practice under his/her name. (Statement)	5 points for no instances of permitting others to practice under his/her name and 0 point for such violations.	5	Yes
5	The CPA and all members of the audit and service team may not hold shares of the trustor.	5 points for not holding shares and 0 point for holding shares.	5	Yes
6	The CPA may not engage in lending and borrowing of money with the trustor.	5 points for no such occurrences and 0 point for violation.	5	Yes
7	The CPA may not engage in joint investments or benefit sharing with the trustor.	5 points for no such occurrences and 0 point for violation.	5	Yes
8	The CPA may not concurrently serve as a regular employee of the trustor and receive a fixed salary.	5 points for no such occurrences and 0 point for violation.	5	Yes
9	The CPA may not collect any commission related to his/her service.	5 points for no such occurrences and 0 point for violation.	5	Yes
10	Has the CPA's tenure lasted for more than seven consecutive years?	5 points for no such occurrences and 0 point for violation.	5	Yes

Item	Specific Criteria	Assessment Standards	Score	Accomplishment
Performance Indicator				
1	The official financial statements of the previous three quarters have been completed within 45 days into the current quarter or the annual financial statements have been completed within three months of the end of the fiscal year.	5 points for completing the assignment 3 days in advance; 3 points for completion in time; 0 point for failing to meet the specified time.	5	Yes
2	Accuracy in the audit and preparation of the preliminary quarterly and annual statements (excluding changes of company information). (Four major statements)	5 points for less than 2 errors in the statistics of financial statements; 3 points for less than 3 errors; 0 point for more than 3 errors.	5	Yes
3	The CPA has completed the audit of the Company's financial statements for the previous three quarter and completed the preliminary draft.	5 points for less than 30 days for reviewing financial statements for the previous three quarters; 3 points for less than 40 days; 0 point for more than 40 days.	5	Yes
4	The CPA has completed the audit of the Company's annual financial statements and completed the preliminary draft.	5 points for completing the audit within 60 days of the end of the fiscal year; 3 points for completion within 70 days; 0 point for completion after 70 days.	5	Yes
5	The CPA has completed the audit of the Company's annual financial statements and completed the	5 points for completing the audit within 55 days of the end of the fiscal year; 3 points for completion	5	Yes

	preliminary draft.	**within 60 days; 0 point for completion after 60 days.**		
6	**The CPA interacts frequently with the Company's management personnel (internal auditing personnel etc.) and records are kept.**	**5 points for compliance and 0 point for no interactions.**	**5**	**Yes**
7	**The CPA interacts appropriately with the Supervisors in the audit and planning process and before submitting the audit opinions and records are kept.**	**5 points for compliance and 0 point for no interactions.**	**5**	**Yes**
8	**The CPA has provided active recommendations on the Company's institutions and internal inspections and the records are kept.**	**5 points for compliance and 0 point for no interactions.**	**5**	**Yes**
9	**The CPA has actively updated the Company on new taxation and securities supervisory regulations and updated amended IFRS accounting standards.**	**5 points for compliance and 0 point for no updates.**	**5**	**Yes**
10	**Stability of the members and personnel of the audit service team.**	**5 points for compliance and 0 point for instability.**	**5**	**Yes**
11	**Assistance in coordinating communication and coordination with competent authorities.**	**5 points for compliance and 0 point for no.**	**5**	**Yes**
12	**Whether malpractice or irregular activities by company employees have been discovered.**	**5 points for no discovery and 0 point for discovery.**	**5**	**Yes**

Note 3: The board diversity status is indicated in the table below:

Diversification / Name of Director	Gender	Business management	Leadership and decision making	Knowledge of the industry	Finance and accounting	Crisis management	Environmental protection
Ching-Lai Lu	Male	v	v	v		v	v
Hsin-Yao Cheng	Male	v	v	v		v	
Yu-Ru Chong	Female	v	v	v		v	v
Ching-Han Chiu Huang	Male	v	v	v		v	
Chien-Chang Chen	Male	v	v	v		v	
Chin-Po Wang	Male	v	v	v	v	v	
Huan-Ming Chou	Male	v	v	v		v	v

(5) If the company has set up a remuneration committee, its composition, responsibilities and operations should be disclosed

A. Information regarding the members of the Remuneration Committee

Identity status (Note 1)	Criteria / Name	Whether directors have five or more years of work experience and the following professional qualifications			Compliance to independence (Note 2)								Number of Other Public Companies where the Individual Concurrently Serves as a Member of the Remuneration Committee	Remarks
		Currently serving as an instructor or a higher post in a private or public college or university in the field of business, law, finance, accounting, or the business sector of the Company	Currently serving as a judge, prosecutor, lawyer, accountant, or other professional practice or technician that must undergo national examinations and specialized license.	Work experience necessary for business administer, legal affairs, finance, accounting, or business sector of the Company	1	2	3	4	5	6	7	8		
Independent Director	Huan-Ming Chou	✓			✓	✓	✓	✓	✓	✓	✓	✓	-	None
Independent Director	Chin-Po Wang			✓	✓	✓	✓	✓	✓	✓	✓	✓	-	None
Other	Chong-Kuo Tseng			✓	✓	✓	✓	✓	✓	✓	✓	✓	-	None

Note 1: For title, please identify whether the person is a Director, Independent Director or other.

Note 2: Please tick the boxes below (✓) for each criterion if a member meets these conditions within two years prior to being elected and during his/her term of service.

(1) Not employed by the Company or an affiliated company.

(2) Not a director or supervisor of the Company or any of its affiliated companies. This restriction does not apply to independent directors of the Company or its parent company or subsidiaries, which have been appointed in accordance with local laws or laws of the registered country.

(3) Not a natural-person shareholder who holds more than 1% of issued shares or is ranked top 10 in terms of the total quantity of shares held, including the shares held in the name of the person's spouse, minor children, or in the name of others.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the three preceding items.

(5) Not a director, supervisor, or employee of an institutional shareholder that directly holds more than 5% of the total number of issued shares of the Company or is ranked top 5 in terms of quantity of shares held.

(6) Not a director (member of the governing board), supervisor (member of the supervising board), managerial officer, or shareholder holding more than 5% of shares of a specified company or institution that has a financial or business relationship with the Company.

(7) Not a professional individual or owner, partner, director (member of the governing board), supervisor (member of the supervising board), or managerial officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting, or consultation services to the Company or to any affiliated company, or spouse thereof.

(8) Where none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.

B. Operations of the Salary and Remuneration Committee

(a) The Company's Remuneration Committee consists of three (3) members.

(b) Duration of the current term: June 23, 2017 to June 14, 2020. The Remuneration Committee has held three meetings (A) in 2017. The table below shows the qualifications of the committee members and

their attendance:

Title	Name	Number of actual attendance (B)	Attendance by Proxy	Attendance Rate (%) (B / A) (Note)	Remarks
Convener	Huan-Ming Chou	3	0	100.00%	
Committee Member	Chin-Po Wang	3	0	100.00%	
Committee Member	Chong-Kuo Tseng	1	0	33.33%	

Other required disclosure:

1. **If the Board of Directors does not adopt or amend the recommendations made by the Audit Committee, the date and session of the Board of Directors' meeting, resolutions, voting results and handling of opinions of the Remuneration Committee by the Company should be disclosed (if the remuneration approved by the Board of Directors is better than that of the Remuneration Committee, the discrepancies and related reasons should be stated): None.**
2. **If the members of the Remuneration Committee have any dissenting opinion or qualified opinions on the resolutions of the Remuneration Committee, where such opinions are documented or issued through written statements, the date and session of the meeting of the Remuneration Committee, resolutions, all the members' opinions and handling of these opinions should be stated: None.**

Note: (1) Where a member of the Remuneration Committee resigns before the end of the fiscal year, the "remark" column should be filled with the member's resignation date, whereas his/her percentage of attendance in person (%) should be calculated based on the number of meetings held by the Remuneration Committee and the actual number of meetings attended during his/her term of office.

(2) If members of the Remuneration Committee are re-elected before the end of the fiscal year, incoming and outgoing members should be listed accordingly, and the "remark" column should indicate whether the status of a member is "outgoing", "incoming" or "re-elected", and the date of re-election. The actual attendance rate (%) shall be calculated based on the number of meetings held during the member’s term in the compensation committee and the number of actual attendance of this member.

(6) Performance of Corporate Social Responsibility

Assessed Item	Implementation Status (Note 1)			Deviations from "the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary (Note 2)	
1. Implementing corporate governance (1) Has the Company set out corporate social responsibility (CSR) policies and systems and reviewed the effectiveness of CSR actions?	V		1. Implementation of Corporate Governance Practices The Company has established the Corporate Social Responsibility Best Practice Principles with approval from the Board of Directors and we have also established management systems to review the implementation results periodically. In addition, the Company embraces corporate social responsibilities, gives back to society, and has appointed Hua Nan Commercial Bank as the trustee for the establishment of the "All Ring Tech Charity and Welfare Foundation". The Foundation aims to provide social charity and emergency relief activities and implements corporate social responsibilities for the society in accordance with related regulations. Please refer to Note 3 for details on the activities.	No deviation
(2) Has the Company provided regular training on CSR topics?	V		The Company has established the "All Ring Tech Charity and Welfare Foundation" to advance corporate social responsibilities. The Company also educates employees on the performance of the Foundation and the CSR mission and vision. Please refer to Note 3 for details on the activities.	No deviation
(3) Has the Company established an exclusively (or concurrently) dedicated unit for promoting CSR? Is the unit empowered by the Board of Directors to implement CSR activities at upper management levels? Does the unit report the progress of such activities to the Board of Directors?	V		1. The Company has formed a Corporate Governance and Sustainability Committee comprised of the Administration Division, Finance Division, President's Office, Procurement, and Sales units. Vice President Chien-De Li of the President's Office serves as the convener and is responsible for proposing and implementing CSR policies and institutions. The Committee reviews implementation items and makes improvements regularly each year. 2. The Company's Corporate Governance and Sustainability Committee and the "All Ring Tech Charity and Welfare Foundation" work together to advance related CSR affairs and they report implementation results to the Board of Directors every six months. 3. The Company's Corporate Governance and Sustainability Committee periodically reports the implementation results and issues related to stakeholders to the Board of Directors. It	No deviation

Assessed Item	Implementation Status (Note 1)			Deviations from "the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	**No**	**Summary (Note 2)**	
			also compiles written information and submits a report to the Board of Directors after the end of each fiscal year.	
(4) Has the Company established a relevant salary and remuneration policy and combined its employee performance assessment system with CSR policies? Has the Company established a clear reward and penalty system?	V		1. The Company's senior management periodically convenes meetings to discuss and understand the related implementation status of CSR activities and to review and make improvements. The Company educates employees on business ethics from time to time in monthly meetings and integrates related results to employee performance evaluation. 2. The Company has established the Remuneration Committee which comprises of Independent Director who help review related information on salary. The Company has established different performance evaluation systems for each employee based on the nature of their work and we use performance evaluation settings and interviews to uncover the talents and competence of each employee as the basis for performance evaluation. 3. The Company regards the retention of talented individuals as an important human resources strategy. In addition to a guaranteed annual pay of 14 months' salary, the Company also provides employees with performance rewards and employee bonuses based on the performance of operations and the employee's actual contribution. We also have employee incentives such as R&D bonuses and other bonuses for encouraging employees. The Company adjusts employees' salaries within a 5% range each year based on personal performance and company operations. 4. The Company explains the corporate culture, ethical conduct, core values, and CSR to new recruits during onboarding. We also provide different education and training courses for all employees including education seminars on corporate governance and prevention of insider trading to strengthen employees' knowledge and awareness of such subjects. 5. In addition to bonuses, the Company also provides additional benefit policies and an excellent work environment for employees. Please refer to page 46-49 and page 99-101 for details.	No deviation

Assessed Item	Implementation Status (Note 1)			Deviations from "the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary (Note 2)	
2. Developing sustainable environment (1) Is the Company committed to improving usage efficiency of various resources and utilizing renewable resources with reduced environmental impact?	V		2. Developing sustainable environment The Company is committed improve the efficiency in the use of various resources and it strengthens education on the classification of waste in hopes of reusing resources and lowering the impact on the environment. Please refer to pages 96–99 for policies and goals for environmental protection and energy conservation.	No deviation
(2) Has the Company referred to the nature of its industry to establish a suitable environment management system (EMS)?	V		The Company selects substances that do not harm the environment in accordance with the characteristics of the industry and reduces the usage volume of materials to reduce pollution of the environment. We also prevent waste of resources in assembly and maintenance and focus on safe and energy-saving designs. The Company assembles machineries and does not have a production line. We do not emit air or water pollutants. We have also obtained permits from the Environmental Protection Bureau and the Southern Taiwan Science Park Bureau. In addition, the Company appoints professional institutions to measure carbon dioxide emissions and other monitored items each year to maintain environment control measures. The inspection reports and the permits from the Environmental Protection Bureau and the Southern Taiwan Science Park Bureau have been announced on the company website. Therefore, the ISO 14001 standards are not applicable to the Company.	No deviation
(3) Is the Company concerned with changes to the global climate and how it may affect business activities? Has the Company implemented greenhouse gas (GHG) inventory checks and developed strategies for reducing energy consumption, carbon emissions, and greenhouse gas production?	V		The Company's internal regulations require reduced usage of air-conditioning before the temperature reaches a specific level in order to reduce energy consumption, carbon emissions, and greenhouse gas emissions. We have also set up solar power panels to generate power for our own use. Please refer to pages 96–100 for policies and goals for environmental protection and energy conservation.	No deviation

Assessed Item	Implementation Status (Note 1)			Deviations from "the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary (Note 2)	
3. Preserving Public Welfare **(1) Has the Company referred to relevant laws and international human rights instruments to develop relevant management policies and procedures?**	**V**		**To improve the Company's respect and support of employees and human rights, the Board of Directors established the "Code of Ethical Conduct" on March 18, 2005, the "Ethical Corporate Management Best Practice Principles" on November 9, 2015, the "Ethical Management Procedures for Grievances and Reports" on July 28, 2016, and the "Human Rights Policy" on May 4, 2018. They are published on the Company's website to ensure compliance with related labor regulations and international human rights.**	**No deviation**
(2) Has the Company established employee appeal system and channels, and are employee appeals handled appropriately?	**V**		**The Company has established the "Code of Ethical Conduct" and "Ethical Management Procedures for Grievances and Reports" that allow employees to report or appeal to the Company through the employee cafeteria mailbox (anonymously) or directly through the supervisor or the supervisor of the Administration Department. Please see pages 51-54 for related standard operating procedures and confidentiality mechanisms.**	**No deviation**
(3) Has the Company provided employees with safe and healthy work environment as well as conducted regular classes on health and safety?	**V**		**The Company has established the "Safety and Health Management Regulations" to maintain safety in the working environment. The Company provides employees with a safe and healthy work environment and implements the following items:** **a. Employee health examinations; b. Employee food safety concerns: The Company reviews the menu each week and discusses the content of menus with contractors to provide a healthy food environment; c. The Company supports a no-smoking workplace and encourages employees to quit smoking; The Company provides a gym for employees to exercise; e. We established a mobile library to cultivate reading habits of employees; f. We implement lighting and carbon dioxide concentration measurements for the workplace every six months to provide a good working environment; g. We organize fire drills each year and establish a comprehensive fire safety system and file inspection reports; h. We provide education and training programs to employees in the plant to ensure work safety.**	**No deviation**
(4) Has the Company established a system to regularly communicate with its employees, and used appropriate means to notify them	**V**		**The Company has established the "Labor Safety Consultancy and Communication Management Regulations". The Company educates employees on their rights in the monthly meeting on**	**No deviation**

Assessed Item	Implementation Status (Note 1)			Deviations from "the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	**No**	**Summary (Note 2)**	
of operation changes that may result in material impacts?			subjects including the 2nd-generation National Health Insurance, gender equality at the workplace, labor rights, etc. The Company also reports the Company's performance in the operations from the previous month and future plans. In addition, the Company has set up mailboxes at the company cafeteria for proposals on improving the system. We also assigned dedicated personnel that are ready to communicate with employees face to face. Overall, the communication channels have been diverse and open.	
(5) Has the Company established effective career and competence development and training plans?	V		The Company has established the "Education and Training Management Regulations" to provide new and old employees with a comprehensive set of training methods for effective development of professional capabilities. The training programs integrate company goals and personal performance development and we provide a full range of talent development courses for different job types and positions: 1. On board training: We adopt a mentorship system to quickly integrate new employees into the team and our corporate culture. 2. R&D engineering: We organize theoretical and practical courses on R&D technologies. 3. Leadership: We organize a series of leadership courses for the management to let supervisors lead the growth of employees. 4.Work skills: We organize courses on management, languages, computer, and other skills to improve work efficiency. 5.Life seminars: We organize seminars on improving life quality and encourage self-growth by employees. 6.Occupational safety and health training: We organize periodic fire safety drills, earthquake evacuation, and related courses to protect employees' safety and health.	No deviation
(6) Has the Company formulated policies and systems of appeal for consumer rights for research and	V		The products of the Company and its subsidiaries meet ISO 9001 regulations and the Company has established a customer service unit	No deviation

Assessed Item	Implementation Status (Note 1)			Deviations from "the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	**No**	**Summary (Note 2)**	
development, purchase, production, operations, and services?			**to process quality and customer complaints.**	
(7) Does the company comply with relevant laws and international regulations governing the marketing and labeling of its products and services?	**V**		**The Company's products and services are provided in accordance with international laws and regulations and the Company has established a customer service unit to process quality and customer complaints.**	**No deviation**
(8) Has the Company assessed any record of a supplier's impact on the environment and society before engaging in commercial dealings with the said supplier? **(9) Do contracts between the Company and its major suppliers include terms where the Company may terminate or rescind the contract at any time if the said supplier has violated the Company's corporate social responsibility policy and have caused significant impact on the environment and society?**	**V**		**The Company sets ourselves as an example and participates in social welfare events. We will invite upstream and downstream supply chains to dedicate themselves to foster a stronger sense of corporate social responsibility. The "All Ring Tech Charity and Welfare Foundation" established by the Company continues to organize blood donation activities, events dedicated to children from low-income families, and active donation activities in the event of emergencies and disasters in society to give back to society.**	**No deviation**
4. Strengthening information disclosure **(1) Does the Company disclose relevant and reliable information related to CSR on its official website or MOPS?**	**V**		**The Company has placed related information on corporate social responsibilities on the Company's website and prepared its corporate social responsibility report which was disclosed on the Company's website and on the Market Observation Post System.**	**No deviation**
5. If the Company has established the corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies", please describe any deviation between the principles and their implementation: The Company has established the "Corporate Social Responsibility Best Practice Principles" based on "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and there is no deviation between the two. In addition, the Company also pursues the ideals of sustainable development, care for society, and environmentally-friendliness.				
6. Other important information helpful in understanding CSR operation: **(1) To fulfill our social obligation to protect the Earth's environment, we prohibit the use of statuary hazardous materials when producing equipment. We also deliver related information to each department to ensure that the Company's products meet customer demands. In addition, the Company continues to make improvements on environmental pollution, energy, resources conservation, and waste reduction to lower potential environmental protection risks.** **(2) The Company makes generous donations during emergencies and crises in the society such as the Typhoon Morakot floods and the 2018 Hualien earthquake. We also encourage employees to give aid when it is needed and join the donation programs to give back to society.** **(3) Please refer to Note 3 for information on main activities of the All Ring Tech Charity and Welfare Foundation.**				
7. A clear statement shall be made if the Company's corporate social responsibility report complies with verification standards of relevant certification bodies: None				

Note 1: Provide a brief description in the appropriate column, regardless whether "yes" or "no" is selected.
Note 2: Companies who have compiled CSR reports may specify the ways to access the CSR and the page numbers of the cited content in place of the above-requested description.

Note 3: Overview of activities of the All Ring Tech Charity and Welfare Foundation:

Thematic activity	Target(s)	Activities
Charity events during festivals	Disadvantaged schoolchildren	Charity events organized for disadvantaged families during Chinese New Year, Dragon Boat Festival, and Mid-Autumn Festival
Foundation donations	Tainan City Southern Area Fund for Children and Families, World Peace Foundation	Scholarship Hope Initiative and breakfast subsidies for disadvantaged schoolchildren
Keynote speeches	All employees and community residents	We invite famous people to give large-scale public speech and invite people to participate
Blood donation drive	All employees and community residents	We give employees meal coupons or gifts for participating in blood donations
Family camps, educational camps, and summer camps	Disadvantaged schoolchildren, all employees, and community residents	We promote interactions between employees and children, organize disadvantaged schoolchildren's participation in summer camps, and organize related environmental education activities for disadvantaged schoolchildren and families
Care for rural areas	Social Welfare Foundations	Education subsidies for children in remote areas
Emergency relief	Community residents	Help people who need aid
Promotion of creativity	Kunshan creativity competition	Kun Shan University Creativity Contest
Dream Come True Programs	Disadvantaged schoolchildren	Gifts for students of poor families in schools of different levels
Charity run events	All employees, families, friends, and suppliers	Promote charity and health ideals for families, colleagues, and friends

(7) Compliance with ethical corporate management and measures implemented

Evaluation Item	Current Operation (Note 1)			Deviation with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and the Reasons for the Said Deviation
	Yes	No	Summary	
1. Formulating policies and plans for ethical corporate management (1) Has the Company clearly indicated policies and activities related to ethical corporate management in its bylaws and external documents, and are the Company's directors and management actively fulfilling their commitment to corporate policies?	V		1. Formulating policies and plans for ethical corporate management The Company has established and passed the "Ethical Corporate Management Best Practice Principles" and announced them on MOPS. The Company promotes the ideals of honesty and integrity and we use our motto of "pay attention to the people, be considerate and forgiving, place ourselves in others' shoes, act in good faith and honesty, do business with openness and candor, and abide by our promises" to require employees to compete within the legal scope in their work and lives and work with suppliers in a fair, objective, and ethical manner. The Company emphasizes employees' personal ethics and does not permit fraudulent activities for personal profits.	No deviation
(2) Has the Company developed a plan to forestall unethical conduct? Has the Company clearly prescribed procedures, best practices, and disciplinary and appeal systems for violations in the said plan? Has the plan been implemented accordingly?	V		The Company has established the "Ethical Corporate Management Best Practice Principles" and the "Ethical Management Procedures for Grievances and Reports" for education and training programs for employees to ensure that they understand the Company's resolve to implement ethical corporate management, the related policies, prevention programs and the consequences of committing unethical conduct. The regulations are reiterated regularly in monthly meetings.	
(3) Has the Company put in place preventive measures for the items prescribed in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies or business activities with a higher risk of being involved in an unethical conduct in the company's scope of business?	V		The Company has established the "Ethical Corporate Management Best Practice Principles" and the "Ethical Management Procedures for Grievances and Reports" and employees may not receive any inappropriate interests in their business activities. We also implement control points in the accounting system, internal control system, and ISO management regulations to prevent unethical conduct. We have also established the Procedures for Acquisition and Disposal of Assets, Procedures for Endorsements and Guarantees, Procedures for Loaning of Funds to Others, and Procedures for Related Party Transactions.	

Evaluation Item	Current Operation (Note 1)			Deviation with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and the Reasons for the Said Deviation
	Yes	No	Summary	
2. Implementing ethical corporate management (1) Has the Company evaluated ethical records of its counterpart? Does the contract signed by the Company and its trading counterpart clearly provide terms on ethical conduct?	V		2. Implementing ethical corporate management The Company evaluated the legality and credit of clients before doing business with them in order to avoid unethical transactions and conduct.	No deviation
(2) Has the company established a full-time (or part-time) unit directly under the supervision of the Board, which is dedicated to promoting ethical corporate management and regularly reports its implementation to the Board of Directors?	V		1.Vice President Chien-De Li is the convener of the Company's Corporate Governance and Sustainability Committee that ensures ethical corporate management based on the work of each unit and it regularly reports to the Board of Directors. 2.To prevent conflict of interests and provide communication channels, the Company has established the "Ethical Corporate Management Best Practice Principles" and the "Ethical Management Procedures for Grievances and Reports" to provide mechanisms for submitting complaints. 3. In addition to the policies, the Company also educates employees on regulations related to ethical corporate management and organizes training programs that include food safety, legal compliance, and information security.	
(3) Has the Company established policies preventing conflict of interest, provided proper channels of appeal, and enforced these policies and opened channels accordingly?	V		The Company's Rules of Procedures for Board of Directors Meetings includes a director interest recusal clause which requires directors to recuse themselves from votes on resolutions when there is a conflict of interest. In addition, all Directors, Supervisors, and managers have signed Statements on Honesty and Integrity. The Company maintains smooth complaint channels with employees who are able to report to the Company through the employee cafeteria mailbox or directly through the supervisor or the supervisor of the Administration Division. We have also established a designated section for stakeholders on the Company's website.	

Evaluation Item	Current Operation (Note 1)			Deviation with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and the Reasons for the Said Deviation
	Yes	**No**	**Summary**	
(4) Has the Company established effective accounting systems and internal control systems for enforcing ethical corporate management? Are regular audits carried out by the Company's internal audit unit or commissioned to a CPA?	**V**		**The Company has established an effective accounting system, internal control system, and ISO management regulations which are regularly reviewed and revised to maintain the continuous effectiveness of the system design and implementation. Auditors periodically provide improvement recommendations for the accounting system, internal control system, and ISO management regulations.**	**No deviation**
(5) Does the company regularly hold internal and external training related to ethical corporate management?	**V**		**The Company organizes education and training programs for employees to ensure that they understand the Company's resolve to implement ethical corporate management, the related policies, prevention programs and the consequences of committing unethical conduct.**	**No deviation**
3.Operation of whistle-blowing mechanisms in the Company **(1) Has the Company established concrete whistle-blowing and rewarding systems and accessible whistle-blowing channels? Does the Company assign a suitable and dedicated individual for the case being exposed by the whistle-blower?**	**V**		**3. Operation of whistle-blowing mechanisms in the Company** **The Company has established the "Ethical Corporate Management Operating Procedures" and "Code of Conduct and Grievance and Complaint System" which are announced on the company website. If the Company's Director, manager, or employee discovers any violation of the operational integrity of the Company, it should be reported immediately to the Board of Directors or the audit unit. The identity of the whistle-blower and the content of the report shall be kept confidential. The audit unit should conduct thorough investigations on all reported cases to determine the facts. If the violation is confirmed, the audit unit should coordinate with the Administration Division and take disciplinary actions according to relevant company policies. It shall also disclose the name and job position of the violator, the date and contents of the violation and the actions taken, etc. at an appropriate time. In addition, an employee shall be rewarded if he/she discovers and prevents forgery or identity fraud and minimizes loss for the Company or its**	**No deviation**

Evaluation Item	Current Operation (Note 1)			Deviation with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and the Reasons for the Said Deviation
	Yes	No	Summary	
			clients; an employee shall be rewarded if he/she exposes or prevents fraud or any harmful incident and minimizes loss or damage to the Company; an employee shall be rewarded if he/she reports or assists in investigations on misconduct at work and prevents significant loss to the company. The Company has established a mailbox on the external website to provide good communication channels to the Company's employees, shareholders, and stakeholders to facilitate corporate governance. The Company details specific rules for the processing unit, report channels, processing procedures, and punishment systems and that require the Company to provide the reported individual with opportunities for expressing opinions or complaints to prevent wrongful accusations.	
(2)Has the Company stipulated standard operating procedures (SOP) and relevant systems of confidentiality for investigating the case being exposed by the whistle-blower?	V		Standard operating procedures for investigations are as follows: 1.Quick response: After the Company accepts a complaint or report, the audit manager shall assign appropriate personnel to conduct investigations. 2. Reporting procedures: Non-litigation cases: Processing personnel → Audit Manager → President Litigation cases: Processing personnel → Audit Manager → President → Board of Directors 3. The Company shall notify the individual that provided the complaint or report through the telephone, a letter, or other methods within 1 month of completing the procedures.	No deviation

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Current Operation (Note 1)</th><th rowspan="2">Deviation with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and the Reasons for the Said Deviation</th></tr>
<tr><th><u>Yes</u></th><th><u>No</u></th><th>Summary</th></tr>
<tr><td>(2)Has the Company stipulated standard operating procedures (SOP) and relevant systems of confidentiality for investigating the case being exposed by the whistle-blower?</td><td>V</td><td></td><td>The confidentiality mechanisms are as follow:
The Company shall keep the identity of the whistle-blower and the content of the report confidential. The audit unit shall thoroughly verify and understand the case report mentioned in the preceding paragraph. If the case is proven to be true, the audit unit shall notify the Administration Division to handle the matter pursuant to the relevant disciplinary measure provided by the Company and shall immediately disclose information such as the violator's job title, name, date of violation, content of violation, and the handling progress at the Company's internal website.</td><td>No deviation</td></tr>
<tr><td>(3) Has the Company adopted protection against inappropriate disciplinary action for the whistle-blower?</td><td>V</td><td></td><td>The company takes full responsibility of keeping the confidentiality of the whistle-blowers, to prevent them from inappropriate treatment for whistle-blowing cases.</td><td>No deviation</td></tr>
<tr><td>4. Strengthening information disclosure
(1) Has the Company disclosed the content of its best practices on ethical corporate management and the effectiveness of its activities on its official website or Market Observation Post System (MOPS)?</td><td>V</td><td></td><td>4. Strengthening information disclosure
The Company has established a website to disclose company status, basic information, financial, and the Corporate Social Responsibility Report. The Company regularly discloses related information on ethical corporate management on the MOPS with promptness, openness, and transparency.</td><td>No deviation</td></tr>
<tr><td colspan="5">5. Where the Company has stipulated its own best practices on ethical corporate management according to the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, please describe any deviation between the prescribed best practices and actual activities taken by the Company:
The Company has established "Ethical Corporate Management Principles" in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies". Related implementation does not deviate from principles established in the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies".</td></tr>
<tr><td colspan="5">6. Other information helpful to understand the integrity operation of the company: (e.g., the company's amendment of its principles of integrity operation)
1. Natural persons assigned by the Company to perform duties in accordance with the Company Act or other individuals who obtain the Company's internal material information through identity, profession, or control relationships shall exercise the due care and diligence of a good administrator and perform duties in accordance with the principles of good faith. Insiders who are aware of internal material information may not disclose such information to others.
2. The Company's certified public accountant is PricewaterhouseCoopers who does not serve as the Company's Director or Supervisor. PwC conducts periodic reviews of the Company and reports to the Board of Directors</td></tr>
</table>

Evaluation Item	Current Operation (Note 1)			Deviation with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and the Reasons for the Said Deviation
	Yes	No	Summary	
each year. PwC is both professional and independent. In addition, the CPAs regularly assesses major cycles and internal controls and provides recommendations on the Company's internal controls and accounting.				

Note 1: Provide a brief description in the appropriate column, regardless whether "yes" or "no" is selected.

(8) Methods of inquiry on the Corporate Governance Best Practice Principles and related regulations established by the Company:
The Company has established and passed the "Corporate Governance Practice Principles" in the meeting of the Board of Directors and disclosed them on MOPS.

(9) Other important information to facilitate better understanding of the Company's corporate governance activities may be disclosed here:
The Company has established the Regulations on Prevention of Insider Trading as the basis of the Company's processing of material information and disclosure mechanisms. We also review the Regulations from time to time to comply with regulatory requirements and actual management.

(10) Status of implementation of internal control system:
1. **Statement of Internal Control: Please refer to page 57.**
2. **Where CPAs are commissioned to audit the Company's internal control systems, the audit report prepared by the CPAs should be disclosed: Not applicable**

(11) Any legal penalty imposed upon this Company and its personnel, or any penalty, major deficiencies, and state of improvements imposed by this Company upon its personnel for violating the rules of the internal control system during the most recent year up to the publication date of this report: No such occurrences.

(12) Critical resolutions made during shareholders and Board of Directors' meetings in recent years and up to the publication date of this annual report: Please refer to page 59-64.

(13) Major content of any dissenting opinions on entry or stated in a written statement made by directors or Supervisors regarding key resolutions of board meetings during the past fiscal year up to the publication date of this report: No such occurrences.

(14) Any resignation or dismissal of the Company's Chairman of the Board, President, accounting manager, financial executive, internal audit manager, and research and development executive in the most recent year up to the publication date of this report: No such occurrences.

All Ring Tech Co., Ltd.

Statement of Internal Control System

Date: February 27, 2018

This Statement of Internal Control System is issued based on the self-assessment of the Company for the year 2017:

1. **The Company acknowledges that the establishment, implementation and conservation of the internal control system are the responsibilities of the Board of Directors and the managers of the Company. The Company has constructed such system. Its goals are to provide reasonable assurance on the target achievement on the results and effectiveness (including profits, performance and guaranteeing the safety of assets, etc.) of the operation, reliability of the financial report, and compliance with relevant laws and regulations.**
2. **The internal control system has inherent constraints, and no matter how comprehensive its design may be, an effective internal control system is only capable of providing adequate assurance for achieving the above-mentioned objectives. Moreover, the effectiveness of the internal control system may be altered from changes in the environment and under different situations. Nevertheless, the Company's internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.**
3. **The Company assesses for the effectiveness of the internal control system's design and practices through the effectiveness of internal control system, as stated in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as "the Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) Control Environment, (2) Risk Assessment, (3) Control Activities, (4) Information and Communication, and (5) Monitoring Activities. Each constituent element includes a number of categories. Please refer to "The Regulations" for the aforementioned categories.**
4. **The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.**
5. **Based on the findings of the evaluation, the Company believes that, on 31st December, 2017, it has maintained, in all material respects, an effective internal control system (including the supervision and management toward its subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable regulations.**
6. **This Statement will become an integral part of the Annual Report and the Prospectus of the Company. Any false hold, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act. If the aforementioned content contains illegal matters such as any fraudaulent or hidden information, the Company will be in question of breaching Articles 20, 32, 171, and 174 in the Securities and Exchange Act and face legal consequences.**

7. This Statement was approved by the Board on February 27, 2018 where 0 of the 7 attending directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

All Ring Tech Co., Ltd.

Chairman: Ching-Lai Lu

President: Hsin-Yao Cheng

Key Resolutions of Shareholders Meeting and Board of Directors Meeting in the most recent year as of the publication date of this annual report

Date	Meeting	Key Resolutions	Items listed in Article 14-3 of the Securities and Exchange Act	Dissenting opinion or qualified opinion by independent directors
8th Board of Directors 15th meeting March 16, 2017	Board of Directors Meeting	Case 1: The Company's Report on Remuneration Distribution of Employees, Directors, and Supervisors for 2016 is submitted for approval. Case 2: The Company's 2016 business report, individual and consolidated financial reports are submitted for approval. Case 3: The Company's profits distribution for 2016 is submitted for approval. Case 4: The date, time, place, and main content of the Company's 2017 general shareholders meeting are submitted for approval. Case 5: The proposal for the election of Directors and Supervisors is submitted for approval. Case 6: The proposal to publish a notice specifying a period for receiving nominations of independent director candidates, the number of directors to be elected, the place for receiving such nominations, and other necessary matters are submitted for approval. Case 7: The proposal to request the general shareholders meeting to remove restrictions on non-competition for the Company's Directors as provided in Article 209 of the Company Act is submitted for approval. Case 8: The Statement on the Internal Control System submitted by the Company based on results of the Company's self-inspection and audit is submitted for approval. Case 9: The Company's endorsement guarantee for the subsidiary Uni-Ring Tech. Co., Ltd. is submitted for approval. Case 10: The proposal for capital decrease to cover losses for the subsidiary company Uni-Ring Tech. Co., Ltd. is submitted for approval. Case 11: The Company's increase in investment in the subsidiary Uni-Ring Tech. Co., Ltd. is submitted for approval. Case 12: The application for financing loan credit line is submitted for approval. Case 13: The evaluation of the independence of appointed CPAs is submitted for approval. Case 14: The amendment of the Company's "Articles of Incorporation" is submitted for approval. Case 15: The amendment of the Company's "Rules Governing the Election of Directors and Supervisors" is submitted for approval. Case 16: The amendment of the Company's "Rules of Procedure for Shareholders Meeting" is submitted for approval. Case 17: The amendment of the Company's "Procedure for Acquisition and Disposal of Assets" is submitted for approval. Case 18: The distribution of the incentives bonuses for employees is submitted for approval.	V V V V V V V V V	None

		Case 19: The promotion of the employee Senior Associate Manager Chien-De Li to Vice President is submitted for approval.		
		Attendance of Independent Directors: Both Directors Huan-Ming Chou and Chin-Po Wang attended the meeting. Opinions of independent directors: None. The Company's actions in response to the opinions of independent directors: None. Resolution: Passed by all directors present at the meeting.		
8th Board of Directors 16th meeting May 4, 2017	**Board of Directors Meeting**	**Case 1: The Company's first quarter consolidated financial reports for 2017 is submitted for approval.** **Case 2: The amendment of the Company's "Rules Governing the Election of Directors and Supervisors" is submitted for approval.** **Case 3: The proposal to cancel the amendment of the Company's "Rules of Procedure for Shareholders Meeting" passed in the Board of Directors meeting on March 16, 2017 is submitted for approval.** **Case 4: The Company's "Rules for the Responsibility of Independent Directors" are submitted for approval.** **Case 5: The Company's "Accountant Evaluation and Performance Evaluation Guidelines" are submitted for approval.** **Case 6: The proposal for the Company to adjust the agenda of the 2017 shareholders meeting is filed submitted for approval.** **Case 7: The proposal from shareholders in the shareholders meeting and the qualifications of the candidates for independent directors in the 2017 shareholders meeting are submitted for approval.** **Case 8: The application for financing loan credit line is submitted for approval.** **Case 9: The Report on Remuneration Distribution of Employees, Directors, and Supervisors for 2016 is submitted for approval.** **Case 10: The adjustments of employee salary and remuneration are submitted for approval.**	**V** **V** **V** **V** **V**	**None**
		Attendance of Independent Directors: Both Directors Huan-Ming Chou and Chin-Po Wang attended the meeting. **Opinions of independent directors: None.** **The Company's actions in response to the opinions of independent directors: None.** **Resolution: Passed by all directors present at the meeting.**		

Date	Meeting	Key Resolutions	Items listed in Article 14-3 of the Securities and Exchange Act	Dissenting opinion or qualified opinion by independent directors
June 15, 2017	Shareholder Meeting	The Company's 2017 general shareholders meeting was held at No. 23, Luke 5th Road, Luzhu District, Kaohsiung City (Kaohsiung Science Park, Southern Taiwan Science Park) on June 15, 2017. The resolutions passed by attending shareholders and their status of implementation are as follows: 1. Ratification of the financial statements for 2016. Implementation status: Resolution passed 2. Ratification of the company's 2016 earnings distribution table. Implementation status: July 16, 2017 was established as the ex-dividend date based on the resolution of the Board of Directors meeting on June 23, 2017. Cash dividends of NT$252,716,706 were distributed on August 7, 2017 and all cash dividends have been distributed (Cash dividend per share is NT$3). 3. Discussed the amendment of the Company's "Articles of Incorporation". Implementation status: The Articles were approved for registration by the Southern Taiwan Science Park Bureau of the Ministry of Science and Technology on July 4, 2017 and published on the Company's website. 4. Discussed the amendment of the Company's "Procedure for Acquisition and Disposal of Assets". Implementation status: Announced on the Company's website on June 15, 2017 and processed in accordance with the amended procedures. 5. Discussed the amendment of the Company's "Procedures for Loaning of Funds to Others". Implementation status: Announced on the Company's website on June 15, 2017 and processed in accordance with the amended procedures. 6. Discussed the amendment of the Company's "Rules Governing the Election of Directors and Supervisors". Implementation status: Announced on the Company's website on June 15, 2017 and processed in accordance with the amended procedures. 7. Election of the Company's 11th-term directors and supervisors. The list of elected Directors: Ching-Lai Lu, Hsin-Yao Cheng, Chien-Chang Chen, representative of Fengqiao Investment Co., Ltd.: Yu-Ru Chong, representative of Hanlin Construction Co., Ltd.: Ching-Han Chiu Huang, Chin-Po Wang, and Huan-Ming Chou. The list of elected Supervisors: Hong-Ren Lin, Kuo-Cheng Wu, and representative of Jincheng Investment Co., Ltd. Ching-Hsu Tsai. Implementation status: The Articles were approved for registration by the Southern Taiwan Science Park Bureau of the Ministry of Science and Technology on July 4, 2017 and published on the Company's website. 8. Lifted all non-competition restrictions specified in Article 209 of the Company Act on all Directors.	None	None

		Implementation status: Resolution passed		
9th Board of Directors 1st Meeting June 23, 2017	**Board of Directors Meeting**	**Case 1: The election of the Chairman of the Board is submitted for election. Case 2: The Company's cash dividends distribution and the establishment of the ex-dividend date and book closure date are submitted for approval. Case 3: The proposal for the appointment of members for the Remuneration Committee is submitted for approval.**	**V**	**None**
		Attendance of Independent Directors: Both Directors Huan-Ming Chou and Chin-Po Wang attended the meeting. Opinions of independent directors: None. The Company's actions in response to the opinions of independent directors: None. Resolution: Passed by all directors present at the meeting.		
9th Board of Directors 2nd Meeting August 7, 2017	**Board of Directors Meeting**	**Case 1: The Company's second quarter consolidated financial reports for 2017 is submitted for approval. Case 2: The proposal for the sub-subsidiary company Kunshan Wanrun Electronic Technology Co., Ltd. to loan funds to the sub-subsidiary company All Ring Tech (Kunshan) Co., Ltd. is submitted for approval. Case 3: The proposal for the subsidiary company Bai-Full International Co., Ltd. to loan funds to the sub-subsidiary company All Ring Tech (Kunshan) Co., Ltd. is submitted for approval. Case 4: The amendment of the Company's "Rules of Procedure for Board of Directors Meeting" is submitted for approval. Case 5: The Company's "Regulations Governing Appointment of Independent Directors" are submitted for approval. Case 6: The Company's "Regulations on Self-Evaluation or Peer Evaluation of the Board of Directors" are submitted for approval.**	**V V V V**	**None**
9th Board of Directors 2nd Meeting August 7, 2017	**Board of Directors Meeting**	**Attendance of Independent Directors: Both Directors Huan-Ming Chou and Chin-Po Wang attended the meeting. Opinions of independent directors: None. The Company's actions in response to the opinions of independent directors: None. Resolution: Passed by all directors present at the meeting.**		
9th Board of Directors 3rd Meeting September 20, 2017	**Board of Directors Meeting**	**Case 1: The proposal for the Company to form a strategic alliance by investing in Chilisin Electronics Corp. and participating in cash capital increase is submitted for approval.**		**None**
		Attendance of Independent Directors: Director Chin-Po Wang attended the meeting and Director Huan-Ming Chou was absent. Opinions of independent directors: None. The Company's actions in response to the opinions of independent directors: None. Resolution: Passed by all directors present at the meeting.		
9th Board of Directors 4th Meeting November 2, 2017	**Board of Directors Meeting**	**Case 1: The Company's third quarter consolidated financial reports for 2017 is submitted for approval. Case 2: The Company's 2018 budget is submitted for approval. Case 3: The proposal for the Company's donation to All Ring Tech Charity and Welfare Foundation is submitted for approval. Case 4: The application for financing loan credit line is submitted for approval.**	**V**	

		Case 5: The Company's 2018 audit plan is submitted for approval. Case 6: The distribution of the incentives bonuses for employees is submitted for approval. Case 7: The distribution of the 2017 year-end bonus for employees is submitted for approval. Case 8: The proposal for the Company to invest an amount of less than US$1 million in Imagine Group Limited for an indirect investment of less than US$1 million in the sub-subsidiary company All Ring Tech (Kunshan) Co., Ltd. is submitted for approval. Case 9: The proposal for the subsidiary company Bai-Full International Co., Ltd. to invest an amount of less than US$1 million in Imagine Group Limited for an indirect investment of less than US$1 million in the sub-subsidiary company All Ring Tech (Kunshan) Co., Ltd. is submitted for approval.	V V V	 None
		Attendance of Independent Directors: Both Directors Huan-Ming Chou and Chin-Po Wang attended the meeting. Opinions of independent directors: None. The Company's actions in response to the opinions of independent directors: None. Resolution: Passed by all directors present at the meeting.		
9th Board of Directors 5th Meeting February 27, 2018	Board of Directors Meeting	Case 1: The Company's Report on Remuneration Distribution of Employees, Directors, and Supervisors for 2017 is submitted for approval. approval. Case 2: The Company's 2017 business report, individual and consolidated financial reports are submitted for approval. Case 3: The Company's earnings distribution for 2017 is submitted for approval. Case 4: The date, time, place, and main content of the Company's 2018 general shareholders meeting are submitted for approval. Case 5: The Statement on the Internal Control System submitted by the Company based on results of the Company's self-inspection and audit is submitted for approval. Case 6: The Company's endorsement guarantee for the subsidiary Uni-Ring Tech. Co., Ltd. (hereinafter referred to as Uni-Ring Tech) is submitted for approval. Case 7: The application for financing loan credit line is submitted for approval. Case 8: The proposal for the replacement of the CPA in accordance with PwC's internal rotation is submitted for approval. Case 9: The evaluation of the independence and competency of appointed CPAs in 2018 is submitted for approval. Case 10: The amendment of the Company's "Regulations on Self-Evaluation or Peer Evaluation of the Board of Directors" is submitted for approval. Case 11: The distribution of the incentives bonuses for employees is submitted for approval. Case 12: The promotion of Associate Manager Cheng-En Ou to Vice President is submitted for approval. Case 13: The appointment of the Associate Manager Ming-Chieh Tsai is submitted for approval.	 V V V V V V	None
9th Board of Directors 5th Meeting February	Board of Directors Meeting	Attendance of Independent Directors: Both Directors Huan-Ming Chou and Chin-Po Wang attended the meeting. Opinions of independent directors: None. The Company's actions in response to the opinions of independent directors: None. Resolution: Passed by all directors present at the meeting.		

27, 2018				
9th Board of Directors 6th Meeting May 4, 2018	Board of Directors Meeting	Case 1: The Company's first quarter consolidated financial reports for 2018 is submitted for approval. Case 2: The application for financing loan credit line is submitted for approval. Case 3: The Company's "Human Rights Policy" is submitted for approval. Case 4: The adjustments of employee salary and remuneration are submitted for approval. Case 5: The appointment of the Company's Chief Strategy Officer is submitted for approval. Case 6: The proposal for the appointment of the Company's Vice President Chien-De Li's role as promoter of corporate governance and corporate social responsibility is submitted for approval.	V V V	None
		Attendance of Independent Directors: Both Directors Huan-Ming Chou and Chin-Po Wang attended the meeting. Opinions of independent directors: None. The Company's actions in response to the opinions of independent directors: None. Resolution: Passed by all directors present at the meeting.		

4. Accounting Expenses

Table on the range of professional charge of the CPA

Name of Accounting Firm	Name of CPA		Audit Period	Remarks
PricewaterhouseCoopers	Tsi-Yu Lin	Tsi-Meng Liu	January 1 2017 to December 31, 2017	None

Unit: NT$

Scale	Fee Category	Public Expenses for Audit	Non-Public Expenses for Audit	Total
1	Less than NT$2,000 thousand	-	V	-
2	NT$2,000 thousand (inclusive) to NT$4,000 thousand	V	-	-
3	NT$4,000 thousand (inclusive) to NT$6,000 thousand	-	-	-
4	NT$6,000 thousand (inclusive) to NT$8,000 thousand	-	-	-
5	NT$8,000 thousand (inclusive) to NT$10,000 thousand	-	-	-
6	Over NT$10,000 thousand (inclusive)	-	-	-

CPAs' fees shall be disclosed if one of the following takes place:

(1) If the non-audit fees paid to the CPAs, their accounting firm and affiliated companies of their accounting firm exceed one-fourth of the audit fees paid to them, the amount of audit and non-audit fees, and the content of non-audit services shall be disclosed:

Information on the CPA's professional charge

Unit: NT$

Name of Accounting Firm	Name of CPA	Audit Fees	Non-Public Expenses for Audit					Auditing Period of the CPA	Remarks
			System Design	Business Registration	Human Resources	Other	Subtotal		
PricewaterhouseCoopers	Tsi-Yu Lin Tsi-Meng Liu	2,615	0	55	0	172	227	January 1, 2017 to December 31, 2017	Other fees included typing, printing, binding, and postage amounting to NT$71 thousand and travel expenses of NT$101 thousand, totaling NT$172 thousand.

(2) Where accounting firm was replaced and the accounting fee paid for the year was less than that of the previous year, the sum, proportion, and cause of the reduction shall be disclosed: None.

(3) Where accounting fee paid for the year was more than 15% less than that of the previous year, the sum, proportion, and cause of the reduction shall be disclosed: None.

5. Replacement of Accountants:

Name of Accounting Firm	Name of CPA		Audit Period	Remarks
PricewaterhouseCoopers	Tsi-Yu Lin	Tsi-Meng Liu	2016-2017	Internal rotation of CPAs
PricewaterhouseCoopers	Tsi-Meng Liu	Yong-Chih Lin	2018-	

6. The Company's Chairperson, President, or Any Managerial Officer in Charge of Finance or Accounting Matters Who Has, in the Most Recent Year, Held a Position at the Accounting Firm of Its CPA Or at an Affiliated Enterprise: None.

7. Equity Transfer or Changes in Equity Pledged by the Company's Directors, Supervisors, Managerial Officers or Shareholders with Shareholding Percentage Exceeding 10 Percent in the Most Recent Fiscal Year up to the Publication Date of This Annual Report:

(1) Changes in shareholding of directors, supervisors, managerial officers and major shareholders

Unit: shares

Title (Note 4)	Name	2017		2018 up to May 15	
		Shareholding Increase/Decrease	Pledged Shares Increase/Decrease	Shareholding Increase/Decrease	Pledged Shares Increase/Decrease
Chairman	Ching-Lai Lu	-	-	-	-
Director and President	Hsin-Yao Cheng	(77,000)	-	-	-
Director	Kuo-Cheng Wu (Note 1)	(46,000)	-	-	-
Director	Fengqiao Investment Co., Ltd.	86,000	2,500,000	5,000	-
Representative Director	Yu-Ru Chong (Note 2)	-	-	-	-

Director	Hanlin Construction Co., Ltd. (Note 2)	-	-	-	-
Representative Director	Ching-Han Chiu Huang	(754,524)	-	-	-
Director	Chien-Chang Chen	-	(1,500,000)	-	-
Director	Chin-Po Wang	-	-	-	-
Director	Huan-Ming Chou	-	-	-	-
Supervisor	Hong-Ren Lin	(106,000)	-	-	-
Supervisor	Kuo-Cheng Wu (Note 2)	(10,000)	-	-	-
Supervisor	Jincheng Investment Co., Ltd. (Note 2)	-	-	-	-
Representative of Supervisor	Ching-Hsu Tsai (Note 2)	-	-	-	-
Supervisor	Wan-Chi Tsai (Note 1)	-	-	-	-
Supervisor	Chun-Chieh Chen (Note 1)	-	-	-	-
Chief Operating Officer	Hsien-Ming Li	6,000	-	6,000	-
Vice President	Ming-Heng Yang	-	-	9,000	-
Vice President	Chien-De Li	6,582	-	-	-
Associate Manager	Ming-Tsung Kuo	-	-	-	-
Associate Manager	Fang-Cheng Liu	-	-	-	-
Associate Manager	Hsiao-Mei Wang	-	-	-	-
Associate Manager	Cheng-En Ou	-	-	-	-
Associate Manager	Shih-Long Yeh	-	-	-	-
Associate Manager	Kuo-Lun Wang	-	-	-	-
Associate Manager	Ming-Chieh Tsai (Note 3)	-	-	-	-

(Note 1): Resigned after the election of Director and Supervisors on June 15, 2017.
(Note 2): Appointed after the election of Director and Supervisors on June 15, 2017.
(Note 3): Mr. Ming-Chieh Tsai was promoted to Associate Manager on February 27, 2018.
(Note 4): The Company does not have shareholders who hold more than 10% of the Company's total shares.

(2) Information regarding the transfer of shares with the counterparty being the related party: There were no such occurrences and it is therefore not applicable.

(3) Information regarding the pledge of shares with the counterparty being the related party: There were no such occurrences and it is therefore not applicable.

8. Information on the Top 10 Holders of the Company's Shares Who Are Identified as Related Parties, Spouse or Relative Within Second-Degree of Kinship:

Unit: shares; %; April 15, 2018

<table>
<tr><th rowspan="2">Name</th><th colspan="2">Shares Held by the Person</th><th colspan="2">Shares Currently Held by Spouse and/or Minor Children</th><th colspan="2">Total Shares Held in the Name of Others</th><th colspan="2">Title or name and relationship of top 10 shareholders who are related parties or each other's spouses and relatives within the second degree of kinship</th></tr>
<tr><th>Number of Shares</th><th>Shareholding Ratio</th><th>Number of Shares</th><th>Shareholding Ratio</th><th>Number of Shares</th><th>Shareholding Ratio</th><th>Title
(or Name)</th><th>Relationship</th></tr>
<tr><td rowspan="2">Representative of Fengqiao Investment Co., Ltd.: Yu-Ru Chong</td><td rowspan="2">7,311,625</td><td rowspan="2">8.68%</td><td rowspan="2">-</td><td rowspan="2">-</td><td rowspan="2">-</td><td rowspan="2">-</td><td>Ching-Lai Lu</td><td>Ching-Lai Lu is the spouse of the representative of said company</td></tr>
<tr><td>Shengguan Investment Co., Ltd.</td><td>The representative of Shengguan Investment Co., Ltd. is the daughter of the representative of said company</td></tr>
<tr><td rowspan="2">Ching-Lai Lu</td><td rowspan="2">3,757,283</td><td rowspan="2">4.46%</td><td rowspan="2">299,438</td><td rowspan="2">0.36%</td><td rowspan="2">7,311,625</td><td rowspan="2">8.68%</td><td>Fengqiao Investment Co., Ltd.</td><td>The representative of Fengqiao Investment Co., Ltd. is the spouse of Ching-Lai Lu</td></tr>
<tr><td>Shengguan Investment Co., Ltd.</td><td>The representative of Shengguan Investment Co., Ltd. is the daughter of Ching-Lai Lu</td></tr>
<tr><td>Chien-Chang Chen</td><td>2,732,431</td><td>3.24%</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Liechtenstein Royal Bank account under the custody of Standard Chartered Bank</td><td>2,360,000</td><td>2.80%</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Cathay Life Insurance Co., Ltd.</td><td>2,049,000</td><td>2.43%</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Representative of Jincheng Investment Co., Ltd.: Ching-Hsu Tsai</td><td>2,005,000</td><td>2.38%</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
</table>

Name	Shares Held by the Person		Shares Currently Held by Spouse and/or Minor Children		Total Shares Held in the Name of Others		Title or name and relationship of top 10 shareholders who are related parties or each other's spouses and relatives within the second degree of kinship	
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Title (or Name)	Relationship
Representative of Shengguan Investment Co., Ltd.: Hui-Hsuan Lu	1,717,789	2.04%	-	-	-	-	Fengqiao Investment Co., Ltd.	The representative of Fengqiao Investment Co., Ltd. is the mother of the representative of said company
							Ching-Lai Lu	Ching-Lai Lu is the father of the representative of said company
EFG Bank account under the management of HSBC Bank	1,700,000	2.02%	-	-	-	-		
Hong-Ren Lin	1,552,066	1.84%	70,304	0.08%	-	-	-	-
Mei-Chin Hsu	1,079,492	1.28%	-	-	-	-	-	-

9. Information on the Number of Shares of the Company Invested by the Company, Any of the Company's Directors, Supervisors and Executive Officers or a Company Directly or Indirectly Controlled by The Company and Consolidated Percentage of Shareholding:

December 31, 2017; Units: thousand share; %

Investee	Investments of the Company		Investments of Directors, Supervisors, Managers and directly or indirectly controlled businesses		Total Investments	
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio
Pai Fu International Limited	1,930	100%	-	-	1,930	100%
Imagine Group Limited (Note 1)	3,720	73.81%	1,320	26.19%	5,040	100%
Uni-Ring Tech. Co., Ltd.	4,856	100%	-	-	4,856	100%
Kunshan Wanrun Electronic Technology Co., Ltd. (Note 2)	-	-	-	100%	-	100%
All Ring Tech (Kunshan) Co., Ltd. (Note 3)	-	-	-	100%	-	100%

(Note 1): The 26.19% shares in Imagine Group Limited is held by the Company through the subsidiary Pai Fu International Limited in an indirect investment.

(Note 2): The shares in Kunshan Wanrun Electronic Technology Co., Ltd. is held by the Company through the subsidiary Pai Fu International Limited in an indirect investment.

(Note 3): The shares in All Ring Tech (Kunshan) Co., Ltd. is held by the Company through the subsidiary Imagine Group Limited in an indirect investment.

IV. Funding Status

1. Company Capital and Shares

(1) Capital & Shares

Unit: Shares; April 15, 2018

Type of Shares	Authorized Share Capital			Note
	Outstanding Shares	Unissued Shares	Total	
Registered common shares (listed shares)	84,238,902	25,761,098	110,000,000	Quota for employee stock option: 8,000,000 shares

(2) Sources of capital:

Apr. 15, 2018; share; NT$

Year/Month	Issued Price	Authorized Share Capital		Paid-in Capital		Note		
		Number of Shares	Amount	Number of Shares	Amount	Share Capital Source of Capital	Capital Increased by Assets Other than Cash	Others
May 1996 (note 1)	1,000	1,000,000	10,000,000	1,000,000	10,000,000	Capital stock at founding	None	None
Jul. 1996 (note 2)	10	4,000,000	40,000,000	4,000,000	40,000,000	Capital increase by cash	None	None
Jul. 2000 (Note 3)	10	36,000,000	360,000,000	13,120,000	131,200,000	Surplus to capital and cash increase	None	None
Jun. 2001 (Note 4)	10	36,000,000	360,000,000	20,417,078	204,170,780	Surplus and employee bonus transferred to capital increase	None	None
Jul. 2002 (Note 5)	10	36,000,000	360,000,000	26,000,000	260,000,000	Surplus and employee bonus transferred to capital increase	None	None
Jul. 2003 (Note 6)	10	56,000,000	560,000,000	32,000,000	320,000,000	Surplus and employee bonus transferred to capital increase	None	None
Oct. 2003 (Note 7)	10	56,000,000	560,000,000	32,073,771	320,737,680	Corporate bond conversion	None	None
Feb. 2004 (Note 8)	10	56,000,000	560,000,000	35,032,717	350,327,170	Corporate bond conversion	None	None
Apr. 2004 (Note 9)	10	56,000,000	560,000,000	37,036,791	370,367,910	Corporate bond conversion	None	None
Jul. 2004 (Note 10)	10	68,000,000	680,000,000	39,639,247	396,392,470	Corporate bond conversion	None	None
Aug. 2004 (Note 11)	10	68,000,000	680,000,000	43,772,558	437,725,580	Surplus and employee bonus transferred to capital increase	None	None
Oct. 2004 (Note 12)	10	68,000,000	680,000,000	46,010,415	460,104,150	Corporate bond conversion and employee stock options	None	None
Jan. 2005 (Note 13)	10	68,000,000	680,000,000	46,014,939	460,149,390	Corporate bond conversion	None	None
Apr. 2005 (Note 14)	10	68,000,000	680,000,000	46,387,939	463,879,390	Employee stock options	None	None

Year/Month	Issued Price	Authorized Share Capital		Paid-in Capital		Note		
		Number of Shares	Amount	Number of Shares	Amount	Share Capital Source of Capital	Capital Increased by Assets Other than Cash	Others
Aug. 2005 (Note 15)	10	68,000,000	680,000,000	51,887,933	518,879,390	Surplus and employee bonus transferred to capital increase	None	None
Dec. 2005 (Note 16)	10	68,000,000	680,000,000	51,111,939	511,119,390	Treasury shares retired	None	None
Mar. 2006 (Note 17)	10	68,000,000	680,000,000	52,723,299	527,232,990	Corporate bond conversion and employee stock options	None	None
Ju. 2006 (Note 18)	10	68,000,000	680,000,000	52,827,648	528,276,480	Corporate bond conversion and employee stock options	None	None
Dec. 2006 (Note 19)	10	68,000,000	680,000,000	52,947,648	529,476,480	Employee stock options	None	None
Aug. 2007 (Note 20)	10	68,000,000	680,000,000	52,405,648	524,056,480	Treasury shares retired and employee stock options	None	None
Oct. 2007 (Note 21)	10	68,000,000	680,000,000	52,755,648	527,556,480	Employee stock options	None	None
Mar. 2008 (Note 22)	10	68,000,000	680,000,000	52,920,648	529,206,480	Employee stock options	None	None
Jun. 2008 (Note 23)	10	68,000,000	680,000,000	54,298,225	542,982,250	Corporate bond conversion and employee stock options	None	None
Aug. 2008 (Note 24)	10	68,000,000	680,000,000	57,790,975	577,909,750	Surplus and employee bonus transferred to capital increase	None	None
Oct. 2008 (Note 25)	10	68,000,000	680,000,000	58,060,475	580,604,750	Employee stock options	None	None
Dec. 2008 (Note 26)	10	68,000,000	680,000,000	57,074,475	570,744,750	Treasury shares retired	None	None
Mar. 2009 (Note 27)	10	68,000,000	680,000,000	60,064,402	600,644,020	Surplus and employee bonuses transferred to capital increase and employee stock options	None	None
Oct. 2009 (Note 28)	10	68,000,000	680,000,000	60,946,402	609,464,020	Employee stock options	None	None
Dec. 2009 (Note 29)	10	68,000,000	680,000,000	61,581,402	615,814,020	Employee stock options	None	None
Mar. 2010 (Note 30)	10	68,000,000	680,000,000	61,876,402	618,764,020	Employee stock options	None	None
Jun. 2010 (Note 31)	10	68,000,000	680,000,000	62,203,902	622,039,020	Employee stock options	None	None

Year/Month	Issued Price	Authorized Share Capital		Paid-in Capital		Note		
		Number of Shares	Amount	Number of Shares	Amount	Share Capital Source of Capital	Capital Increased by Assets Other than Cash	Others
Sep. 2010 (Note 32)	10	68,000,000	680,000,000	62,871,902	628,719,020	Employee stock options	None	None
Dec. 2010 (Note 33)	10	68,000,000	680,000,000	63,623,902	636,239,020	Employee stock options	None	None
Mar. 2011 (Note 34)	10	68,000,000	680,000,000	64,102,902	641,029,020	Employee stock options	None	None
Jun. 2011 (Note 35)	10	68,000,000	680,000,000	64,202,902	642,029,020	Employee stock options	None	None
Ju. 2012 (Note 36)	10	110,000,000	1,100,000,000	80,202,902	802,029,200	Cash capital increase by private	None	None
Oct. 2013 (Note 37)	10	110,000,000	1,100,000,000	80,723,902	807,239,200	Employee stock options	None	None
Apr. 2015 (Note 38)	10	110,000,000	1,100,000,000	80,367,902	803,679,020	Treasury shares retired	None	None
Aug. 2015 (Note 39)	10	110,000,000	1,100,000,000	86,367,902	863,679,020	Capital increase by cash	None	None
Dec. 2015 (Note 40)	10	110,000,000	1,100,000,000	85,335,902	853,359,020	Treasury shares retired	None	None
Aug. 2016 (Note 41)	10	110,000,000	1,100,000,000	84,238,902	842,389,020	Treasury shares retired	None	None

(Note 1): In 1998, the denomination of each share is changed to NT$10 as approved by the Ministry of Economic Affairs.
(Note 2): Approved by the Ministry of Economic Affairs, Jul. 21, 1999 MOE (088) No. 650738.
(Note 3): Approved by the Ministry of Economic Affairs, Aug. 21, 2000 MOE (089) No. 089130640.
(Note 4): Approved by the Ministry of Finance and Financial Supervisory Commission MOF (089) I No. 133646.
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2. Shareholder Structure

Unit: person; share; Apr. 15, 2018

Shareholder Structure / Quantity	Government Agencies	Banking Agencies	Other Legal Persons	Individuals	Foreign Company or Foreigner	Total
Number of individuals	-	-	197	15,302	56	15,555
Number of Shares Held	-	-	22,248,243	53,578,774	8,411,885	84,238,902
shareholding ratio	-	-	26.41%	63.60%	9.99%	100.00%

Note: The primary listed companies and companies listed on emerging boards shall disclose the percentage of shares held by investors from China: Not applicable.

3. Dispersion of Equity Ownership

(1) Ownership dispersion of common stock:

Unit: person; share; face value of each share NT$10, Apr. 15, 2018

Shareholder Ownership	Number of shareholders	Shares	Shareholding Ratio (%)
1 to 999	11,161	203,693	0.24
1,000 to 5,000	3,160	6,300,927	7.48
5,001 to 10,000	492	3,984,362	4.73
10,001 to 15,000	186	2,427,690	2.88
15,001 to 20,000	111	2,056,505	2.44
20,001 to 30,000	128	3,253,919	3.86
30,001 to 40,000	72	2,575,624	3.06
40,001 to 50,000	49	2,240,539	2.66
50,001 to 100,000	87	6,294,904	7.47
100,001 to 200,000	46	6,599,902	7.84
200,001 to 400,000	35	10,775,731	12.79
400,001 to 600,000	9	4,486,771	5.33
600,001 to 800,000	7	4,894,952	5.81
800,001 to 1,000,000	1	820,697	0.97
1,000,001 or more	11	27,322,686	32.44
Total	15,555	84,238,902	100.00

(2) Dispersion of preferred stock ownership: No preferred stock has been issued.

4. List of Major Shareholders (5% or more or top 10 shareholders)

Unit: Shares; April 15, 2018

Shares / Name of Shareholder	Shares	Shareholding Ratio
Fengqiao Investment Co., Ltd.	7,311,625	8.68%
Ching-Lai Lu	3,757,283	4.46%
Jian-Zhang Chen	2,732,431	3.24%
Liechtenstein Royal Bank account under the custody of Standard Chartered Bank	2,360,000	2.80%
Cathay Life Insurance Co., Ltd.	2,049,000	2.43%
Jincheng Investment Co., Ltd.	2,005,000	2.38%
Shengguan Investment Co., Ltd.	1,717,789	2.04%
HSBC Custodian of EFG Bank	1,700,000	2.02%
Hong-Ren Lin	1,552,066	1.84%
Mei-Chin Hsu	1,079,492	1.28%

5. Market Price, Net Value, Earnings, Dividends, and Related Information over the Past Two Years

Unit: NT$; Thousand shares

Item			2016	2017	The current year is cut off by March 31, 2018 (Note 9)
Dividend per share (Note 1)	Highest		72.50	80.10	77.70
	Lowest		37.05	50.40	60.60
	Average		57.22	66.77	70.29
Dividend per Share (Note 2)	Before Distribution		21.50	22.10	22.94
	After Distribution (note 1)		18.52	(Note 8)	N/A
Dividend per Shaer	Weighted Average Shares		84,737	84,239	84,239
	Earnings Per Share (Note 3)	Before adjustment	4.21	3.60	0.77
		After adjustment	4.21	3.60	0.77
Dividend per Share	Cash Dividends		3.00	(Note 8)	N/A
	Stock dividends	Dividends from Retained Earnings	-	(Note 8)	N/A
		Capital Surplus Distribution	-	(Note 8)	N/A
	Accumulated dividend not paid out (note 4)		-	-	N/A
Return on investment (ROI) analysis	Price-to-Earning Ratio (Note 5)		13.59	18.54	N/A
	Price-to-Dividend Ratio (Note 6)		19.07	(Note 8)	N/A
	Yield on cash dividend (note 7)		5.24	(Note 8)	N/A

*If any revenue or capital surplus is transferred to capital increase or common stock, the Company shall further disclose information on market prices and cash dividends retroactively adjusted based on the number of shares after distribution.

Note 1: List the highest and lowest market price of the common shares for each year, and refer to the transaction value and transaction volume to calculate average market price for each year.

Note 2: This should be filled by using the shares already issued by year-end as a basis, and also by referencing the allocation that the shareholders meeting has decided on for the subsequent year.

Note 3: If there are any retroactive adjustments needed due to issuance of bonus shares, earnings per share before and after the adjustment should be listed.

Note 4: If the conditions of equity securities issuance allow unpaid dividends to be accumulated to the subsequent years in which there is profit, the Company shall disclose the accumulated unpaid dividends respectively up to that year.

Note 5: P/E Ratio = Average closing price for each share for the year/earnings per share

Note 6: P/D Ratio = Average closing price for each share for the year/cash dividend per share

Note 7: Cash dividend yield = cash dividend per share/average closing price per share for the year

Note 8: The surplus distribution case has not been approved by the shareholders' meeting.

Note 9: For net worth per share and net earnings per share, data from the latest quarter that has been verified by a CPA up until the date of publication of the Annual Report shall be filled. For all other columns, the Company shall fill information of the year up to the date of publication of the Annual Report.

6. Company Dividend Policy and Implementation Status

(1) Dividend policy:

As the Company faces an ever changing industrial environment and the business is at a steady growth stage, the board of director shall take into consideration the budget for future capital expenditure and funds needed and weigh the necessity of allocating earnings to support capital needs when deciding on the amount of surplus

to be retained or distributed and the amount of dividend to be paid in cash. Each fiscal year, the Company shall, after paying taxes and making up for losses, set aside 10 percent of its earnings if any for a legal reserve in accordance with relevant laws or regulations. A special reserve shall also be set aside. The rest of the earnings, plus the accumulated undistributed earnings of the previous fiscal year, shall make for the distributable earnings. At least 30 percent of the distributable earnings shall be allocated to shareholders as bonuses, of which cash dividends shall not be less than 10 percent. Among which, cash dividends shall not be less than 10 percent of the total dividends allocated. The Board of Directors shall, based on relevant factors such as future business or re-investment, propose the distribution of earnings, and submit the proposal to the shareholders' meeting for approval.

(2) Dividend distribution to be proposed to the shareholders' meeting:

(a) The Board of Directors made a resolution on surplus distribution for the year of 2017 on February 27, 2018, which proposes a cash dividend of NT$3.10 per share. The ex-dividend base date shall be set by the Board of Directors upon authorization and approval at the shareholders' meeting.

(b)The ex-dividend date shall be determined by the Board of Directors after a resolution is made at the shareholders' meeting. Any dividend less than NT$1 shall be rounded down and the remaining balance shall be handled by an agent authorized by the Chairman.

7. Effect upon Business Performance and Earnings per Share of any Stock Dividend Distribution Proposed or Adopted at the Most Recent Shareholders' Meeting: Not applicable as the Board of Directors proposed to allocate cash dividends in full.

8. Compensation for Employees, Directors and Supervisors

(1) The percentages or ranges with respect to employee, director and supervisor compensations, as set forth in the company's Articles of Incorporation:

Article 20-1 of the Company's Articles of Incorporation stipulates that the Company shall allocate no more than 3 percent of its annual profits for compensations to the directors and no less than 3 percent for compensations to the employees.

(2) The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed for employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period.

When there is a discrepancy between the actual amount to be distributed as determined at the shareholders' meeting and the estimated amount, the difference shall be treated as a change in accounting estimate and shall be listed as a profit or loss in the following year.

(3) Information on allocation of compensations approved by the Board of Directors:

(A) The amount of any employee compensation distributed in cash or stocks and director/supervisor compensation . If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed: The Board of Directors made a resolution to distribute NT$25,260 thousand for employee compensation and NT$3,353 thousand for compensations of directors and supervisors in cash. There was no difference between this and the amount estimated for 2017.

(B) The amount of any employee compensation distributed in stocks as a percentage of the sum of the current after-tax net income and total employee compensation: The employees' compensation for the year 2017 was determined by the board of directors to be fully allocated in cash and therefore this does not apply.

(4) Actual distribution of compensations for employees, directors, and supervisors (including the number, sum, and price of shares distributed), and where there were discrepancies with the recognized compensations for employees, directors, and supervisors, the sum, cause, and treatment of the discrepancy shall be described:
The Company's Board of Directors made a resolution for 2016 distribution of compensations for employees and directors/supervisors in the amount of NT$30,206 thousand and NT$4,045 thousand respectively in cash. There was no difference between these amounts and the amounts estimated for 2016.

9. Status of Buyback of the Company’s Stocks: Not applicable.

10. Corporate Bonds: Not applicable.

11. Preferred Shares: Not applicable.

12. Overseas Depository Receipts: Not applicable.

13. Employee Stock Certificate: Not applicable.

14. Issuance of New Restricted Employee Shares: None.

15. Issuance of New Shares in Connection with the Merger or Acquisition of Other Companies

(1) Issue of new shares in connection with any acquisition of shares of another company in the most recent year up to the date of publishing of this annual report:

A. The stock agent's opinion on the issue of new shares for acquisition of shares of another company in the most recent quarter: None.

B. The status of implementation in the most recent quarter. If the implementation has not achieved the expected target, a statement on the impact on shareholders' equity and improvement plan shall be provided: Not applicable.

(2) Any issuance of new shares in connection with acquisition of shares of another company approved by the Board of Directors in the most recent year up to the date of publishing of this annual report: None.

16. Fund Application Plan and Implementation:
Status of any issuance or private placement of securities in progress or during the 3 most recent fiscal years up to the date of publishing of this annual report; of which the benefits of this plan has not been realized. Please provide the details on the content of the above-stated issuance or private placement of securities and the status of implementation: None.

V. Operational Highlights

1. Business Activities

(1) Scope of Business:

A. The main business:

(a) Design, manufacturing and assembly of and software development for automated machinery

(b) Manufacturing, processing and trading of mechanical equipment and parts.

(c) Distribution, import and export of electronics, machinery equipment and components.

(d) Assembly of computers and electronic equipment and assembly and trade of computer peripherals.

(e) Trading of chemical raw materials (except controlled substances).

(f) CE01030 Optical Instrument Manufacturing Industry

(g) CC01050 data storage and processing equipment manufacturing.

(h) I301010 data software services.

(i) CB01990 Other machinery manufacturing.

(j) CC01030 Electric Appliance and Audiovisual Electric Products Manufacturing

(k) F401010 International trade.

(l) JE01010 leasing industry (limited to proprietary IC BGC and automated machinery)

(m) Any business not prohibited or restricted by laws or regulations, in addition to those permitted.

B. Main Products (2017)

Main products	Ratio to total revenue
Semiconductor equipment	58.32%
Passive component equipment	24.83%
LED equipment	5.97%
Others	10.88%
Total	100.00%

C. Current Product Lines:

Category	Product Name	Function
Passive component Equipment	Winding machine	An equipment used to wind enameled wire on ferrite or ceramic hollow core products to create an inductor effect.
	NR four-axial wiring and soldering machine	The machine is a power inductor winding device, which is divided into two turntable stations, a winding station and a soldering station, and a turntable divider completes a six-step process – winding, crimping, reloading, fluxing, soldering and retrieving.
	Soldering machine	This equipment is a soldering machine. Products are sent out in rows by the vibration plate to the receiving mechanism and then sucked in by the feeding mechanism. After fluxing, preheating and soldering, the products are then placed into the storage box.
	Assembly machine	This equipment is a double winding induction assembly machine. Products are sent to a certain position by the vibration plate and then sucked onto the turret holding fixture. The turret is divided into eight parts with four workstations to complete the tasks of feeding, coating, calibration and receiving. After the process is completed, the retrieving module puts the products onto the conveyor belt for delivery into the oven.
	Laminating machine	This machine performs adhesive dispensing operation on chip inductors after winding is completed. First, adhesive is dispensed on the chamber of the tape, the chip inductor is fed into the track through the vibration plate, coiled products are put into the backing tape by the suction nozzle, and then products are rolled out after the adhesive is cured by UV light. The entire dispensing and coating process is completed.
	Table-top double-head spot welding machine	Place the coiled FPC product fixture plate on the device, let the spot welding head press precisely on the spot to be welded by sliding the welding head along the fixture platform, and weld the enameled wire on the tin plate by temperature-controlled heating.
	Cutting Machine	New type automatic capacitor & inductor cutting machine. This machine is designed with automatic feeding, retrieving, preheating, freezing, X-axis CCD alignment and X-axis servomechanism.
	Electroplating machine	This machine is used for electroplating of wafers. Wafers are placed in a rotating cylinder manually, and then the anode robot arm exchanges and cleans the wafers to achieve the purpose of electroplating.
LED equipment	Test sorting machine	This equipment is a testing and sorting machine used to achieve sorting and collecting after the LED is used for light and electrical measurement.
	Packing machine	The main function of this equipment is to test and QC LED products for photoelectric range. Nonconforming LED products are blown into the waste box and qualified LED products are aligned to the direction of the carrier best for packaging through visual recognition. Final packing is then monitored by the real-time visual recognition system to ensure that the appearance of the LED projects and the alignment to the carrier belt meet the needs of customers.

Category	Product Name	Function
Semiconductor equipment	Substrate Loader	The Substrate in the cartridge is delivered one by one to the next workstation. Empty cartridge is automatically unmounted and new cartridge mounted again.
	Substrate Unloader	The substrate (PC board) is taken into the grid from the oven surface and then automatically pushed into the cartridge through connecting the distributor. The cartridge is automatically replaced and mounted.
	Lane Changer	After receiving the substrate from the preceding workstation, the substrate is automatically sent to the oven for drying.
	Boat to Tray/Tray to Boat	This carrier exchange equipment mount the products to different carriers for different manufacturing processes. The main function is to shuffle the substrate back and forth between boat and tray.
	Single/double track ball mounter	BGA automatic ball mounter comes with single/double runners, single/double ball mounting heads. Coupled with CCD visual inspection, a precision up to 0.2 mm in tin-ball diameter can be achieved. This mounter can be used for IC deep submicron process and development of 12-inch or larger wafers.
	Under Fill	This PC-controlled machine calibrates the amount of glue in the micro-precision crane and, aided with the CCD vision, searches and positions the location to fill all gaps between the IC and the PC boards without leaving any holes. This action completes the binding of the IC and PC boards, replacing the fill chip package process done by the wire bonding machine.
	Testing Equipment	This device quickly and automatically determines the geometrical dimensions, such as points, lines, frames, circles, arcs and angles, of molds and other products.
	Silver paste under filler	This PC-controlled machine calibrates the amount of paste in the micro-precision crane and, aided with the CCD vision, searches and positions the location to spread paste between the die and cooling fin.
	BGA Inspection Machine	This equipment uses a JEDEC Tray as the standard carrier to carry the products through a series of inspection stations. After inspections are completed, the products are automatically sorted into conforming and nonconforming products and sent to the corresponding piles. The Tray can be flipped to achieve inspection on both sides.
	AOI inspection machine	This machine detects missing dies and die color markings through image recognition. It records the overall substrate die markings, creates a substrate map and then uploadeds the map for determination of subsequent process.
	SIP Surface Mounting Machine	This equipment is used for surface mounting of SIP products. It is a key equipment for the SIP process.
	Wafer form AOI Inspection equipment	The device inspects defects during the manufacturing process. It is a key equipment for high-level packaging process.
	Wafer Form Dispensing Equipment	This device is used for high-level packaging processes. It is a key equipment for high-level packaging processes.

D. New products under development

The Company plans to develop the following new products:

Category	Product Name	Function
Passive component equipment	Inductive testing and packaging machine	This will be a key equipment for passive component manufacturing.

(2) Industry Overview

(A) Current status and development of the industry

The company was founded in 1996 as a professional automated machinery equipment manufacturer, specializing in research, development, manufacture and selling of automated machinery equipment for semiconductors, passive components, LEDs and inspections. The Company has long maintained a close relationship with the major electronics manufacturers. With extensive professional knowledge and technical experience, we have provided the downstream industries machinery and technical consultation services for automated processes. Over the years, we have established good reputation in the semiconductor, passive components and LED industries. An overview of the industries we operate in is provided in the section below:

①Semiconductor Packaging Equipment Industry

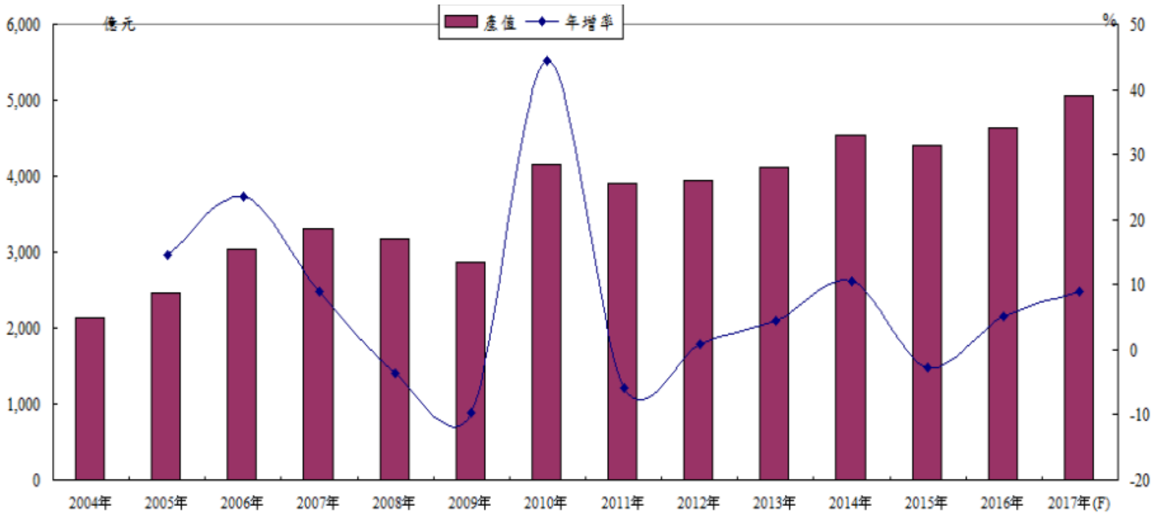
In recent years, 3D IC has gradually emerged as the mainstream technology. The whole-new architecture of 3D IC meets the market trend. For example, smart phones have high requirements for IC functions and bandwidth, and 3D IC achieves broader bandwidth in reduced component size. It has the advantages of miniaturization, high performance and ease of integration with highly heterogeneous applications. That is why it has become the major technology under development in the semiconductor packaging industry at the current stage. In fact, as new opportunities rise from new generation packaging and testing technology for 3D IC, many countries, including Japan, South Korea, the United States and China, raced to invest in relevant research and development. The global 3D IC industry is coming into a stage of heightened competition. With competitive advantages, Taiwan's semiconductor packaging and testing companies shall be able to seize the business opportunities for outsourced 3D IC manufacturing, as well as the logic and memory stacking technology applications (e.g. smart phone 3D-SiP packaging module, mobile phone baseband and heterogeneous integration of memories). Taiwan's 3D IC alliance shall also partner with domestic IC design companies to attract China's system vendors to jointly develop industrial standards and technical specifications. We can even set up a virtual IDM platform through the advanced stacking system and application research and development alliance (Ad-STAC) to complete the supply chain and build complete and autonomous patent pool for Taiwan's 3D IC industry. One thing worth mentioning is that TSMC announced that the company will extend its wafer capabilities into the packaging field. TSMC focuses on the development of TSV technology and plans to add packaging capabilities to its wafer fabrication. With its existing

wafer-class packaging technology and as the trend of electronic products moves toward high-performance, high-integration and low-power consumption component specifications, the semiconductor manufacturers will develop beyond the Moore's Law. 2.5D IC and 3D IC will become the main trend in the future development of advanced packaging and testing technology. TSMC actively promotes CoWoS (Chip On Wafer on Substrate) integrated production technology and combines logic system single-chip and dynamic random access memory into a single module. Since a wafer fabrication plant has higher integration capability than a semiconductor packaging and testing plant, TSMC's recent CoWoS operating model has indeed brought certain level of pressure to the first-tier semiconductor packaging and testing plants. In addition to the CoWoS technology, TSMC has already launched into production, InFO WLP packaging technology tailored to the middle and low-end processor market has also begun production. However, under TSMC's active positioning of 2.5/3D IC, the major domestic semiconductor packaging and testing plants have taken a neutral and positive stance on the outlook of the industry's development. In the short term, there is no need to worry about the competition. The main reason is that TSMC's advanced process packaging and testing is not offered to all customers. The "one-stop" service is only available to to a certain few customers.

In 2017, the domestic semiconductor packaging and testing industry experienced fast growth driven by the demand for miniaturization of end products and benefited from the growth of upstream and downstream manufacturers of the semiconductor supply chain, including drones, virtual reality, advanced automotive driver assistance systems and other automotive electronics, cloud computing, the Internet of Things, industrial control, medical electronics and wearable devices. Especially, as the major multinational companies accelerated their development of advanced driver assistance systems, the year of 2017 will be the critical period for semiconductor packaging companies in terms of gaining a decisive position in the market. The domestic semiconductor packaging and testing plants, on the other hand, have gradually expanded their opportunities in biometric identification technology. After all, Apple has introduced fingerprint identification on smart phones, and the Chinese brands are expected to integrate fingerprint identification in the standard specifications of mid- to high-end models. Therefore, fingerprint-related packaging and testing services will become a must-win sector. As for the competitions rose from the evolution of packaging technology, Apple's integration of Info packaging into its processors has successfully

attracted other chip makers to use fan-out packaging. As the professional packaging and testing plant, ASE Group, launched fan-out wafer class packaging into mass production, the output of InFO packaging and market demand are expected to grow.

However, TSMC will use its integration capabilities of wafer fabrication to extend its reach into the packaging industry, expecting to build a complete 3D IC process solution and tap into the ardent demand for 3D ICs for future mobile devices and cloud equipment.



資料來源:工研院 IEK、台灣經濟研究院產經資料庫，2017 年 3 月

國內半導體封裝及測試業產值及年增率之走勢

②Passive component industry

Passive components are divided into four categories: resistors, capacitors, inductors and filters. Although the role of passive components is not as important as active components in electronic products, they are still indispensable, as they are used across the fields of IT, telecommunication and consumer electronics for applications, such as voltage regulation, energy storage and protection of other electronic components.

Benefited from upgrades in smartphone specifications and the improved performance of Intel and Nvidia graphics chips, as passive components manufacturers in Japan gradually broke away from the mainstream passive component standard MLCCs, the trend has driven the market demand for passive components, including capacitors, 0201 high-frequency inductors and integrated molding choke, to grow. Furthermore, slow down of the demands for personal computers and smartphones drove the domestic passive component manufacturers to actively upgrade their product mix and accelerate product diversification by expanding into the markets of network equipment, automotive electronics, industrial equipment and power supply, seeking to create a new momentum for growth. Therefore, as the manufacturers successively stepped into the market of mid- to high-end components and began to benefit from product diversification, the domestic passive electronic component manufacturing industry has seen steady growth in both production and sales in 2017.

Passive components are indispensable in electronic products. Therefore, the demand for passive components increases drastically when the downstream consumer electronics market is heating up. In recent years, passive components have benefited from the growth of electronic products, such as smartphones and tablet PCs. And coupled with the increased number of components used in each smartphone, the demand for passive components has been growing. In addition, new applications for netcom products and automotive electronics have also driven the demand for passive components.

③The LED Industry

The light-emitting diode (LED) is a semiconductor electronic components that, when driven by current, converts electrical power into output of light. It is a cold-emitting light with a long component life, and its small size, shock-resistance,high durability and ease of mass-production make it a product of increase output value worldwide. LED lighting is widely used and the applications can be roughly divided into backlight sources, automotive lamps, traffic signs, lighting and mobile devices. It is expected that LED will replace traditional light sources and become a new generation of lighting. As the order of the global LED market continues to improve, China's Sanan Optoelectronics took the lead to raise prices, and the lighting market continues to expand, the positive development is expected contribute to the growth in the scale of the global LED market. Chinese companies continue to improve their technological capabilities, the market scale continues to grow on steady pace, optimization of product mix continues to roll out, and the the scale of the niche markets, such as automotive, quaternary LED and RGB continues to expand. The pressure on Taiwan’s LED industry is expected to continuously heighten. As we face fierce competition in the global LED industry, the domestic companies responded with strategic transformation and upgrade. Although the market order has gradually improved, the pressure from competitions with Chinese manufacturers remains strong. This pressure has prompted all manufacturers to continuously pursue profit maximization. Therefore, price competition may be fierce for some products; with the huge market demand for LEDs, the niche markets, such as Quad-LED, infrared, RGB mixed light, automotive LED and commercial lighting LED, still have higher profitability. It is expected that the

manufacturers will actively expand into these niche markets, and bipolar development will emerge, while manufacturers with higher percentage of niche products will have relatively better operating performance.

(B) Correlation between upstream, midstream, and downstream sections of the industry

The Company's main products are passive component devices, such as cutting and wiring machines, semiconductor equipment, such as dual-track ball mounters, automatic dispensers and AOI inspection and testing equipmet, LED and testing equipment, such test sorters and test packaging machines. Most of the components required for production are purchased from third-party suppliers. After obtaining the above components, the Company carries out R&D, design, assembly and testing and sells the products to manufacturers in downstream industries, including semiconductors, passive components, LED and mobile phone manufacturers for production and testing.

(C) Product development trends

①Product miniaturization

In recent years, consumers' demands for information, communication and household electronic products continue to rise, and such demand has gone from the basic functions to compact size and portability. Therefore, the density of circuit design becomes higher and higher. more complex and future products are developing towards space saving, miniaturization and complex functions, the sizes of components will also shrink. This means that the manufacturing equipment for surface mounting, packaging, cutting and packing will also move into the next generation. Semiconductors and passive component equipment manufacturers will also develop into miniaturization, waferization and high integration manufacturing processes, taking into account the performance and efficiency of machinery and equipment.

②Customized equipment for small-quantity and high-variety

Automated equipment has a close connection with the manufacturing processes of downstream customers. Once the customer's process changes, the products must change along to accommodate the customer's new process. Since the speed of process upgrade and the equipment costs have significant impact on the profitability of the manufacturers, how to collaborate with the manufacturers during the product development process and provide stabele products have become a significant subject to manufacturers of automated equipment.

③Developing into the global market

In recent years, transformation of the domestic industrial environment has driven many electronic manufacturers to shift their production overseas in order to maintain its competitive advantage, as the electronic industry operates on a system of international division of labor. Therefore, manufacturers automated equipment must also expand into the neighboring regions, such as Hong Kong, Southeast Asia and mainland China, in order to serve customers and adapt to the changes in the overall market. In addition, since the domestic automated equipment is more cost competitive, compared with imported products, and the stable product quality that has received excellent reputation among the domestic manufacturers, in recent years, domestic manufacturers of automated equipment began to actively seek orders from overseas markets and expand the market scale.

(D) Competition

The company is a manufacturer of automated equipment for semiconductor, passive components, LED and testing. Up to now, no equipment manufacturers in Taiwan offers completely identical products and services. We are competing with foreign manufacturers. Currently, the Company's primary goal is to reinforce R&D of equipment to meet customers' manufacturing needs. We strive to enhance competitiveness and gain market leadership.

(3) Technologies and Recent R&D Efforts

(A) Technology

The Company mainly supplies high-speed precision automated equipment to high-tech industries for manufacturing of semiconductors, passive components and LEDs, as well as inspection, not automated equipment for general manufacturing. The highly complex automated processes require many high-precision components, such as photoelectric sensors and special screws, and are controlled by a computer or microprocessor. The equipment operation requires not only speed and stability, but also precision that reaches under 0.01mm. At the same time, to achieve the required quality for electrical measurement, the Company must develop proprietary circuit control cards with special functions. Therefore, compared with the domestic equipment manufacturers, the Company's R&D capabilities are already leading the industry.

(B) Research and development

The Company's future development is planned in the following direction:

Research and Development	Expected Benefits
1. Develop high-precision component testing application technology	Capability upgrade for testing of special specification components, which is expected to boost product competitiveness.
2. Develop new generation image recognition processing system application technology	The image recognition system has a wide range of applications, such as alignment, calibration and appearance inspection of mechanical moving parts. Wide application to automated equipment will improve the accuracy and reliability of the products.
3. Develop or improve the special equipment needed for customers' manufacturing processes.	Expand and extend the product lines to other manufacturing processes based on the information of customers' manufacturing processes currently available to us. This will reduce uncertainties and improve the timeliness and success rate of product development.
4. Develop equipment for special processes of the key components of 3C products.	The entry threshold for special process equipment is higher and therefore there are few competitors and high profits.

(C) Education and experiences of research and development personnel

Year		As of December 31, 2017,	
		Number of Persons	%
Level of education	Master degree or above	83	55
	Bachelor degree or equivalent	48	32
	Associate degree or less	20	13
	Total	151	100

(D) R&D expenses invested each year for the last five years

Unit: NT$1,000

	2013	2014	2015	2016	2017
R&D expenses	151,494	231,236	234,699	295,946	263,895
Net revenue	1,118,945	1,519,806	1,507,082	2,112,459	1,866,853
Percentage	13.54%	15.21%	15.57%	14.01%	14.14%

(E) Successfully developed technologies or products

The domestic equipment industry relies heavily on foreign imports, which not only hinders development of industrial technology, but also increases production costs. In result, the international competitiveness of the industry is weakened. In view of which, the Company commits itself to research and development, expecting to provide customers good machinery and equipment or services with complete function at reasonable prices. Technologies or products successfully developed by the Company's R&D team in most recent year are as follows:

Date	Successfully developed technologies or products
2006.07	Laminator
2006.10	Dual-track varistor testing machine
2007.05	Laser repair machine (including lighting function)
2007.05	Inductor wiring machine
2007.12	12-inch wafer sorter
2007.12	Laser marking machine
2008.08	LED testing and taping machine
2008.11	Slice inspection machine
2009.02	LED testing and sorting machine
2009.02	Rotary electroplating machine
2010.10	Single-head laser platemaker
2010.12	Power inductor wiring machine
2011.04	Power inductor dispenser
2011.09	Testing Equipment
2011.12	Soldering machine
2012.05	Silver paste dispenser
2012.09	Sweeper
2012.10	Turret double wiring machine
2013.07	NR four-axial wiring and soldering machine
2014.05	AOI inspection machine
2015.01	SIP Surface Mounting Machine
2016.01	Wafer form AOI inspection equipment
2017.01	Wafer Form Dispensing Equipment

(4) Long- and short-term business development plans

(A) Short-term development plan

①Marketing

a. We provide our customers comprehensive after-sale services, maximizing customer satisfaction with full professional technical consultation.

b. In response to customers' shifting overseas, we will set up factories overseas to service our customers at proximity, aiming to enhance competitiveness and increase market share.

②Production

a. The main focus will be placed on order-based flexible production, supplemented by planned production, to meet customers' demand for each product in the shortest time possible.

b. We will implement ISO 9001 Quality System and continue to pursue quality improvement and excellence through scientific methods.
c. We will increase the speed and efficiency of production and reinforce the accuracy and quality of delivery.

③Product development

a. Continue to invest in R&D and recruiting R&D talents, actively develop new niche products and diversify products to create market opportunities.
b. Continuously reinforce professional training of R&D personnel, develop top-notch talents and closely collaborate with research or academic institutions to actively develop high-end products.

④Operations

a. Develop diverse products and expand into various industry based the Company's existing scale.
b. Work with MIS to achieve full computerization, speed up streamlining of work processes and improve management performance.
c. Effectively implement the Company's operating policies and guidelines through annual budget preparation and implementation.

(B) Long-term development plan

①Marketing Strategy

a. Continuously provide high-end products and promote the Company's high-tech image through corporate identity system to increase brand awareness and create higher added value.
b. Maintain the cooperative relationship with existing customers and build a community of permanent business partnership with customers through strategic alliances with upstream and downstream industries.

②Production strategy

a. Develop towards international division of labor by setting up appropriate scale of production and service bases, aiming to increase production capacity, reduce production costs and service customers on-location.
b. Actively seek for excellent suppliers for long-term cooperation, help them improve their production technology and increase production volume and reduce costs through modularization.

③Industry development

a. Position the Company as a customers' equipment development center to meet the industry's needs for high-level automation and help customers implement unmanned production.
b. In addition to further develop our leading core products and drive development of the same series, the Company has also geared towards diversification and expanded into other high-tech industries, such as semiconductors.

④Operating scale

a. Increase the Company's production capacity and operation scale through international division of labor or strategic alliances, aiming to become one of the leading manufacturers of passive components, semiconductors, LED and testing equipment in the world.

b. We uphold the philosophy of sustainable development, establish a fine corporate culture and recognize the importance of corporate social responsibility.

2. Market, Production, and Sales

A. Market analysis

(a) Main product sales area

The Company's sales in the most recent two years by area

Unit: NT$1,000

Year / Region	2016		2017	
	Amount	Ratio (%)	Amount	Ratio (%)
Asia	1,192,950	56.47	1,493,786	80.02
America	919,509	43.53	373,067	19.98
Total	2,112,459	100.00	1,866,853	100.00

(b) Future market supply, demand and growth

①Semiconductor industry

According to the analysis of IEK (Feb. 2015), the Industrial Economics and Knowledge Center of ITRI, as the global economy continues to recover, the scale of the semiconductor industry is expected to exceed the US$400 billion mark in 2020.

Global Semiconductor Market Forecast

Source: Gartner; ITRI IEK (Feb. 2015)

As applications of semiconductors in everyday living scenarios increase, it is estimated that the semiconductor equipment industry will grow along with the semiconductor industry. According to Gartner's (Jul. 2014) report on the capital expenditure of the global semiconductor industry, continuous expansion of investment of global semi-conductor manufacturers is expected to drive the investment in semiconductor equipment to a new high in 2018.

Global Semiconductor Capital Expenditure Forecast

表一：2013-2018年全球半導體製造設備支出預估值（單位：百萬美元）

	2013	2014	2015	2016	2017	2018
半導體資本支出	58,009.3	62,151.9	67,683.3	65,309.6	69,087.7	75,048.3
成長率（%）	-1.2	7.1	8.9	-3.5	5.8	8.6
資本設備	33,452.0	38,481.9	42,714.6	40,252.3	44,146.4	47,775.7
成長率（%）	-11.6	15.0	11.0	-5.8	9.7	8.2
晶圓設備	27,278.1	31,665.1	34,492.0	33,262.0	36,102.8	39,140.4
成長率（%）	-8.0%	16.1%	8.9%	-3.6%	8.5%	8.4%
晶圓級封測設備	1,801.6	1,943.4	2,461.9	2,649.5	2,523.3	2,963.7
成長率（%）	-3.1	7.9	26.7	7.6	-4.8	17.5
電子設備製造	1,489,566.6	1,540,430.5	1,593,844.4	1,666,455.9	1,739,601.4	1,813,808.6
成長率（%）	1.5	3.4	3.5	4.6	4.4	4.3
半導體營收（不含太陽能）	314,991.1	336,053.9	352,615.3	360,728.5	373,216.9	389,542.7
成長率（%）	5.0	6.7	4.9	2.3	3.5	4.4

Source: Gartner (Jul. 2014)

As a global semiconductor production center, Taiwan has a complete supply chain from IC design to foundry, packaging and testing, the annual demand for equipment updates and follow-up technical services is up to a considerable scale. In addition, as telecommunication and consumer electronic products are now focused on convenience and portability and products are moving towards slim and light designs, semiconductor manufacturers and packaging and testing service providers require new equipment for process improvement in response to the new products. In recent years, many domestic equipment manufacturers teamed up with large semiconductor manufacturers for product development, which effectively drive forward a trend of collaborative development for domestic equipment manufacturers and raised the acceptance of domestic equipment in the industry. Therefore, in the next few years, as the semiconductor market continues to grow, the huge annual equipment expenditure in Taiwan is expected to benefit the domestic equipment manufactures.

As the major international manufactures quickly dived into the development of driver assistance systems, it is expected to be the critical period for the semiconductor packaging industry to position themselves in the automotive market. Many companies with niche technology and patents are expected to benefit from the new generation smart cars. As for the competition caused by the evolution of packaging technology, TSMC will extend its reach into the packaging field through the integration capabilities of wafer fabrication plant, looking to build a complete 3D IC process solution and further tap into the demand for mobile devices and cloud equipment.

②Passive component industry

As passive components develop toward the direction of light and slim design with high frequency and high-current resistance along with the development of consumer electronics, such as smart phones, tablet PCs and wearable devices, miniaturization, waferization, high frequency, circuit integration and high complexity will couple with shortening supply and

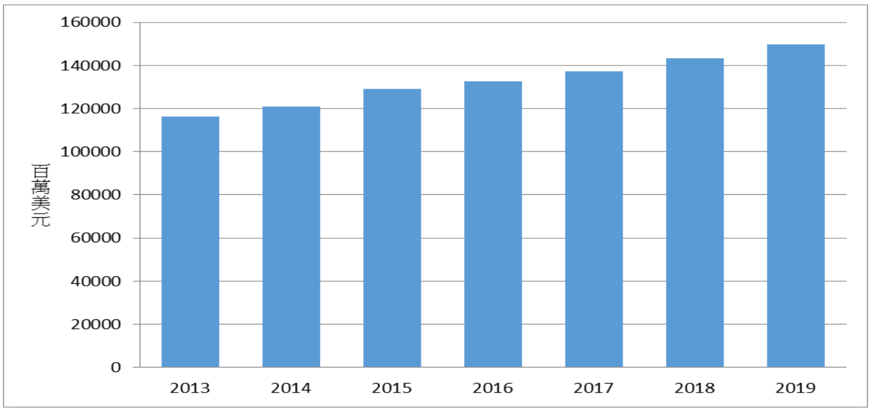
marketing cycle. Therefore, targeting on the needs of the passive component industry, equipment manufacturers will develop in the direction of improving the technology, automated mass-production and cost control. Passive component process equipment can be divided into cutting, electroplating, testing, appearance inspection and packaging. Taiwan's passive component equipment manufacturers have been involved in long-term R & D of production technology and established a complete service customization system; with the cost control, the future supply will gradually replace imported equipment.

Apple and Samsung continue to launch flagship models, leading to further upgrades in product specifications and driving continuous growth in the demand for high-frequency and miniature inductors. As the penetration rate of one-piece inductors continues to increase in automotive electronics, the Internet of Things, netcom and e-sports NB applications, this trend is expected to drive another wave of growth in the overall inductor market. As the overall market demand continues to grow, passive components manufacturers in Taiwan will benefit from the continuous increase in the orders for mobile devices. Automotive passive components developed by companies, such as Chilisin Electronics, Mag.Layers, Yageo and Cyntec, have been certified by automotive manufacturers and are entering the output stage. And as the demand for data center, netcom and e-sport NB begin to emerge, the composite effect of the trends will drive the shipments to grow further. The domestic manufacturers continue to expand into the markets of diverse applications and the benefits of automotive electronic applications will gradually emerge. Both are expected to continuously heat up sales. In addition, as product portfolio continues to improve and manufacturers accelerate introduction of automated manufacturing, the Company's gross margin is expected to increase steadily.

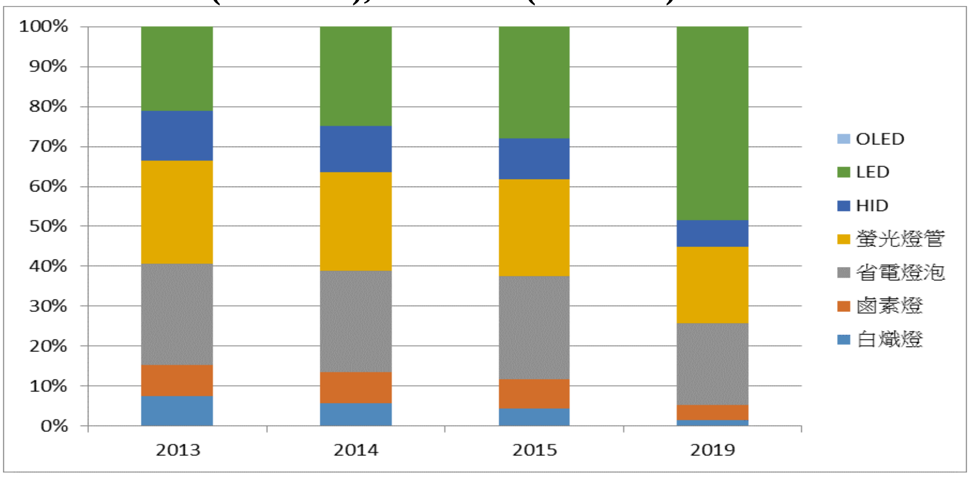
③The LED Industry

rnments worldwide have begun to pay attention to the problem of energy consumption in lighting. This trend brought about global eliminate low-efficiency lights and encourages use of high-efficiency light sources. The most notable feature is LED lighting, as the industry claims it as the third revolution in the lighting industry. Governments worldwide have launched researches and policy subsidies to expand the use of LED lights. The global lighting market is gradually changing, and LED lighting applications will become the biggest driving force for the growth of light-emitting diodes. According to IEK report, the global LED industry will benefit from the support of government policy and the drop in the prices of LED products. These trends are expected to drive the growth in market demand.

Global LED market scale



Source: IHS (Feb. 2014); IEK ITRI (Jan. 2015)



Source: IHS (2014); ITRI (Jan. 2015)

The global LED lighting market has grown rapidly. In the fight to gain a foothold in the future LED lighting market, some manufacturers launched vertical integration of the supply chain through mergers and acquisitions and strategic alliances. LED manufacturers looked to expand their production capacity and therefore increased their capital expenditures as they purchase new equipment for LED production. This trend benefited domestic LED equipment manufacturers.

(c) Positive and negative factors affecting competitive niches and long-term development, and response strategies

①Competitive niches

i. An R&D team with extensive experience and professional competency

The automated equipment manufacturing industry must be able to continuously advance in technology and development of new products along with customers' advancement in product quality in order to maintain the competitiveness. The Company sees product research and development as a significant part of the operations. Therefore, in addition to evaluating the existing market for new product development, we maintain active interaction with the academic and research institutions in related fields. With extensive production technologies, the Company has successfully

developed many products and received patents for numerous technical developments over the years. Compared with other domestic equipment manufacturers, the Company has better capabilities to compete with foreign equipment manufacturers.

ii. Rapid and high-quality after-sale services

sion industry. Their demand for product yield and precision is very high. Their production processes are highly complex and operate with multiple equipment, so the level of equipment integration has a huge impact on the product quality. The Company's after-sales service personnel have extensive experience and carry out in-depth research on the production processes of customers' products to assist customers solve problems on the manufacturing process and equipment and improve the precision and product yield.

iii. Emphasis on R&D and production quality brings recognition of the brand

The company is committed to the advancement of product quality and technology and has been certified for ISO-9001 quality standards in 2000. We have strictly implemented internal management for product precision and stability and the ISO-9001 quality system, continuously, as we pursue continuous quality improvement and excellence.Our products have been widely recognized by customers for high quality with good brand reputation in the industry.

iv. Diversified product development

The Company began to extend its reach into semiconductor equipment in 1999 and successfully developed the automated ball mounter, cooling fin automated assembly system and automated dispenser in 2001. In 2002, we successfully developed the wafer mounter and, In 1992, the dual-track dispensing machine. Successively, our products were recognized by semiconductor manufacturers, taking a successful step into the field of semiconductor equipment manufacturing. In addition, the Company successfully launched production of LED and testing equipment in 2008 and 2011 and will continue to move towards the goal of automation and diversified product development.

②Favorable factors affecting the Company's development prospects

i. The Company has many years of experience in automated equipment production and a stable team of R&D personnel. We have our own research and development of key technologies and developed high-end niche products with high diversity. We also provide customized products with the capabilities for fast product development.

ii. The Company's product sales have achieved ISO-9001 international quality certification. With emphasis in quality assurance and good brand and product image, our product quality is recognized by well-known domestic and foreign manufacturers, which fortifies the competitive advantage of products for export.

iii. We have a complete system structure of pats and components and work well with suppliers. Except for a few key components from foreign manufacturers, most of the components are supplied by domestic manufacturers. The processing components for assembly are also produced and supplied by domestic manufacturers. The manufacturing system is complete and the production cost is can be easily driven down.

③Unfavorable factors in the prospect of future development and countermeasures

i. Price competition

Response measure:

Continue to maintain research and development advantages by bringing in new talents and increasing the investment. Maintain continuous innovation and improvement and develop towards high added-values, winning good product image with leading strategies and quality assurance and raising the technical threshold for other competitors in the industry.

ii. Shortage of technical talents

Response measure:

In addition to improving the work environment and establishing a good salary structure, bonus system and employee benefits, we will continue to implement education and training to enhance the quality of our employees, or collaborate with renowned research institutes or engage in transfer of technology to attract top-notch technical talents.

iii. Rapid changes in technology industry

Response measure:

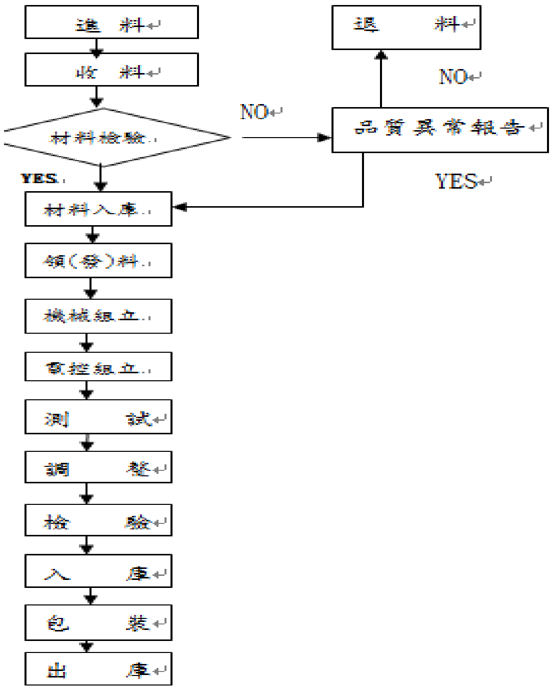
In addition to continuously strengthening of our research and development capabilities, we will actively develop new equipment and products. Beyond reinforcing our business health and competitiveness, we will request the relevant departments to collect information on the customers industries on regular basis to understand the development of the industries, so that we have better knowledge on how to tailor equipment to meet customers' needs, solve problems for customers and establish long-term relationships with our customers through providing better services.

(2) Main usage and manufacturing processes for the company's main products

A. Main Products:

Major Product	Important usage or function
Passive component equipment	Used for the latter part of the manufacturing process, including passive component cutting, electroplating, testing and packaging. Used in the full manufacturing process along the actions of wiring, assembly, testing and packaging of passive components.
Semiconductor equipment	Air-tight sealing equipment applies adhesive at the junctions of die and the substrate and then heat up the unit to harden. The wafer sorter carries out visual inspection to pick out nonconforming products, acting as a pre-inspection function before die bonding. The carrier switching equipment switches the substrate between the Boat and Tray since different processes require different carriers.
LED equipment	This us used mainly for SMD-type LED measurement and analysis and high-speed loading applications.
Testing Equipment	Quickly and automatically determine the geometrical dimensions such as points, lines, frames, circles, arcs and angles of molds, PC boards, and other products.

B. Production process



(3) Supply of Major Raw Materials

Main Product	Main Raw Material	Main supplier
Automated semiconductor , passive component, LED and testing equipment.	Processing parts	Qi Rui, Yuan Zhou, Feng Yun, Song Li and Yu Feng
	Industrial computer	ADLINK, Advantech
	Pneumatic cylinder	SMC, NOK, Festool, Mindman and CKD
	Electric motor	ASKe, Oriental Motor, Shihlin Electric, Yaskawa and Delta
	Testing equipment	Agilent and Keithley

(4) Significant changes in gross margin in the last two years by products or department

Changes in the Company's gross profit margin in the most recent two years

Item	2016	2017	Changes	Proportion of the changes (%)
Sales revenue	2,112,459	1,866,853	(245,606)	(11.63)
Sales Margin	935,443	846,758	(88,685)	(9.48)
Gross profit margin (%)	44.28	45.36	1.08	2.44

Changes in gross profit margin by 20 percent: None.

(5) List of Major Customers

A. Information on major suppliers during the latest two years

The changes in the major suppliers of the Company in the most recent two years were mainly due to changes in the product structure. The product structure is altered due to the orders placed by different industrial customers, resulting in the changes of major suppliers in the two years. Other than the above phenomenon, no one-single supplier supplies more than 10 percent of the Company's total procurement.

B. List of sales customers in the most recent two years

Unit: NT$1,000; %

Item	2016				2017				Financial Data As of March 31, 2018			
	Name	Amount	Ratio of Sales to Net Sales throughout the Year (%)	Relationships with the issuer	Name	Amount	Ratio of Sales to Net Sales throughout the Year (%)	Relationships with the issuer	Name	Amount	Ratio of Sales to Net Sales in the Year up to the Previous Quarter (%)	Relationships with the issuer
1	C customer	918,880	43.50	None	B customer	429,669	23.02	None	D customer	89,784	19.17	None
2	A customer	224,470	10.63	None	C customer	373,067	19.98	None	E customer	66,989	14.30	None
3	Others	969,109	45.87	-	Others	1,064,117	57.00	-	A customer	53,808	11.49	None
4	-	-	-	-	-	-	-	-	Others	257,783	55.04	-
	Net Sales	2,112,459	100.00	-	Net Sales	1,866,853	100.00	-	Net Sales	468,364	100.00	-

(6) Table of production volume in the two most recent years

Unit: units/NTD thousands

Yearly Production Value / Major products (Note 1)	2016			2017		
	Production capacity (Note 3)	Production volume	Production value	Production capacity (Note 3)	Production volume	Production value
Automation semiconductor equipment	-	548	670,773	-	648	515,478
Automated passive component equipment	-	576	209,979	-	597	312,287
LED equipment	-	248	123,803	-	242	64,787
Others	-	135,248	172,460	-	379,180	127,543
Total (Note 2)	-	136,620	1,177,015	-	380,667	1,020,095

Note 1: Only major machines are listed in this table; other components and products are not listed here due to inconsistent measurement units.

Note 2: Due to the differences in the quantity units used to calculate the major products, the totals are not consistent and the numbers cannot be compared.

Note 3: No production capacity analysis is performed since the Company's production is order-based.

(7) Sales volume in the two most recent years

Unit: units/NTD thousands

Year / Sales Volume and Value / Major products (Note 1)	2016				2017			
	Domestic sales		Export		Import		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Automation semiconductor equipment	367	388,937	181	937,141	336	249,936	312	838,825
Automated passive component equipment	358	172,453	218	200,698	501	358,608	96	104,932
LED equipment	241	190,914	7	8,328	236	108,243	6	3,208
Others (Note 2)	62,967	190,126	72,281	23,862	309,378	166,191	69,802	36,910
Total (Note 2)	63,933	942,430	72,687	1,170,029	310,451	882,978	70,216	983,875

Note 1: Only major machines are listed in this table; other components and products are not listed here due to inconsistent measurement units.

Note 2: Due to the differences in the quantity units used to calculate the major products, the totals are not consistent and the numbers cannot be compared.

3. Number of Employees, Average Years of Services, Average Age and Education in the Two Most Recent Years up to the Date of Publication of This Annual Report

Year		2016	2017	As of May 11, 2018
No. of employees	Direct	58	31	28
	Indirect	264	285	284
	Total	322	316	312
Average Age		35.58	36.01	36.20
Average length of service (years)		5.10	5.53	5.36
Education distribution ratio (%)	PhD	3.09	3.49	3.83
	Master	20.48	26.24	26.80
	Bachelor degree or equivalent	59.45	53.02	51.08
Senior High School		13.50	15.82	13.00
Less than Senior High School		3.48	1.43	5.29

4. Environmental Protection Expenditures

(1) According to regulations, the Company has to apply and receive permits for the establishment of anti-pollution facilities and pollution effluent, pay pollution prevention fees, or designate environmental personnel. The status of the above-mentioned measures is as follows:

The company actively invests in the prevention of environmental pollution, sets up solar energy facilities, actively promotes recycle and reuse of resources and actively implements environmental safety management measures. Full-plant inspection is

also implemented regularly as required by law, along with reinforcement in hazard identification, safety education,hazard prevention, emergency response and employees health checkup, aiming to achieve the goal of zero pollution and zero workplace accident. For the impact of climate change, we make efforts to cut down greenhouse gas emissions and improve energy efficiency. We strive to meet compliance with domestic laws and regulations,as well as international standards. Beyond our pursuit of business growth, we are committed to environmental protection and work safety. The following are our energy saving plans:

a. Carbon reduction and energy saving goals:

Climate change has caused drastic changes in the global environment. Therefore, the Company take on the responsibility to mitigate the greenhouse effect. Our continuous actions include reducing greenhouse gas emission and linking our annual target to the Company's revenue with a goal of reducing carbon emissions by 5 percent. The source of greenhouse gas emissions is use of electricity. Therefore, we continue to promote energy management based energy-saving practices, aiming to achieve the target set along the increase and decrease of revenue and the goal of reducing electricity consumption by 5 percent.

b. Waste reduction and water saving goals:

To ensure effective use of resources, we continue to implement waste reduction management practices. The Company's operation is mainly equipment assembly, so we have no production lines and consequently no emissions of air pollution and wastewater. As approved by Kaohsiung City Bureau of Environmental Protection No. 10540721200, the Company does not produce wastewater and is not a business designated by the EPA for air pollution control. The Company agrees to properly dispose of wastes in accordance with the provisions of Article 36 of the Waste Disposal Act. And approved by Tainan City Bureau of Environmental Protection No. 1050002048, the Company's maximum effluent volume is 45 CMD (including 3 CMD for process wastewater and 42 CMD for domestic wastewater) and maximum sludge production volume is 0. Although the Company has no air pollution and wastewater discharge issues, we still set an annual target for waste reduction, which varies along the increase and decrease of revenue and the goal of reducing everyday garbage, waste and water consumption by 5 percent.

c. Energy-saving practices:

1. Organize employee training courses to promote energy saving and carbon reduction in the company.

The company holds a monthly meeting to promote the lights-off project and the concept and awareness of environmental protection and energy conservation to employees. The following are specific practices enforced:

A. Set air conditioning to 26 to 27 degrees Celsius.

B. Implement the lights-off project.

C. Save water.

D. Bring your own chopsticks, cups and handkerchiefs.

E.Turn off computer and pull the plug after work, walk for exercise, and reduce use of the elevator.

2. Energy saving practices are enforced at the plant and offices.

A. Replaced all lights with LED fluorescent lamps at the plant.

B. Zone the plant and office into areas for varied air conditioning control.

C. Change air-conditioning facility from water-cooling to storage-type.

D. Energy-saving bulbs are replaced with LED lamp after the product life ends.

E. Change air compressor from fixed temperature to inverter type.

3. Use e-invoicing and online signing to promote environmental sustainability.

The Company is committed to promoting sustainability of the environment and the earth, taking actions in response to the global energy-saving and carbon reduction initiative. The Company also adopted the electronic invoicing system promoted by the Ministry of Finance and set up an electronic system for inquiries. In addition, submission of requisition, procurement and expense reimbursement forms has been updated from manual sign-offs to electronic sign-offs, and efforts have been made to promote e-documents to reduce use of paper.

4. Use of solar panels to generate electricity

Every six months, the Company appoints an operating environment audit agency approved by the Ministry of Labor to audit the Company's work environment. Relevant reports are available on the Company's website. List the Company’s investment in environmental pollution prevention equipment, use, and expected benefits:

The solar panels set up by the Company is guaranteed to generate 207 KW of parallel electricity wattage per month for Taiwan Power. The table below shows the guaranteed power volume.

Year	Guaranteed solar power generation
1	338,878
2	335,400
3	332,022
4	328,655
5	325,298

Year	Guaranteed solar power generation
6	321,951
7	318,614
8	315,288
9	311,970
10	308,663
11	305,365
12	302,076
13	298,797
14	295,527
15	292,266
16	289,015
17	285,772
18	282,538
19	279,314
20	276,098

(2) The process of pollution-related environment improvement over the two most recent years until the date of publication of this report. Please describe the process of handling pollution-related disputes, if any: None

(3) The total losses (including indemnity paid) and penalties paid by the Company for environmental pollution, as well as future response measures (including improvement measures) and possible expenditure (including losses incurred by not implementing response measures, penalties, and an estimated amount of indemnity; if a reasonable estimation cannot be made, explain why): None

(4) Current pollution and improvement status, and its effects on the company's competitive position and capital spending, as well as estimated major capital expenditures for environmental protection in the next two years: None.

5. Labor Relations

1. List the Company's employee benefits, continuing education, training, retirement system and implementation status, as well as agreements between the employer and employees and measures for protecting employees' rights and interests:

(1). Employee welfare policy

a. Insurance: In addition to the statutory labor and health insurance, the Company insures all employees with group insurance (accident and medical).

b. The Company takes our employees' health checkups very seriously. With consent of our employees, the Company actively follows up on employees who are found to have health issues and special conditions. Every year, our employees are given one free health checkup, which covers the basic labor health checks, as well as the more advanced items, including rheumatoid, Thyroid function, digestive function and arteriosclerosis.

c. The Company provides employees beyond statutory protection. We offer comprehensive and additional protection and embarked on the mission to build a complete welfare system, covering food, clothing, housing, transportation, education and recreation:

Welfare Category	Program	Content
Food	Fine and healthy diet	The Company provides lunch, afternoon tea and dinner to our employees for free.
	Department dinner	A department dinner is held once every two months.
Clothing	Work attire	Employee's uniform, jacket and casual wear day
Housing	Temporary dormitory	The Company offers dormitory rooms to employees from other areas, commuting employees and those who cannot return home due to work assignments.
Transportation	Subsidies for using private vehicles to conduct company business	The Company provides company cars for receiving guests and those who drive private cars for company business are eligible to apply for expense reimbursement.
Education	Library	The Company set up a library on-the-go and magazine lounge, providing employees various books and magazines for loan, aiming to help employees develop reading habits.
Recreation	Workout Room	We remind our employees to care for their health, while keeping themselves busy at work. We set up an employees workout room, which is open to all employees for free use.
	Sports courts	We have also set up courts for table tennis, basketball and billiards, which are open to all employees.
	Recreational facilities	The break room provides coffee, beverages, hot food and more to refresh our employees anytime.
	Company parties	The Company hosts parties on the major holidays and the year-end dinner. The parties are filled with fun games to draw the employees closer to each other.
	Recreational activities	Subsidies for domestic and overseas trips.

d. It is our responsibility to take good care of our employees' lives and settle their families. Therefore, in addition to funding the employee welfare committee, the Company offers birthday gift-money, bonuses on the three major festivals and gift-money for child birth and wedding.

(2) Retirement system:

a. Old system:

Since May 20, 2000, the Company formally established the Labor Pension Reserve Supervisory Committee in accordance with the Rules Governing Organization of Supervisory Committee of Business Entities' Labor Retirement Reserve. The Company contributes 4 percent of eacg employee's total monthly salary to the retirement reserve into the special account of the Labor Pension Reserve Supervisory Committee. Pension payments are made in compliance with the Labor Standards Act.

b. New system:

Since July 1, 2005, the Company has established a retirement plan based on the Labor Pension Act, which applies all employees who are citizens of R.O.C. FOr employees who chose to adopt the retirement system provided by the Labor Pension Act, the Company contributes an amount no less than six percent of the worker's monthly wage to the personal retirement pension account set up by the Bureau of Labor Insurance. The retirment pension shall be calculated based on the principal and accrued dividends from an employee's individual account of labor pension and paid on a monthly or lump-sum basis. The subsidiary in China contributes 18% of each employee's total monthly salary for retirement insurance in accordance with the pension insurance system set forth by the government of the People's Republic of China. The pension fund is collectively managed by the government. The company has no further obligation other than making the monthly contribution.

(3) Employer/employee agreements

Achievement of the Company's goals depends on the commitment and dedication of employees, while employees also need employers' support for them to be able to extend their talent. Therefore, the relationship between employers and employees has always been the focus the Company and its subsidiaries. Since the founding of the Company and its subsidiaries, the relationship between employees and employers has been harmonious.

2. Losses arising as a result of labor disputes in the most recent year up to the date of publishing of this annual report and disclosure of potential losses in the current and future terms and countermeasures: None

6. Important Contracts:

Nature of Contract	Parties to the contract	Contract Beginning and Ending Dates	Major contents	Restrictive Provision
Property lease	Southern Taiwan Science Park Administration	Jan. 1, 2009 to Dec. 31, 2023 and Nov. 1, 2014 to Oct. 31, 2034	Land lease for the Southern Taiwan Science Park in Luchu	None

VI. Financial Highlights

1. Condensed Balance Sheet and Statement of Comprehensive Income of Recent Five Years

(1) Condensed balance sheet and income statements

A. Consolidated condensed balance sheet and statement of comprehensive income - International Financial Reporting Standards

Unit : Thousands of New Taiwan Dollars

Item \ Year		Financial information for the most recent five years (Note 1)					Financial information of current year up to March 31, 2018 (Note 3)
		2013	2014	2015	2016	2017	
Current assets		1,218,875	1,515,887	1,560,225	1,828,962	1,888,126	1,943,947
Property, plant and equipment		242,320	252,264	395,288	448,984	422,161	417,335
Intangible assets		931	729	2,729	6,348	4,541	4,850
Other assets		210,252	233,233	233,254	234,843	220,508	224,914
Total assets		1,672,378	2,002,113	2,191,496	2,519,137	2,535,336	2,591,046
Current liabilities	Before distribution	290,547	506,196	433,562	660,421	632,445	613,759
	After distribution	387,416	646,840	604,234	913,138	Note 2	N/A
Noncurrent liabilities		37,257	37,990	37,430	36,633	41,072	45,127
Total liabilities	Before distribution	327,804	544,186	470,992	697,054	673,517	658,886
	After distribution	424,673	644,646	641,664	949,771	Note 2	N/A
Equity attributable to owners of parent company		1,344,574	1,457,927	1,720,504	1,822,083	1,861,819	1,932,160
Capital		807,239	807,239	853,359	842,389	842,389	842,389
Capital surplus	Before distribution	290,673	290,673	380,987	378,920	378,920	378,920
	After distribution	290,673	250,489	380,987	378,920	378,920	N/A
Retained earnings	Before distribution	241,417	347,395	474,492	611,136	657,930	723,769
	After distribution	144,548	246,935	303,820	358,419	Note 2	N/A
Other equity		5,245	23,758	11,666	(10,362)	(17,420)	(12,918)
Treasury stock		-	(11,138)	-	-	-	-
Total equity	Before distribution	1,344,574	1,457,927	1,720,504	1,822,083	1,861,819	1,932,160
	After distribution	1,247,705	1,317,283	1,549,832	1,569,366	Note 2	N/A

Note 1: The financial information from 2013 to 2017 have been audited by CPAs.
Note 2: Distribution of earnings for 2017 is subject to the approval of the shareholders.
Note 3: The financial information has been reviewed by CPAs.

Unit : Thousands of New Taiwan Dollars (except earnings per share)

Item \ Year	Financial information for the most recent five years (Note 1)					Financial information of current year up to March 31, 2018 (Note 2)
	2013	2014	2015	2016	2017	
Operating revenue	1,118,945	1,519,806	1,507,082	2,112,459	1,866,853	468,364
Gross profit	427,721	592,847	624,429	935,443	846,758	197,202
Operating Income	132,127	202,727	225,485	440,699	404,694	83,389
Non-operating income and expenses	9,691	31,548	36,002	(14,487)	(44,332)	(13,797)
Net income before tax	141,818	234,275	261,487	426,212	360,362	69,592

Income from continuing operations	122,403	202,009	228,506	357,016	303,196	64,478
Net income (loss)	122,403	202,009	228,506	357,016	303,196	64,478
Other comprehensive income (net amount after tax)	19,161	19,351	(12,450)	(20,100)	(10,743)	5,863
Total comprehensive income	141,564	221,360	216,056	336,916	292,453	70,341
Net income attributable to owners of parent company	122,403	202,009	228,506	357,016	303,196	64,478
Comprehensive income attributable to owners of parent company	141,564	221,360	216,056	336,916	292,453	70,341
Earnings per share	1.52	2.50	2.76	4.21	3.60	0.77

*** If a company has prepared a financial report, it shall also prepare a condensed balance sheet and a statement of comprehensive income for the most recent five years.**

*** If the financial information under IFRS is insufficient for five years, the financial information under ROC GAAP shall be prepared.**

Note 1: The financial information from 2013 to 2017 has been audited by CPAs.

Note 2: The financial information has been reviewed by CPAs.

B. Condensed balance sheet and statement of comprehensive income - International Financial Reporting Standards

Unit : Thousands of New Taiwan Dollars

Item \ Year		Financial information for the most recent five years (Note 1)					Financial information of current year up to March 31, 2018 (Note 3)
		2013	2014	2015	2016	2017	
Current assets		910,086	1,100,421	1,212,474	1,513,953	1,616,683	N/A
Property, plant and equipment		114,883	118,361	274,663	344,018	326,784	
Intangible assets		633	382	2,586	6,282	4,541	
Other assets		558,277	634,350	604,708	551,152	530,637	
Total assets		1,583,879	1,853,514	2,094,431	2,415,405	2,478,645	
Current liabilities	Before distribution	202,048	357,667	336,506	556,689	575,760	
	After distribution	298,917	498,311	507,178	809,406	Note 2	
Noncurrent liabilities		37,257	37,920	37,421	36,633	41,066	
Total liabilities	Before distribution	239,305	395,587	373,927	593,322	616,826	
	After distribution	336,174	536,231	544,599	846,039	Note 2	
Capital		807,239	807,239	853,359	842,389	842,389	
Capital surplus	Before distribution	290,673	290,673	380,987	378,920	378,920	
	After distribution	290,673	250,489	380,987	378,920	378,920	
Retained earnings	Before distribution	241,417	347,395	474,492	611,136	657,930	
	After distribution	144,548	246,935	303,820	358,419	Note 2	
Other equity		5,245	23,758	11,666	(10,362)	(17,420)	
Treasury stock		-	(11,138)	-	-	-	
Total equity	Before distribution	1,344,574	1,457,927	1,720,504	1,822,083	1,861,819	
	After distribution	1,247,705	1,317,283	1,549,832	1,569,366	Note 2	

*** If a company has prepared a financial report, it shall also prepare a condensed balance sheet and a statement of comprehensive income for the most recent five years.**

*** If the financial information under IFRS is insufficient for five years, the financial information under ROC GAAP shall be prepared.**

Note 1: The financial information from 2013 to 2017 has been audited by CPAs.

Note 2: Distribution of earnings for 2017 is subject to the approval of the shareholders.

Note 3: There is no financial report for the first quarter of 2018. So this does not apply.

Unit : Thousands of New Taiwan Dollars (except earnings per share)

Item \ Year	Financial information for the most recent five years (Note 1)					Financial information of current year up to March 31, 2018 (Note 2)
	2013	2014	2015	2016	2017	
Operating revenue	804,452	1,159,162	1,296,254	1,871,297	1,614,505	N/A
Gross profit	336,762	511,066	575,914	896,150	792,721	
Operating Income	113,269	219,105	265,005	478,093	425,993	
Non-operating income and expenses	25,072	13,520	(5,982)	(51,483)	(67,075)	
Net income before tax	138,341	232,625	259,023	426,610	358,918	
Income from continuing operations	122,403	202,009	228,506	357,016	303,196	
Net income (loss)	122,403	202,009	228,506	357,016	303,196	
Other comprehensive income for the year (Net Income after Tax)	19,161	19,351	(12,450)	(20,100)	(10,743)	
Total comprehensive income	141,564	221,360	216,056	336,916	292,453	
Earnings Per Share	1.52	2.50	2.76	4.21	3.60	

* If a company has prepared a financial report, it shall also prepare a condensed balance sheet and a statement of comprehensive income for the most recent five years.
* If the financial information under IFRS is insufficient for five years, the financial information under ROC GAAP shall be prepared.

Note 1: The financial information from 2013 to 2017 has been audited by CPAs.

Note 2: There is no financial report for the first quarter of 2018. So this does not apply.

(2) Names and auditing opinions of CPAs in the most recent five years

A. The CPAs' names and auditing opinions for the most recent five years. Except for the unqualified opinion auditing report, the auditing opinions shall be described in details.

Year	Accounting firms	CPAs	Auditor's opinions
2013	PwC Taiwan	Ming-Xian Li , Zi-Yu Li	Modified unqualified opinion (Note 1)
2014	PwC Taiwan	Ming-Xian Li , Zi-Yu Li	Modified unqualified opinion (Note 2)
2015	PwC Taiwan	Ming-Xian Li , Zi-Yu Li	Modified unqualified opinion (Note 3)
2016	PwC Taiwan	Zi-Yu Li, Zi-Meng Liu	Unqualified auditor's report, but with annotations concerning other matters audited by other accountants (Note 3)
2017	PwC Taiwan	Zi-Yu Li, Zi-Meng Liu	Unqualified auditor's report, but with annotations concerning other matters audited by other accountants (Note 3)

Note 1: The investment of the Company in XinYang Tech Co. Ltd. under equity method has been evaluated and disclosed in the financial report audited by the CPAs appointed by the latter company.

Note 2: The respective investment of the Company in XinYang Tech Co. Ltd. and Uni-Ring Tech Co.,Ltd. under equity method has been evaluated and disclosed in the financial report audited by the CPAs appointed by the latter two companies.

Note 3: The investment of the Company in Uni-Ring Tech Co.,Ltd. under equity method has been evaluated and disclosed in the financial report audited by the CPAs appointed by the latter company.

B. Former CPAs and their successors should state the reasons for the replacement of CPAs in the most recent five years if there is any:
Internal job adjustment has been conducted in accordance with the "Procedures for Reviewing Financial Reports of Listed Companies".

2. Financial Analysis of Most Recent Five Years:

A. Consolidated financial analysis - International Financial Reporting Standards

Analyzed Items (Note 5) \ Year		Financial analysis of the most recent five years					Financial Information of current year up to March 31, 2018 (Note 4)
		2013	2014	2015	2016	2017	
Financial structure (%)	Debt-asset ratio	19.60	27.18	21.49	27.67	26.57	25.43
	Long-term capital to property, plant, and equipment ratio	554.88	577.94	435.25	405.82	441.02	462.98
Solvency (%)	Current Ratio	419.51	299.47	359.86	276.94	298.54	316.73
	Quick Ratio	350.95	239.07	291.40	222.39	243.97	255.21
	Interest coverage ratio	48.46	919.73	683.73	276.69	359.21	4,640.47
Operation performance	Receivables turnover ratio (times)	2.11	2.40	2.61	4.32	3.23	0.69
	Average collection days	172.99	152.08	139.85	84.49	113.00	130.43
	Inventory turnover ratio (times)	3.45	3.61	2.91	3.54	2.80	0.71
	Payables turnover ratio (times)	3.24	3.96	3.41	4.44	3.08	0.73
	Average days for sale	105.80	101.11	125.43	103.11	130.36	126.76
	Property, plant, and equipment turnover ratio (times)	4.60	6.15	4.65	5.00	4.29	1.12
	Total asset turnover ratio (times)	0.63	0.83	0.72	0.90	0.74	0.18
Profitability	Return on assets (%)	7.00	11.01	10.91	15.21	12.03	2.52
	Return on equity (%)	9.64	14.42	14.38	20.16	16.46	3.40
	Net income before tax to paid-in capital ratio (%) (Note 3)	17.57	29.02	30.64	50.60	42.78	8.26
	Net profit margin (%)	10.94	13.29	15.16	16.90	16.24	13.77
	Earnings per share (NT$)	1.52	2.50	2.76	4.21	3.60	0.77

Analyzed Items (Note 5) \ Year		2013	2014	2015	2016	2017	Financial Information of current year up to March 31, 2018 (Note 4)
		Financial analysis of most recent five years					
Cash flow	Cash flow ratio (%)	(16.53)	42.42	52.32	108.87	27.38	(13.68)
	Cash flow adequacy ratio (%)	Note 1	Note 2	22.70	96.48	119.11	N/A
	Cash reinvestment ratio (%)	Note 2	7.96	7.16	29.23	Note 2	Note 2
Leverage	Operating Leverage	3.68	2.92	2.77	2.12	2.09	2.36
	Financial Leverage	1.02	1.00	1.00	1.00	1.00	1.00

Reasons for changes in various financial ratios in the most recent two years. (Except changes less than 20%)

1. Increase in interest coverage ratio: Mainly due to the decrease in interest expense.

2. Increase in receivables turnover ratio and average collection days: Mainly due to decreased demand of customer capital expenditure compared to last year.

3. Decrease in inventory ratio and payables turnover ratio: Mainly due to order reduction in this period.

4. Decrease in PP&E turnover ratio and total asset turnover ratio: Mainly due to decreased demand of customer capital expenditure compared to last year.

5. Decrease in return on assets: Mainly due to the decrease in net income after tax in this period.

6. The increase in cash flow, cash flow adequacy, and cash reinvestment ratios: Mainly due to the decrease in cash inflow.

＊ If a company has prepared the financial report, it shall also prepare an analysis report for financial ratios.

* If the financial information under IFRS is insufficient for 5 years, the financial information under ROC GAAP shall be prepared.

Note 1: Adoption of International Financial Reporting Standards started from 2013. Therefore no information for the previous years is available.

Note 2: Negative numbers are not shown here.

Note 3: Calculated by share capital at the end of this period.

Note 4: The financial information has been reviewed by CPAs.

Note 5: The following formula shall be presented below this table:

1. Financial structure
   (1) Debt-asset Ratio = Total Liabilities / Total Assets.
   (2) Long-term capital to property, plant, and equipment ratio = (Equity + non-current liabilities) / Net property, plant and equipment
2. Solvency
   (1) Current Ratio = Current Assets / Current Liabilities.
   (2) Quick Ratio = (Current Assets - Inventories - Prepaid expenses) / Current Liabilities.
   (3) Interest coverage ratio = Net profit before tax and Interest / Interest expenses of current period.
3. Operating performance
   (1) Receivables (including receivables and note receivables arising from operations) turnover rate = Net Sales / Average receivables (including receivables and note receivables arising from operations) each period.
   (2) Average collection days = 365 / Receivables turnover rate.
   (3) Inventory turnover rate = Cost of sales / Average inventory.
   (4) Payables (including payables and notes payables arising from operations) turnover rate = Net Sales / Average payables (including payables and note payables arising from operations) each period.
   (5) Average days for sale = 365 / Inventory turnover rate.
   (6) Property, plant and equipment turnover rate = Net sales / Average net property, plant and equipment.
   (7) Total asset turnover rate = Net sales / Average total assets.
4. Profitability
   (1) Return on assets = [Net income + Interest expenses (1- Tax rate)] / Average total assets.
   (2) Return on equity = Net income / Average total equity.
   (3) Net profit margin = Net income / Net sales.
   (4) Earnings per share = (Income attributable to owners of parent company – Preference dividend) / Weighted average of common shares. (Note 6)
5. Cash flow
   (1) Cash flow ratio = Net cash flow from operating activities / Current liabilities.
   (2) Net cash flow adequacy ratio = Net cash flow from operating activities for most recent five years / (Capital expenditures + Inventory additions + Cash dividends) of most recent five years.
   (3) Cash flow reinvestment ratio = (Net cash flow from operating activities - Cash dividends) / (Gross property, plant and equipment + Long-term Investments + Other non-current assets + Working capital). (Note 7)
6. Leverage
   (1) Operating leverage = (Net revenue - Variable operating costs and expenses) / Operating income (Note 8).
   (2) Financial leverage = Operating income / (Operating income - Interest expenses).

Note 6: Concerning "the earning per share" in the above formula, the following conditions shall be noted:

1. It is based on the weighted average common shares, rather than the issued shares at the end of the year.
2. Only the weighted average shares number during the circulation period of cash replenishment or treasury stock transaction shall be taken into account.
3. In the case of capital increase out of earnings or capital surplus, the annual and semi-annual earnings per share shall be adjusted retrospectively to the ratio of capital increase, without considering its issuance duration.
4. If the cumulative preferred shares are non-convertible, then the dividend of the year (whether paid or not) shall be deducted from net income after tax, or included in the net loss after tax. If the preferred shares are non-cumulative, the preferred share dividends should be deducted from the net income after tax. No adjustment is required if the company has loss after tax.

Note 7: The following conditions should be noted for the analysis of cash flow:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the statement of cash flows.
2. Capital expenditure refers to the annual cash outflows from capital investments.
3. The increase in inventory is taken into account when the balance at the end of period is higher than the balance at the beginning of period. Otherwise, it is taken as zero.
4. Cash dividends include those from common and preferred shares.
5. Gross PP&E refers to the total value of PP&E before the deduction of accumulated depreciation.

Note 8: The issuer shall classify the operating costs and expenses as fixed or variable categories based on their characteristics. The classification shall be reasonable and consistent if subjective estimations or judgments are involved.

Note 9: If the company shares do not have a face value or the face value per share is not NT$10, the calculation above involving paid-in capital should be replaced with the calculation involving the equity attributable to owners of parent company in the balance sheet.

B. Financial analysis - International Financial Reporting Standards

Year / Analyzed Items (Note 5)		Financial analysis of the most recent five years					Financial Information of current year up to March 31, 2018 (Note 3)
		2013	2014	2015	2016	2017	
Financial structure (%)	Debt-asset Ratio	15.11	21.34	17.85	24.56	24.89	N/A
	Long-term capital to property, plant, and equipment ratio	1,170.39	1,231.76	626.41	529.65	569.74	
Solvency (%)	Current Ratio	450.43	307.67	360.31	271.96	280.79	
	Quick Ratio	385.96	252.07	294.49	221.95	231.28	
	Interest coverage ratio	84.84	2,059.63	2,644.09	324.68	414.02	
Operation performance	Receivables turnover ratio (times)	1.94	2.42	2.95	4.78	3.42	
	Average collection days	188.14	150.83	123.73	76.36	106.73	
	Inventory turnover ratio (times)	3.36	3.55	3.13	3.62	2.71	
	Payables turnover ratio (times)	3.00	4.07	3.82	4.71	2.89	
	Average days for Sale	108.63	102.82	116.61	100.83	134.69	
	Property, plant, and equipment turnover ratio (times)	6.96	9.94	6.60	6.05	4.81	
	Total asset turnover ratio (times)	0.48	0.67	0.66	0.83	0.66	
Profitability	Return on assets (%)	7.39	11.76	11.58	15.88	12.42	
	Return on equity (%)	9.64	14.42	14.38	20.16	16.46	
	Net Income before tax to paid-in capital ratio (%) (Note 4)	17.14	28.82	30.35	50.64	50.57	
	Net profit margin (%)	15.22	17.43	17.63	19.08	18.78	
	Earnings per share (NT$)	1.52	2.50	2.76	4.21	3.60	
Cash flow	Cash flow ratio (%)	(17.61)	71.04	59.67	130.48	42.79	
	Cash flow adequacy ratio (%)	Note 1	Note 2	28.66	104.73	128.96	
	Cash reinvestment ratio (%)	Note 2	16.12	5.78	30.14	Note 2	
Leverage	Operating Leverage	3.19	2.33	2.17	1.87	1.86	
	Financial Leverage	1.01	1.00	1.00	1.00	1.00	

Year / Analyzed Items (Note 5)	Financial analysis of the most recent five years					Financial Information of current year up to March 31, 2018 (Note 3)
	2013	2014	2015	2016	2017	

Reasons for the changes in various financial ratios in the most recent two years. (Except changes less than 20%)

1. The increase in interest coverage ratio: Mainly due to the increase in pre-tax net revenue of current period.

2. Increase in receivables turnover ratio and average collection days: Mainly due to the decreased demand in customer capital expenditures compared to last year .

3. Decrease in Inventory and payables turnover ratios : Mainly due to the reduction in orders in this period.

4. Decrease in PP&E turnover and total asset ratios: Mainly due to decreased demand in customer capital expenditures compared to last year.

5. Decrease in return on assets: Mainly due to the decrease in net income after tax in this period.

6. The increase in cash flow, cash flow adequacy, and cash reinvestment ratios: Mainly due to the decrease in cash inflows.

＊If a company has prepared the financial report, it shall also prepare an analysis report for financial ratios.
* If the financial information under IFRS is insufficient for 5 years, the financial information under ROC GAAP shall be prepared.

Note 1: Adoption of International Financial Reporting Standards started from 2013. Therefore no information for the previous years is available.

Note 2: Negative numbers are not shown here.

Note 3: There is no financial report for the first quarter of 2018. So it does not apply.

Note 4: The calculation is based on the share capital at the end of the period.

Note 5: The following formula shall be presented below this table:

1. Financial structure
   (1) Debt-asset Ratio = Total Liabilities / Total Assets.
   (2) Long-term capital to property, plant, and equipment ratio = (Equity + non-current liabilities) / Net property, plant and equipment
2. Solvency
   (1) Current Ratio = Current Assets / Current Liabilities.
   (2) Quick Ratio = (Current Assets - Inventories - Prepaid expenses) / Current Liabilities.
   (3) Interest coverage ratio = Net profit before tax and interest / Interest expenses of current period.
3. Operating performance
   (1) Receivables (including receivables and note receivables arising from operations) turnover rate = Net Sales / Average receivables (including receivables and note receivables arising from operations) each period.
   (2) Average collection days = 365 / Receivables turnover rate.
   (3) Inventory turnover rate = Cost of sales / Average inventory.
   (4) Payables (including payables and notes payables arising from operations) turnover rate = Net Sales / Average payables (including payables and note payables arising from operations) each period.
   (5) Average days for sale = 365 / Inventory turnover rate.
   (6) Property, plant and equipment turnover rate = Net sales / Average net property, plant and equipment.
   (7) Total asset turnover rate = Net sales / Average total assets.
4. Profitability
   (1) Return on assets = [Net income + Interest expenses (1- Tax rate)] / Average total assets.
   (2) Return on equity = Net income / Average total equity.
   (3) Net profit margin = Net income / Net sales.
   (4) Earnings per share = (Income attributable to owners of parent company – Preference dividend) / Weighted average of common shares. (Note 6)
5. Cash flow
   (1) Cash flow ratio = Net cash flow from operating activities / Current liabilities.
   (2) Net cash flow adequacy ratio = Net cash flow from operating activities for most recent five years / (Capital expenditures + Inventory additions + Cash dividends) of most recent five years.
   (3) Cash flow reinvestment ratio = (Net cash flow from operating activities - Cash dividends) / (Gross property, plant and equipment + Long-term Investments + Other non-current assets + Working capital). (Note 7)
6. Leverage
   (1) Operating leverage = (Net revenue - Variable operating costs and expenses) / Operating income (Note 8).
   (2) Financial leverage = Operating income / (Operating income - Interest expenses).

Note 6: Concerning "the earning per share" in the above formula, the following conditions shall be noted:

1. It is based on the weighted average common shares, rather than the issued shares at the end of the year.
2. Only the weighted average shares number during the circulation period of cash replenishment or treasury stock transaction shall be taken into account.
3. In the case of capital increase out of earnings or capital surplus, the annual and semi-annual earnings per share shall be adjusted retrospectively to the ratio of capital increase, without considering its issuance duration.
4. If the cumulative preferred shares are non-convertible, then the dividend of the year (whether paid or not) shall be deducted from net income after tax, or included in the net loss after tax. If the preferred shares are non-cumulative, the preferred share dividends should be deducted from the net income after tax. No adjustment is required if the company has loss after tax.

Note 7: The following conditions should be noted for the analysis of cash flow:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the statement of cash flows.
2. Capital expenditure refers to the annual cash outflows from capital investments.
3. The increase in inventory is taken into account when the balance at the end of period is higher than the balance at the beginning of period. Otherwise, it is taken as zero.
4. Cash dividends include those from common and preferred shares.
5. Gross PP&E refers to the total value of PP&E before the deduction of accumulated depreciation.

Note 8: The issuer shall classify the operating costs and expenses as fixed or variable categories based on their characteristics. The classification shall be reasonable and consistent if subjective estimations or judgments are involved.

Note 9: If the company shares do not have a face value or the face value per share is not NT$10, the calculation above involving paid-in capital should be replaced with the calculation involving the equity attributable to owners of parent company in the balance sheet.

3.As for the supervisor's review report on the annual financial report of the most recent year, please refer to page 110.

4.As for the annual financial report of the most recent year, please refer to pages 124~181.

5.As for the CPA-audited financial report of the most recent year, please refer to pages 182~185.

6.Impact of financial difficulties of the Company and affiliated companies on the financial status of the Company in the most recent year, up to the date this report is published: None.

3. Supervisors' Review on the Financial Report of Most Recent Year

All Ring Tech Co., Ltd.

Supervisors' Review Report

Approval for

The Board of Directors has prepared the Company's 2017 Annual Business Report, Financial statements, Consolidated Financial Statements, and profits distribution proposal, etc., which were reviewed and confirmed by the Supervisors that there was no discrepancy. According to Article 219 of the Company Act, we hereby submit this report and kindly request for approval.

To

2018 Annual Shareholders' Meeting

All Ring Tech Co., Ltd.

Supervisor: Hong-Ren Lin

Kuo-Cheng Wu

Chin-Shu Tsai

February 27, 2018

VII. Review, Analysis, and Risks of Financial Position and Performance

1. Financial Position

Unit : Thousands of New Taiwan Dollars

Item / Year	2017	2016	Difference	
			Increases (decreases)	%
Current assets	1,888,126	1,828,962	59,164	3.23
Property, plant and equipment	422,161	448,984	(26,823)	(5.97)
Intangible assets	4,541	6,348	(1,807)	(28.47)
Other assets	220,508	234,843	(14,335)	(6.10)
Total assets	2,535,336	2,519,137	16,199	0.64
Current liabilities	632,445	660,421	(27,976)	(4.24)
Noncurrent liabilities	41,072	36,633	4,439	12.12
Total liabilities	673,517	697,054	(23,537)	(3.38)
Capital	842,389	842,389	-	-
Capital surplus	378,920	378,920	-	-
Retained earnings	657,930	611,136	46,794	7.66
Other equity	(17,420)	(10,362)	(7,058)	(68.11)
Total stockholders' equities	1,861,819	1,822,083	39,736	2.18

Explanation of increased or decreased ratios: (except for changes less than 20%)

1. Increase in intangible assets: Mainly due to normal amortization.
2. Increase in other equity: Mainly due to the impact of exchange rate fluctuations.

2. Financial Performance

(1) Comparison and analysis of financial performance

Unit : Thousands of New

Item / year	2017	2016	Increases (decreases)	Percentage of the changes (%)
Operating revenue	1,866,853	2,112,459	(245,606)	(11.63)
Operating cost	1,020,095	1,177,016	(156,921)	(13.33)
Gross profit	846,758	935,443	(88,685)	(9.48)
Operating expense	442,064	494,744	(52,680)	(10.65)
Operating profit	404,694	440,699	(36,005)	(8.17)
Non-operating income and expense	(44,332)	(14,487)	29,845	206.01
Income before tax from continuing operating	360,362	426,212	(65,850)	(15.45)
Income tax expanse	(57,166)	(69,196)	(12,030)	(17.39)
Net income	303,196	357,016	(53,820)	(15.07)
Other comprehensive income of this period	(10,743)	(20,100)	9,357	46.55
Total comprehensive income of this period	292,453	336,916	(44,463)	(13.20)

Reasons for increased or decreased ratios: (except for changes less than 20%)

1. Increase in non-operating income and expenses: Mainly due to exchange rate fluctuations.
2. Increase in other comprehensive income of this period: Mainly due to exchange rate fluctuations.

(2) **Expected sales in the upcoming year and its basis, its potential Impact on the Company's future financial business, and the countermeasures thereof: The Company expects the sale to increase over 2017 and benefit the Company, after considering changes in the overall economic environment, industrial trends, and the Company's development.**

3. Review and Analysis of Cash Flow

(1) Analysis of cash flow changes of the most recent year

Unit : Thousands of New Taiwan Dollars

Item \ Year	2017	2016	Increase/decrease Amount	Increase/decrease %
Net cash inflow/outflow from operating activities	173,155	719,006	545,851	(75.92)
Net cash inflow/outflow from investing activities	13,959	(95,923)	109,882	114.55
Net cash inflow/outflow from financing activities	(267,717)	(232,337)	(35,380)	(15.23)

Main reasons for cash flow changes of the most recent year:

(1) The net cash inflow from operating activities in 2017 is lower than in 2016 : Mainly due to the profit decreased in 2017.

(2) The net cash flow from investing activities in 2017 has changed from outflow to inflow : Mainly due to the payment for the construction of the second-phase plant in 2016.

(3) The net cash outflow from financing activities in 2017 is higher than in 2015: Mainly due to the increase in cash dividends issuance in 2017.

(2) Liquidity improvement program: N/A

(3) Analysis on cash flow liquidity in upcoming Year (2018)

Unit : Thousands of New Taiwan Dollars

Cash balance at the beginning of period	Net cash flow from operations of the whole year	Net cash flow from investment and financing activities of the whole year	Cash balance (deficiency)	Countermeasures for cash deficiency: Investing plan	Countermeasures for cash deficiency: Financial plan
889,708	356,724	(266,261)	980,171	-	-

(1) Analysis of cash flow in 2018

①Operating activities: The Company expects to continue to grow in business. This shall increase the revenue and profits, including net cash inflows from operating activities.

②**Investment activities: The company expects to continue to grow in business and expand its business scale, creating cash inflows from investment activities.**

③**Financing activities: Cash outflows due to expected earnings distribution.**

(2) Countermeasures for projected cash deficit and analysis of liquidity : None.

4. Impact of Major Capital Expenditures on Corporate Finances and Business of Most Recent Year

A. The use of major expenditures and the funding sources : None.

B. Expected benefits: None

5. Reinvestment Policy and the Main Reasons for Profits/Losses thereof, Improvement Plan, and Investing Plans for Next Year

Unit: Thousand of New Taiwan Dollars

Description / Item	Investment amount	Policy	Main reasons for profit or loss	Improvement plan	Other future investment plans
Uniring Tech Co., Ltd.	NT$170,000 thousand	To disperse business risks and expand business over consumer electronics	Recognized as reinvestment loss, because the reinvested company has largely invested in R&D, and the product gross was still low.	To improve product development.	To assess the necessity of increasing the reinvestment with operational scale.
PAI FU INTERNATIONAL LIMITED	NT$65,263 thousand	To reinvest in Kunshan Wanrun Electronic Technology Co., Ltd. and Wanrun Technology Precision Machinery Co., Ltd.	Recognized as reinvestment loss, because the reinvested company has suffered from sale reduction in 2017 due to poor overall oversea business environment.	N/A	N/A
IMAGINE GROUP LIMITED	NT$175,383 thousand	To reinvest in Wanrun Technology Precision Machinery Co., Ltd..	Recognized as reinvestment profit, because the reinvested company has had sale increase in 2017 due to the recovery of overall business environment.	N/A	N/A

6. Risks:

(1) Risk factors

A. Impacts of fluctuations of interest rates, foreign exchange rates and inflation on the Company’s profitability and future countermeasures

(a) Impact from interest rate changes

Item	2017 (NT$1000; %)
Net interest income/expense	4,504
Net currency exchange gain/loss	(69,634)
Ratio of net interest income/expense to net revenue	0.24%
Ratio of net interest income/expense to net income before tax	1.25%
Ratio of currency exchange gain/loss to net revenue	(3.73)%
Ratio of currency exchange gain/loss to net income before tax	(19.32)%

The small ratios listed in the table above show that interest rate fluctuations have minor impact on the overall profitability. Based on sound and conservative financial management principles, the Company will keeps in close touch with the banks to keep up to date the relevant information on interest rate changes, in order to lessen the impact of interest rate fluctuations.

(b) Impact from exchange rate changes

The exported sales quotation and oversea raw materials purchases of the Company are both traded in U.S. dollars. Because the recurring offset of sales and purchases has the effect of a hedge against exchange rate changes, the revenue and profit should not be greatly affected. In order to strengthen the risk management of exchange rate fluctuations, the following countermeasures have been taken:

i. Following the nature of hedge, the foreign currency receivables from the sales are used to pay for the foreign currency payables for the purchases. Accordingly, the assessment shall focus only on the foreign currency. The forecast of the exchange rate trend shall allow settling or paying off foreign currency purchases and operating financial instruments in a timely manner, reducing exchange rate risks.

ii. The financial staffs shall keep tack of exchange rate fluctuations by monitoring international financial situations, maintaining close contact with bank exchange personnels, and collecting financial information provided by banks and investment institutions.

iii. When the business staff offers price and bargains, he shall also weigh the exchange rate fluctuations and adjust the product price accordingly.

(c) Impact from inflation

The prices of raw materials required by the Company are stable. The easing inflation nowadays shall not affect much the future profit and loss of the Company.

B. The policies, main reasons for gain or loss, and future countermeasures with respect to high-risk, high-leverage investments, lending funds to other parties, endorsements/guarantees and derivative product trades:

(a) Engagement in any high risk and high-leverage investments: None.

(b) Policies, main reasons and future countermeasures for capital lending to others

i. Policy

Lending capital to others shall be handled in accordance with the Company's "Procedures for Lending of Capital to Others".

ii. Main reasons

To keep in operation the Company's sub-subsidiary, Wanrun Technology Precision Machinery (Kunshan) Co., Ltd. (hereinafter referred to as Wanrun Precision Machinery), the Company's sub-subsidiary, Kunshan Wanrun Electronic Technology Co., Ltd. (hereinafter referred to as Kunshan Wanrun) and Pai Fu International Limited shall, under the approval of the Board of Directors, lend a capital of, respectively, CNY¥10 million or less, and US$100 million or less to Wanrun Precision Machinery, the loan period being one year. Up to the date this report is published, Wanrun Precision Machinery has borrowed CNY¥2.5 million from Kunshan Wanrun.

iii. Future countermeasures: None.

(c) Policies, main reasons and future countermeasures for endorsements:

i. Policy

The endorsements for others shall be handled in accordance with the Company's "Procedures for Endorsements and Guarantees."

ii. Main reasons

The subsidiary, Uniring Tech Co., Ltd., intended to apply to a financial institution for a loan required for its working capital turnover. The Company has offered an endorsement of NT$50 thousand with an one-year period, in accordance with the Board's resolution on February 27, 2018.

iii. Future countermeasures: None.

C. Future R&D (research and development) plans and estimated expenses

(a) Future R&D plans

To maintain the long-term advantages in R&D capabilities, the Company has filed the patents for key core technologies to the Intellectual Property Bureau. In addition, the Company has continued to invest largely in R&D, recruit outstanding R&D engineers, and make sure that training programs have been implemented as planed. These policies shall advance the R&D capabilities of the Company to a technical advantage over industrial competitors. To this end, the Company has set up the goal to develop five new types of automatic machines every year. The R&D strategies are listed as follows:

i. To grasp fully the market and the needs of customers. With the satisfaction of customers in mind, the R&D professionals that the Company has trained shall continue to cultivate mainstream technologies.

ii. The development of successful R&D technical processes is regulated by the standard of the quality-assurance system, to ensure that the technology-developing experience is being passed on.

iii. To cultivate ample interaction with research institutes and academic units. With the aid and guide by the leading experts and scholars, the R&D capabilities can be strengthened step by step.

iv. To build a strategic alliance with technical developers, in order to guide the R&D direction or develop new technologies, and reduce R&D costs and risks.

v. To collaborate with foreign professional equipment manufacturers on developing new products. The gradual transfer of technologies shall make possible the independence of the Company in the long term.

(b) The Company has upheld the belief that core technologies must be developed by its R&D personnels. To this end, NT$314,877 thousand has been allocated for R&D development in 2018.

D. Impact of changes in major domestic/overseas policies and regulations on the Company's finance and business, and the countermeasures thereof:

The Company has paid great attention to changes in major domestic/overseas policies and regulations, and has taken necessary actions in response to these changes. Present changes in major domestic/overseas policies and regulations have no significant impact on the Company's financial business.

E. Impact of changes in technologies and industries on the Company's finance and business, and the countermeasures thereof:

Continuous advancement and rapid daily change of technology have brought

competitors to the Company today. Being aware of the market demands, the Company has constantly strengthened R&D for quality improvement. Therefore there has been no risk caused by changes in technology and industry in recent years. Our countermeasures are as below:

(a) To keep updated with commercial, scientific and industrial literatures by way of extensive journals and online information. The Company sends staffs regularly to participate in research programs, scientific and technological seminars, workshops, trade conferences, exhibitions, and trainings for expatriates.

(b) To ensure that managers and competent personnels, with the help of Information exchange through unscheduled meetings, are acquainted with current technology development.

F. Impact of changes in corporate image on corporate risk management, and the countermeasures thereof:

All Ring Tech Co., LTD. commits to maintaining a high degree of professional ethics and management operations. No unethical behavior will be allowed under the established integrity standards. In the event of a crisis, relevant analysis shall be conducted, and countermeasures shall be taken to minimize the impact and smooth the operation.

G. Expected benefits and risks on merger & acquisition, and the countermeasures thereof:

In the most recent year up to the date this report is published, the Company has had no plans for mergers and acquisitions. The benefits of any future merger and acquisition plans will be evaluated carefully to ensure the shareholders' interests.

H. Expected benefits and risks on plant expansion, and the countermeasures thereof:

The construction of the second-phase new plant has been completed. This new plant is set to meet the growth of downstream industries and demands on new products. The Company's revenue and customer satisfaction are expected to increase, while its competitiveness in market is strengthened. No relevant risks are to be concerned with.

I. Risks on concentrated sources of sales/purchases, and the countermeasures thereof:

(a) Purchase:

The Company maintains a steady long-term collaboration with suppliers. Once a certain supplier fails to be a stable suppler or fails to deliver on time, the Company

will first seek other suppliers or suitable alternative materials. All suppliers have no market monopoly over the main raw materials provided to the Company. Instead, a long-term, stable partnership of good quality has been established between the Company and the suppliers. Meanwhile, the Company also reviews the quality of supplied raw materials from time to time, and inquires about other good suppliers in order to disperse the risk of concentrated purchase.

(b) Sales:

To avoid the impact from the environmental fluctuations in specific industries, the Company has, in addition to developing manufacturing equipments for passive components (resistance, capacitance, and inductance) and semiconductor equipments, succeeded to expand its business on LEDs and testing equipments, aiming for product diversification. The current business scope covers various industrial areas such as semiconductors, passive components, LED and testing equipments. Furthermore, judging from the fact that the top ten sale customers of the Company for the past three years are mostly well-known manufacturers, and from the fact that the capital expenses of large semiconductor package companies have gone up to meet the current trend toward thin and light electronic products, there is no risk of concentrated sales at the present moment.

J. Impact and risk of massive share transfer by the directors, supervisors or shareholders who own 10% or more of the shares, and the countermeasures thereof:

There is no circumstance as described in the most recent year up to the publication date of this report.

K. Impact and risk of change in management right, and the countermeasures thereof:

There is no such concern in the most recent year up to the date this report is published.

L. Other material risks, and the countermeasures thereof:

There is no such concern in the most recent year up to the date this report is published.

(2) Litigations and Non-Litigations:

A.For litigations that have been settled or are still ongoing, and non-litigations or administrative disputes, which occurred during the most recent two years up to the date this report is published, the Company shall disclose the disputed facts, monetary amount involved, proceeding starting date, main involved parties, and the current handling status if these matters have a significant impact on the shareholders' interests or securities prices: None.

B. If the Company director, supervisor, general manager, and shareholders who own 10% or more of the Company's stock have, in the most recent two years up to the date this report is published, been involved in litigations that have been settled or are still ongoing, and non-litigations or administrative disputes, what are their possible impacts on the shareholders' interests or securities prices: None.

C. If the Company director, supervisor, general manager, and shareholders who own 10% or more of the Company's stock have, in the most recent two years up to the date this report is published, been involved in the affairs concerning Article 157 of the Securities Exchange Act, how has the Company handled the matter at the present moment: None.

(3) If the Company director, supervisor, general manager, and shareholders who own 10% or more of the Company's stock have, in the most recent two years up to the date this report is published, had any financial turnover difficulties or loss of credit standing, what are the details of their impact on the Company's financial position: None.

7. Other Important Issues: None.

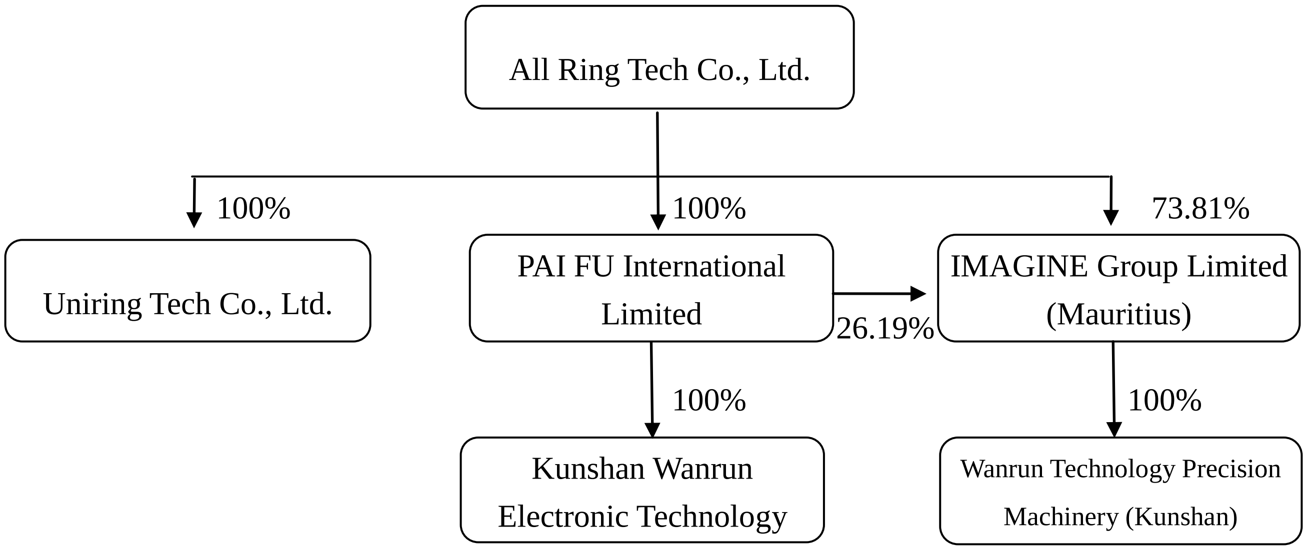
VIII. Special Notes

1. Affiliated Companies and Related Information

(1) Consolidated operation report of affiliates

A. Organization structure of affiliates

The Company affiliates up to December 31, 2017 are as follows:



B. Basic information of affiliated companies

December 31, 2017

Affiliates	Relations with the Company	Reciprocal shareholding ratio	Actual investment amount of the Company
PAI FU International Limited (BVI)	A 100% subsidiary of the Company	Does not hold any shares of the Company	NT$65,263 thousand
IMAGINE Group Limited (Mauritius) (Note 1)	A 100% subsidiary of the Company	Does not hold any shares of the Company	NT$175,383 thousand
Uniring Tech Co., Ltd.	A 100% subsidiary of the Company	Does not hold any shares of the Company	NT$170,000 thousand
Kunshan Wanrun Electronic Technology Co., Ltd.	A 100% sub-subsidiary of the Company	Does not hold any shares of the Company	US$1,500 thousand
Wanrun Technology Precision Machinery (Kunshan) Co., Ltd.	A 100% sub-subsidiary of the Company	Does not hold any shares of the Company	US$5,000 thousand

Note 1: The Company also reinvested in IMAGINE Group Limited US$1,320 thousand via its subsidiary PAI FU International Limited, holding 26.19% of the shares.

C. Shareholders presumed to have a relationship of control and subordination: None.

D. Business scope of the overall affiliated companies: The business of the Company and its affiliates includes design, manufacturing and sale of machinery and equipment, optical equipment manufacturing, data storage media units manufacturing, and software design services, etc.

E. Information of directors, supervisors and general managers in all affiliated companies:

Company Name	Title	Name or Representative	Number of Sharesholding	
			Number of Shares	Percentage %
PAI FU INTERNATIONAL LIMITED	Director	Jing-Lai Lu	-	-
Kunshan Wanrun Electronic Technology Co., Ltd.	Director	Xin-Yao Cheng	-	-
IMAGINE GROUP LIMITED	Director	Xin-Yao Cheng	-	-
Wanrun Technology Precision Machinery (Kunshan) Co., Ltd.	Director	Xin-Yao Cheng	-	-
Uniring Tech Co., Ltd.	Director	Lu Jinglai	-	-

F. Operating Status of Affiliates:

2017

Company Name	Capital	Total value of assets	Total liabilities	Net worth	Operating revenue	Operating gain (loss)	Profit and loss of this period (after tax)	Earnings per Share (NTD) (After tax)
PAI FU INTERNATIONAL LIMITED (Note 1)	1,930	5,103	0	5,103	0	(391)	(728)	N/A
IMAGINE GROUP LIMITED (Note 1)	5,040	7,827	0	7,827	0	(2)	390	N/A
Wanrun Technology Precision Machinery (Kunshan) Co., Ltd. (Note 2)	35,669	68,078	17,219	50,859	43,672	1,441	2,649	N/A
Kunshan Wanrun Electronic Technology Co., Ltd. (Note 2)	12,406	14,142	1,111	13,031	11,663	(3,076)	(3,060)	N/A
Uniring Tech Co., Ltd. (Note 3)	48,559	36,076	6,023	30,053	61,688	(18,616)	(18,506)	(3.81)

Note 1: Units in thousand U.S. dollars
Note 2: Units in thousand CNYs
Note 3: Units in thousand NTDs

(2) Consolidated financial statements with affiliated companies: Please refer to pages 124~181.

(3) Declaration of consolidated financial statements with affiliated companies: Please refer to pages 123.

2. Private Securities of Most Recent Year, up to the Date this Report is Published: None.

3. Holding or Disposition of the Shares by the Company Subsidiaries in the Most Recent Year, up to the Date this Report is Published: None.

4. Essential Supplements: None.

5. In the Most Recent Year up to the Date this Report is Published, events that Result in

Substantial Impact on Shareholders' Equity or Prices of the Company's Securities in Accordance with Article 36, Paragraph 2, Subparagraph 2 of the Security Exchange Act:

All Ring Tech Co., LTD.

Declaration of Consolidated Financial Statements of Affiliates

In 2017 (January 1, 2017–December 31, 2017), the affiliated companies required to be included in the consolidated financial statement of affiliated companies under the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those included in the consolidated financial statement of the parent company and subsidiaries prescribed by the International Financial Reporting Standards No. 10 (IFRS 10), which is recognized by Financial Supervisory Commission. All the relevant information to be disclosed in the consolidated financial statements of affiliated companies has already been disclosed in the consolidated financial statement of the parent company and the subsidiaries. Thus, the consolidated financial statements of affiliated companies are not reported separately.

As hereby declared

Company Name: All Ring Tech Co., Ltd.

Person in charge: Jing-Lai Lu

February 27, 2018

All Ring Tech Co., Ltd.

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2017, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the Company that is required to be included in the consolidated financial statements of affiliates, is the same as the Company required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standards 10. And if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

All Ring Tech Co., Ltd.

February 27, 2018

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of All Ring Tech Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of All Ring Tech Co., Ltd. and its subsidiaries (the "Group") as at December 31, 2017 and 2016, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other independent accountants, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

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

Key audit matters for the Group's consolidated financial statements of the current period are stated as follows:

Cutoff of revenue

Description

Refer to Note 4(27) for accounting policies on revenue recognition.

The sales revenue of the Group is primarily from the assembly and sale of equipment. Based on the terms of the sale agreement, sales revenue is recognised when the risks and rewards of the goods sold are transferred to the customer after the installation of the goods or the acceptance of the goods by the customer. As the transfer of significant risks and rewards of ownership of the goods to the customer in a sale transaction involves manual process and judgement, there exists a risk of material misstatement that may arise from improper revenue recognition for transactions that occur near the balance sheet date and the transaction amounts are usually material. Thus, we consider the cutoff of revenue a key audit matter.

How our audit addressed the matter

We performed the following key audit procedures over the above key audit matter:

1. Obtained an understanding and assessed the accounting policy on revenue recognition.
2. Understood and assessed internal control over revenue recognition, and tested the effectiveness of the internal controls over the shipment of goods and the verification of the timing of revenue recognition.
3. Tested the cutoff of transactions that occurred a certain time before or after the balance sheet date in order to verify whether the risks and rewards of the goods for which revenue has been recognised were transferred, and whether the revenue was recorded in the appropriate period.

Evaluation of inventories

Description

Refer to Note 4(9) to the consolidated financial statements for the accounting policy on inventory valuation, Note 5(2) for information on the uncertainty of accounting estimates and assumptions on inventory valuation, and Note 6(3) for information on allowance for inventory valuation losses. As of December 31, 2017, inventory and allowance for inventory valuation losses were NT$365,731 thousand and NT$32,738 thousand, respectively.

The Group develops, manufactures, and assembles production equipment of semiconductors and passive components. Due to rapid changes in technology, the risk of the materials inventory of related equipment incurring valuation losses or becoming obsolete is high. Inventories are stated at the lower of cost and net realizable value. The net realizable value of inventory that is over a certain age or individually identified as obsolete is determined by historical information on inventory turnover obtained by management from periodic inspections.

The technology related to the Group’s products is rapidly changing, and determining the net realizable value of inventory identified as obsolete involves subjective judgement. Thus, we consider the evaluation of inventories a key audit matter.

How our audit addressed the matter

We performed the following key audit procedures on the above key audit matter:

1. Assessed the reasonableness of the Group's policies and procedures on setting allowance for inventory valuation losses according to applicable accounting principles and the auditor's understanding of the nature of the Group's industry. This included assessing the reasonableness of the source of the historical information on inventory turnover used in determining net realizable value and assessing the reasonableness of judgments of obsolete inventory items.
2. Obtained an understanding of the Group's warehousing control procedures. Reviewed annual physical inventory count plan and participated in the annual inventory count in order to assess the classification of obsolete inventory and effectiveness of internal control over obsolete inventory.
3. Tested the appropriateness of the logic used in evaluating the net realizable value of inventory and inventory aging report to verify the reasonableness of the allowance for inventory valuation losses.

Other matter – Reference to the audits of other independent accountants

We did not audit the financial statements of a subsidiary, Uniring Tech Co., Ltd., with total assets of NT$34,571 thousand and NT$56,690 thousand, constituting 1% and 2% of consolidated total assets, as at December 31, 2017 and 2016, respectively, and operating income of NT$61,688 thousand and NT$43,819 thousand, constituting 3% and 2% of consolidated operating revenue for the years then ended, respectively. The financial statements of the subsidiary were audited by other independent accountants whose report thereon has been furnished to us, and our opinion expressed herein is based solely on the audit report of the other independent accountants.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of All Ring Tech Co., Ltd. as at and for the years ended December 31, 2017 and 2016.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the Board of Directors (including independent directors) and the supervisors, are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit.

We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period 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.

Independent Accountants — Liu Tzu-Meng, Lin Tzu-Shu

PricewaterhouseCoopers, Taiwan
Republic of China
February 27, 2018

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

ALL RING TECH CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2017 AMOUNT	%	December 31, 2016 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 889,708	35	$ 981,120	39
1150	Notes receivable, net		44,817	2	45,423	2
1170	Accounts receivable, net	6(2)	604,863	24	438,711	17
1200	Other receivables		3,567	-	2,749	-
130X	Inventory	5(2) and 6(3)	332,993	13	340,551	14
1410	Prepayments		12,137	-	19,683	1
1479	Other current assets		41	-	725	-
11XX	**Total current assets**		1,888,126	74	1,828,962	73
	Non-current assets					
1523	Available-for-sale financial assets	6(4)				
	- non-current		54,895	2	49,185	2
1600	Property, plant and equipment	6(5) and 8	422,161	17	448,984	18
1780	Intangible assets		4,541	-	6,348	-
1840	Deferred income tax assets	6(18)	92,259	4	94,069	4
1920	Guarantee deposits paid		4,606	-	5,116	-
1985	Long-term prepaid rents	6(6)	32,955	1	33,520	1
1990	Other non-current assets	8	35,793	2	52,953	2
15XX	**Total non-current assets**		647,210	26	690,175	27
1XXX	**Total assets**		$ 2,535,336	100	$ 2,519,137	100

(Continued)

ALL RING TECH CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2017 AMOUNT	%	December 31, 2016 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(7) and 8	$ -	-	$ 15,000	1
2150	Notes payable		869	-	1,026	-
2170	Accounts payable	7	359,148	14	301,782	12
2200	Other payables		240,857	10	256,863	10
2230	Current income tax liabilities	6(18)	16,105	1	61,230	2
2250	Provisions for liabilities - current	6(8)	8,873	-	7,823	-
2310	Advance receipts		6,593	-	16,697	1
21XX	**Total current liabilities**		632,445	25	660,421	26
	Non-current liabilities					
2570	Deferred income tax liabilities	6(18)	21,857	1	22,358	1
2640	Net defined benefit liabilities - non-current	6(9)	19,215	1	14,275	1
25XX	**Total non-current liabilities**		41,072	2	36,633	2
2XXX	**Total liabilities**		673,517	27	697,054	28
	Equity					
	Share capital					
3110	Share capital - common stock	6(10)	842,389	33	842,389	33
3200	**Capital surplus**	6(10)(11)	378,920	15	378,920	15
	Retained earnings	6(12)(18)				
3310	Legal reserve		186,434	7	150,732	6
3320	Special reserve		22,672	1	22,672	1
3350	Unappropriated retained earnings		448,824	18	437,732	17
3400	**Other equity interest**	6(4)	(17,420)	(1)	(10,362)	-
3XXX	**Total equity**		1,861,819	73	1,822,083	72
	Contingent liabilities and commitments	6(20) and 9				
3X2X	**Total liabilities and equity**		$ 2,535,336	100	$ 2,519,137	100

The accompanying notes are an integral part of these consolidated financial statements.

ALL RING TECH CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

			For the years ended December 31,			
			2017		2016	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	**Operating revenue**	7	$ 1,866,853	100	$ 2,112,459	100
5000	**Operating costs**	6(3)(9)(16)(17)(20) and 7	(1,020,095)	(54)	(1,177,016)	(56)
5900	**Net operating margin**		846,758	46	935,443	44
	Operating expenses	6(6)(9)(16)(17)(20) and 7				
6100	Selling expenses		(79,678)	(4)	(93,547)	(4)
6200	General and administrative expenses		(98,491)	(6)	(105,251)	(5)
6300	Research and development expenses		(263,895)	(14)	(295,946)	(14)
6000	**Total operating expenses**		(442,064)	(24)	(494,744)	(23)
6900	**Operating profit**		404,694	22	440,699	21
	Non-operating income and expenses					
7010	Other income	6(13)	34,046	1	13,135	-
7020	Other gains and losses	6(14) and 12	(77,372)	(4)	(26,076)	(1)
7050	Finance costs	6(15)	(1,006)	-	(1,546)	-
7000	**Total non-operating income and expenses**		(44,332)	(3)	(14,487)	(1)
7900	**Profit before income tax**		360,362	19	426,212	20
7950	Income tax expense	6(18)	(57,166)	(3)	(69,196)	(3)
8200	**Profit for the year**		$ 303,196	16	$ 357,016	17
	Other comprehensive income (loss)					
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311	Remeasurement of defined benefit obligations	6(9)	($ 4,440)	-	$ 2,323	-
8349	Income tax related to components of other comprehensive income (loss) that will not be reclassified to profit or loss	6(18)	755	-	(395)	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		(12,768)	-	(20,655)	(1)
8362	Unrealized gain (loss) on valuation of available-for-sale financial assets	6(4)	5,710	-	(1,373)	-
8300	**Total other comprehensive loss for the year**		($ 10,743)	-	($ 20,100)	(1)
8500	**Total comprehensive income for the year**		$ 292,453	16	$ 336,916	16
	Profit attributable to:					
8610	Owners of the parent		$ 303,196	16	$ 357,016	17
	Comprehensive income attributable to:					
8710	Owners of the parent		$ 292,453	16	$ 336,916	16
	Earnings per share (in dollars)	6(19)				
9750	**Basic**		$	3.60	$	4.21
9850	**Diluted**		$	3.58	$	4.18

he accompanying notes are an integral part of these consolidated financial statements.

ALL RING TECH CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent									
			Capital Surplus		Retained Earnings			Other Equity Interest			
	Notes	Share capital - common stock	Aidditional paid-in capital	Stock options	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gain (loss) on valuation of available-for-sale financial assets	Treasury stocks	Total equity
For the year ended December 31, 2016											
Balance at January 1, 2016		$ 853,359	$ 380,879	$ 108	$ 127,882	$ 22,672	$ 323,938	$ 17,916	($ 6,250)	$ -	$1,720,504
Appropriation and distribution of 2015 retained earnings											
Legal reserve		-	-	-	22,850	-	(22,850)	-	-	-	-
Cash dividends	6(12)	-	-	-	-	-	(170,672)	-	-	-	(170,672)
Profit for the year		-	-	-	-	-	357,016	-	-	-	357,016
Other comprehensive income (loss) for the year	6(4)	-	-	-	-	-	1,928	(20,655)	(1,373)	-	(20,100)
Purchase of treasury shares	6(10)	-	-	-	-	-	-	-	-	(64,665)	(64,665)
Cancellation of treasury shares	6(10)	(10,970)	(2,067)	-	-	-	(51,628)	-	-	64,665	-
Balance at December 31, 2016		$ 842,389	$ 378,812	$ 108	$ 150,732	$ 22,672	$ 437,732	($ 2,739)	($ 7,623)	$ -	$1,822,083
For the year ended December 31, 2017											
Balance at January 1, 2017		$ 842,389	$ 378,812	$ 108	$ 150,732	$ 22,672	$ 437,732	($ 2,739)	($ 7,623)	$ -	$1,822,083
Appropriation and distribution of 2016 retained earnings											
Legal reserve		-	-	-	35,702	-	(35,702)	-	-	-	-
Cash dividends	6(12)	-	-	-	-	-	(252,717)	-	-	-	(252,717)
Profit for the year		-	-	-	-	-	303,196	-	-	-	303,196
Other comprehensive income (loss) for the year	6(4)	-	-	-	-	-	(3,685)	(12,768)	5,710	-	(10,743)
Balance at December 31, 2017		$ 842,389	$ 378,812	$ 108	$ 186,434	$ 22,672	$ 448,824	($ 15,507)	($ 1,913)	$ -	$1,861,819

The accompanying notes are an integral part of these consolidated financial statements.

ALL RING TECH CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31, 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 360,362	$ 426,212
Adjustments			
Adjustments to reconcile profit (loss)			
Net losses on financial assets at fair value through profit or loss		-	184
Provision for doubtful accounts	6(2)	-	19,425
Reversal of allowance for doubtful accounts	6(2)(13)	(16,668)	-
Provision for inventory market price decline	6(3)	9,472	-
Reversal of allowance for inventory market price decline	6(3)	-	(4,326)
Depreciation	6(5)(16)	26,017	23,894
Property, plant and equipment transferred to expenses	6(5)	16	-
(Gain) loss on disposal of property, plant and equipment	6(14)	(94)	191
Amortisation	6(16)	3,644	2,383
Amortisation of long-term prepaid rents	6(6)	347	374
Dividend income	6(13)	(3,081)	(3,235)
Interest income	6(13)	(5,510)	(2,763)
Interest expense	6(15)	1,006	1,546
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets held for trading		-	180,000
Notes receivable		606	(5,974)
Accounts receivable		(149,484)	(24,042)
Other receivables		(818)	3,260
Inventories		(1,914)	(65,051)
Prepayments		7,546	3,403
Other current assets		684	(725)
Changes in operating liabilities			
Notes payable		(157)	259
Accounts payable		57,366	75,647
Other payables		(14,934)	125,604
Provisions for liabilities - current		1,050	2,451
Advance receipts		(10,104)	(8,266)
Net defined benefit liability, non-current		500	564
Cash inflow generated from operations		265,852	751,015
Cash dividends received		3,081	3,235
Interest received		5,510	2,763
Interest paid		(1,006)	(1,546)
Income taxes paid		(100,282)	(36,461)
Net cash flows from operating activities		173,155	719,006

(Continued)

ALL RING TECH CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31, 2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of available-for-sale financial assets - non-current		$ -	($ 393)
Cash paid for acquisition of property, plant and equipment	6(21)	(2,918)	(95,431)
Proceeds from disposal of property, plant and equipment		1,046	112
Acquisition of intangible assets		(1,839)	(6,006)
Decrease (increase) in guarantee deposits paid		510	(73)
Decrease in other non-current assets		17,160	5,868
Net cash flows from (used in) investing activities		13,959	(95,923)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) increase in short-term borrowings		(15,000)	3,000
Payment of cash dividends	6(12)	(252,717)	(170,672)
Purchase of treasury shares	6(10)	-	(64,665)
Net cash flows used in financing activities		(267,717)	(232,337)
Effect of exchange rate changes		(10,809)	(13,279)
Net (decrease) increase in cash and cash equivalents		(91,412)	377,467
Cash and cash equivalents at beginning of year	6(1)	981,120	603,653
Cash and cash equivalents at end of year	6(1)	$ 889,708	$ 981,120

The accompanying notes are an integral part of these consolidated financial statements.

ALL RING TECH CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

(1) All Ring Tech Co., Ltd. (the "Company") was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) on May 24, 1996. Its primary business includes the design, manufacturing, and assembly of automation machines, the research, development, and design of computer software, and the manufacturing of optical instruments.

(2) The common shares of the Company have been listed on the Taipei Exchange since September 2002.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on February 27, 2018.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by the FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10, IFRS 12 and IAS 28, ‘Investment entities: applying the consolidation exception’	January 1, 2016
Amendments to IFRS 11, ‘Accounting for acquisition of interests in joint operations’	January 1, 2016
IFRS 14, ‘Regulatory deferral accounts’	January 1, 2016
Amendments to IAS 1, ‘Disclosure initiative’	January 1, 2016
Amendments to IAS 16 and IAS 38, ‘Clarification of acceptable methods of depreciation and amortisation’	January 1, 2016
Amendments to IAS 16 and IAS 41, ‘Agriculture: bearer plants’	January 1, 2016
Amendments to IAS 19, ‘Defined benefit plans: employee contributions’	July 1, 2014
Amendments to IAS 27, ‘Equity method in separate financial statements’	January 1, 2016

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 36, ‘Recoverable amount disclosures for non-financial assets’	January 1, 2014
Amendments to IAS 39, ‘Novation of derivatives and continuation of hedge accounting’	January 1, 2014
IFRIC 21,‘Levies’	January 1, 2014
Annual improvements to IFRSs 2010-2012 cycle	July 1, 2014
Annual improvements to IFRSs 2011-2013 cycle	July 1, 2014
Annual improvements to IFRSs 2012-2014 cycle	January 1, 2016

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from contracts with Customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

IFRS 9, 'Financial instruments'

(a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortized cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

(b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognize 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

When adopting the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC effective from 2018, the Group will apply the new rules under IFRS 9 retrospectively from January 1, 2018. The significant effects of applying the new standards as of January 1, 2018 are summarized below:

In accordance with IFRS 9, the Group expects to reclassify available-for-sale financial assets in the amount of $54,895, by increasing financial assets at fair value through profit or loss and valuation adjustment in the amounts of $21,185 and ($21,185), respectively. Additionally, the Group will make an irrevocable election at initial recognition on equity instruments not held for dealing or trading purpose, by increasing financial assets at fair value through other comprehensive income and valuation adjustment in the amounts of $58,125 and ($3,230), also, increasing retained earnings and decreasing other equity interest in the amounts of $1,317 and $1,317, respectively.

(2) IFRSs issued by IASB but not yet endorsed by the FSC

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10, IFRS 12 and IAS 28, ‘Investment entities: applying the consolidation exception’	January 1, 2016
Amendments to IFRS 11, ‘Accounting for acquisition of interests in joint operations’	January 1, 2016
IFRS 14, ‘Regulatory deferral accounts’	January 1, 2016
Amendments to IAS 1, ‘Disclosure initiative’	January 1, 2016
Amendments to IAS 16 and IAS 38, ‘Clarification of acceptable methods of depreciation and amortisation’	January 1, 2016
Amendments to IAS 16 and IAS 41, ‘Agriculture: bearer plants’	January 1, 2016
Amendments to IAS 19, ‘Defined benefit plans: employee contributions’	July 1, 2014
Amendments to IAS 27, ‘Equity method in separate financial statements’	January 1, 2016

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 36, ‘Recoverable amount disclosures for non-financial assets’	January 1, 2014
Amendments to IAS 39, ‘Novation of derivatives and continuation of hedge accounting’	January 1, 2014
IFRIC 21,‘Levies’	January 1, 2014
Annual improvements to IFRSs 2010-2012 cycle	July 1, 2014
Annual improvements to IFRSs 2011-2013 cycle	July 1, 2014
Annual improvements to IFRSs 2012-2014 cycle	January 1, 2016

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

4.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1)Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2)Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

(a) Financial assets at fair value through profit or loss.

(b) Available-for-sale financial assets measured at fair value.

(c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. The list of consolidated subsidiaries and changes of the current period are as follows:

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2017	Ownership (%) December 31, 2016	Description
All Ring Tech Co., Ltd.	PAI FU INTERNATIONAL LIMITED	Mechanical engineering automation, and research, development and design of software	100.00	100.00	—
All Ring Tech Co., Ltd.	Uniring Tech Co., Ltd.	Other machine manufacture industry, electrical appliances, audio visual electronics and international trading industry	100.00	100.00	—
All Ring Tech Co., Ltd.	IMAGINE GROUP LIMITED	Investment business	73.81	73.81	(註)
PAI FU INTERNATIONAL LIMITED	Kunshan Wanrun Electronic Technology Co., Ltd.	Research, development, and manufactures specialized electronic equipment used for cutting capacitance and inductance; sells self-manufactured products and provides corresponding technology testing services	100.00	100.00	—

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2017	Ownership (%) December 31, 2016	Description
PAI FU INTERNATIONAL LIMITED	IMAGINE GROUP LIMITED	Investment business	26.19	26.19	(Note)
IMAGINE GROUP LIMITED	All Ring Tech Jing-Ji Co., Ltd.	Researches, develops, designs, and manufactures specialized electronic equipment, testing instruments and accessories; sells self-manufactured products and provides corresponding technology testing services	100.00	100.00	—

Note: The Company and its subsidiaries own, directly or indirectly, more than 50% of the shares of these companies.

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

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

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

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

(a) The financial performance and financial position of all the group entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the spot exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognised in other comprehensive income.

(b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5)<u>Classification of current and non-current items</u>

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realized within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. 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.

(6)Cash equivalents

A. Cash equivalents refer to 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.

B. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

A. Financial assets at fair value through profit or loss are financial assets held for trading. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

C. Financial assets at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognised in profit or loss.

(8)Receivables

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognised at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9)Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses. When the cost of inventories exceeds the net realizable value, the amount of any write-down of inventories recognised as cost of sales during the period; and the amount of any reversal of inventory write-down is recognised as a reduction in cost of sales douring the period.

(10)Available-for-sale financial assets

A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

B. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.

C. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income.

(11) Impairment of financial assets

A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

(a) Significant financial difficulty of the issuer or debtor;

(b) The Group, for economic or legal reasons relating to the borrower’s financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(c) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;

(d) The disappearance of an active market for that financial asset because of financial difficulties;

(e) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

(f) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

(g) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(a) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset’s acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from ‘other comprehensive income’ to ‘profit or loss’. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(b) Financial assets at amortized cost

The amount of the impairment loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the financial asset’s original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(12)Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(13)Investments accounted for using equity method / associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

B. The Group’s share of its associates’ post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. When changes in an associate’s equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group’s ownership percentage of the associate, the Group recognizes the Group’s share of change in equity of the associate in ‘capital surplus’ in proportion to its ownership. If it disposes of the investment in the associate subsequently, this capital surplus amount is transferred to profit or loss proportionately.

D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group’s ownership percentage of the associate but maintains significant influence on the associate, then ‘capital surplus’ and ‘investments accounted for under the equity method’ shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group’s ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.

G. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(14)Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If each Component of property, plant, and equipment is significant, it is depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Assets	Estimated useful lives
Buildings and structures	15 years ～ 35 years
Machinery and equipment	2 years ～ 13 years
Transportation equipment	5 years
Office equipment	2 years ～ 7 years
Other facilities	2 years ～ 15 years

(15)Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 35 months to 3 years.

(16)Operating leases (lessee)

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(17)Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognised.

(18) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(19) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Derecognition of financial liabilities

Financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(21) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(22) Provisions

Provisions (including warranties) are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(23) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

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

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

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

(24) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings of the Company and domestic subsidiary and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(25)Share capital

A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

B. Where the Company repurchases the Company’s equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company’s equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company’s equity holders.

(26)Dividends

Dividends are recorded in the Company’s financial statements in the period in which they are resolved by the Company’s shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(27)Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable taking into account business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group’s activities. Revenue arising from the sales of goods is recognised when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

(28)Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognizes expenses for the related costs for which the grants are intended to compensate.

(29) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group's chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments.

4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

Financial assets—impairment of equity investments

The Group follows the guidance of IAS 39 to determine whether a financial asset—equity investment is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an equity investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If the decline of the fair value of an individual equity investment below cost was considered significant or prolonged, the Group would suffer a loss in its financial statements, being the transfer of the accumulated fair value adjustments recognised in other comprehensive income on the impaired available-for-sale financial assets to profit or loss.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

A. As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

B. As of December 31, 2017, the carrying amount of inventories was $332,993.

5.DETAILS OF SIGNIFICANT ACCOUNTS

(1)Cash and cash equivalents

	December 31, 2017	December 31, 2016
Cash		
Cash on hand	$ 1,351	$ 1,664
Checking accounts and demand deposits	257,228	646,306
	258,579	647,970
Cash equivalents:		
Time deposits	631,129	333,150
	$ 889,708	$ 981,120

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. Please refer to Note 8 ‘Pledged Assets’ for information on the Group’s cash and cash equivalents that were pledge included in ‘Other non-current assets) as of December 31, 2017 and 201

(2)Accounts receivable, net

	ecember 31, 2017	December 31, 2016
Accounts receivable	$ 607,674	$ 458,190
Less: Allowance for doubtful accounts	(2,811)	(19,479)
	$ 604,863	$ 438,711

A. As of December 31, 2017 and 2016, the Group did not have accounts receivable past due but not impaired.

B. Movements of financial assets that were impaired are as follows:

	For the years ended December 31,	
	2017	2016
	Group provision	Group provision
At January 1	$ 19,479	$ 54
(Reversal of) provision for impairment	(16,668)	19,425
At December 31	$ 2,811	$ 19,479

C. As of December 31, 2017 and 2016, the Group’s accounts receivable that were neither past due nor impaired were primarily from customers with good payment history.

D. As of December 31, 2017 and 2016, the Group did not hold collateral pledged by customers to secure collections on accounts receivable.

(3)Inventories

	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 27,669	($ 8,366)	$ 19,303
Work in progress	230,030	(18,250)	211,780
Finished goods	108,032	(6,122)	101,910
	$ 365,731	($ 32,738)	$ 332,993

	December 31, 2016					
	Cost		Allowance for valuation loss		Book value	
Raw materials	$	46,619	($	8,265)	$	38,354
Work in progress		231,762	(	8,470)		223,292
Finished goods		85,436	(	6,531)		78,905
	$	363,817	($	23,266)	$	340,551

The cost of inventories recognised as expense for the year:

	For the years ended December 31,			
	2017		2016	
Cost of goods sold	$	1,010,625	$	1,181,342
Provision (reversal of allowance) for inventory market price decline (Note)		9,472	(	4,326)
Gain on physical inventory	(	2)		–
Total cost of sales	$	1,020,095	$	1,177,016

Note: For the year ended December 31, 2016, the Group sold inventories for which a valuation loss was recognised in the prior year, resulting in a gain on the reversal of the loss, which was recorded as a reduction in cost of sales.

(4)Available-for-sale financial assets-non-current

	December 31, 2017		December 31, 2016	
Unlisted stocks	$	79,310	$	79,310
Adjustments for change in value	(	1,913)	(	7,623)
Accumulated impairment	(	22,502)	(	22,502)
	$	54,895	$	49,185

A. The Group recognised $5,710 and ($1,373) in other comprehensive income (loss) for fair value change for the years ended December 31, 2017 and 2016, respectively.

B. As of December 31, 2017 and 2016, the Group did not pledge any of the available-for-sale financial assets' as collateral.

(5)Property, plant and equipment

	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Other facilities	Total
January 1, 2017						
Cost	$ 470,675	$ 20,198	$ 15,338	$ 16,749	$ 42,474	$ 565,434
Accumulated depreciation	(79,185)	(5,786)	(8,957)	(9,788)	(12,734)	(116,450)
	$ 391,490	$ 14,412	$ 6,381	$ 6,961	$ 29,740	$ 448,984
For the year ended December 31, 2017						
At January 1	$ 391,490	$ 14,412	$ 6,381	$ 6,961	$ 29,740	$ 448,984
Additions	-	-	-	1,340	506	1,846
Reclassified as expenses	-	-	-	(16)	-	(16)
Depreciation expense	(15,093)	(1,941)	(1,619)	(2,592)	(4,772)	(26,017)
Disposal－Cost	-	-	(3,140)	(1,612)	(442)	(5,194)
－Accumulated depreciation	-	-	2,220	1,591	431	4,242
Net exchange differences	(1,416)	(189)	(23)	(35)	(21)	(1,684)
At December 31	$ 374,981	$ 12,282	$ 3,819	$ 5,637	$ 25,442	$ 422,161
December 31, 2017						
Cost	$ 468,917	$ 19,951	$ 12,103	$ 16,385	$ 42,498	$ 559,854
Accumulated depreciation	(93,936)	(7,669)	(8,284)	(10,748)	(17,056)	(137,693)
	$ 374,981	$ 12,282	$ 3,819	$ 5,637	$ 25,442	$ 422,161

	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Other facilities	Unfinished construction and equipment under acceptance	Total
January 1, 2016							
Cost	$ 258,242	$ 17,434	$ 15,723	$ 14,232	$ 19,189	$ 166,538	$ 491,358
Accumulated depreciation	(66,944)	(4,644)	(7,370)	(8,435)	(8,677)	-	(96,070)
	$ 191,298	$ 12,790	$ 8,353	$ 5,797	$ 10,512	$ 166,538	$ 395,288
For the year ended December 31, 2016							
At January 1	$ 191,298	$ 12,790	$ 8,353	$ 5,797	$ 10,512	$ 166,538	$ 395,288
Additions	11,793	1,386	-	2,095	5,263	61,276	81,813
Reclassifications	207,801	-	-	1,822	18,191	(227,814)	-
Transfer from inventories	-	2,576	-	-	-	-	2,576
Depreciation expense	(13,869)	(1,584)	(1,890)	(2,398)	(4,153)	-	(23,894)
Disposal－Costs	-	(206)	-	(1,062)	(4)	-	(1,272)
－Accumulated depreciation	-	137	-	829	3	-	969
Net exchange differences	(5,533)	(687)	(82)	(122)	(72)	-	(6,496)
At December 31	$ 391,490	$ 14,412	$ 6,381	$ 6,961	$ 29,740	$ -	$ 448,984
December 31, 2016							
Cost	$ 470,675	$ 20,198	$ 15,338	$ 16,749	$ 42,474	$ -	$ 565,434
Accumulated depreciation	(79,185)	(5,786)	(8,957)	(9,788)	(12,734)	-	(116,450)
	$ 391,490	$ 14,412	$ 6,381	$ 6,961	$ 29,740	$ -	$ 448,984

A. The Group has not capitalized any interest for the years ended December 31, 2017 and 2016.

B. Please refer to Note 8 ‘Pledged Assets’ for information on the Group’s property, plant, and equipment that were pledged as collateral as of December 31, 2017 and 2016.

(6) Long-term prepaid rents

	December 31, 2017	December 31, 2016
Land use right	$ 32,955	$ 33,520

On July 25, 2011, the Group signed a contract with the government of the People's Republic of China to lease a designated parcel of land in Kunshan City of Jiangsu Province for 45 years. The lease was paid in full at the time the contract was signed. For the years ended December 31, 2017 and 2016, the rent expense (shown as 'operating expenses') was $347 and $374, respectively.

(7) Short-term borrowings

	December 31, 2016	Interest range	Collateral
Unsecured bank borrowings	$ 15,000	1.47%～1.52%	None

As of December 31, 2017, there was no short-term borrowings.

(8) Provisions for liabilities

	For the years ended December 31,	
	2017	2016
Balance at beginning of year	$ 7,823	$ 5,372
Additional provisions	10,488	11,940
Used during the year	(9,438)	(9,489)
Balance at end of year	$ 8,873	$ 7,823

The Group's warranty provision is primarily related to the sale of semiconductor equipment, passive component equipment, and light-emitting diode equipment. The amount of the provision is estimated according to historical warranty data. The Group expects the costs related to the provision would be realized in the next two years.

(9) Pensions

A. The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contribute monthly an amount equal to 4% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March. Related information on the defined benefit pension plan disclosed above is as follows:

(a) The amounts recognised in the balance sheet are as follows:

	December 31, 2017	December 31, 2016
Present value of defined benefit obligations	($ 28,970)	($ 25,657)
Fair value of plan assets	9,755	11,382
Net defined benefit liability	($ 19,215)	($ 14,275)

(b) Movements in net defined benefit liabilities are as follows:

	For the year ended December 31, 2017		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Balance at January 1	($ 25,657)	$ 11,382	($ 14,275)
Current service cost	(324)	-	(324)
Interest (expense) income	(359)	159	(200)
	(26,340)	11,541	(14,799)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(40)	(40)
Change in financial assumptions	(851)	-	(851)
Experience adjustments	(3,549)	-	(3,549)
	(4,400)	(40)	(4,440)
Pension fund contribution	-	24	24
Paid pension	1,770	(1,770)	-
Balance at December 31	($ 28,970)	$ 9,755	($ 19,215)

	For the year ended December 31, 2016		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Balance at January 1	($ 27,285)	$ 11,251	($ 16,034)
Current service cost	(316)	-	(316)
Interest (expense) income	(464)	191	(273)
	(28,065)	11,442	(16,623)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(85)	(85)
Change in financial assumptions	(797)	-	(797)
Experience adjustments	3,205	-	3,205
	2,408	(85)	2,323
Pension fund contribution	-	25	25
Balance at December 31	($ 25,657)	$ 11,382	($ 14,275)

(c) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2017 and 2016 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

(d) The principal actuarial assumptions used were as follows:

	For the years ended December 31,	
	2017	2016
Discount rate	1.10%	1.40%
Future salary increases	3.50%	3.50%

For the years ended December 31, 2017 and 2016, assumptions regarding future mortality experience are set based on actuarial advice in accordance with Taiwan Life Insurance Industry 5th Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2017				
Effect on present value of defined benefit obligation	($ 712)	$ 738	$ 647	($ 629)
December 31, 2016				
Effect on present value of defined benefit obligation	($ 666)	$ 691	$ 612	($ 594)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

(e) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2018 amount to $24.

(f) As of December 31, 2017, the weighted average duration of the retirement plan is 11 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	$ 1,860
2 － 5 years	4,493
6 years and above	1,820
	$ 8,173

B. Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plans of the Company and its domestic subsidiaries for the years ended December 31, 2017 and 2016 were $9,114 and $8,824, respectively.

C. In accordance with the pension and insurance laws of the People's Republic of China, Kunshan Wanrun Electronic Technology Co., Ltd. and All Ring Tech Jing-Ji Co., Ltd. contribute 18% to 20% of each employee's salary every month to a pension account managed by the government. Aside from the monthly contributions, the companies have no further obligations. The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2017 and 2016 were $1,784 and $1,901, respectively.

(10)Share capital

A. Movements in the number of the Company's ordinary shares outstanding (in thousands) are as follows:

	For the years ended December 31,	
	2017	2016
At January 1	84,239	85,336
Purchase and cancellation of treasury share	-	(1,097)
At December 31	84,239	84,239

B. Treasury shares

(a) Reason for share reacquisition and movements in the number of the Company's treasury shares (in thousands) are as follows:

	For the year ended December 31, 2016			
Reason for share reacquisition	Equity at beginning of year	Increase	Decrease	Equity at end of year
To enhance the Company's credit rating and the stockholders' equity	-	1,097	(1,097)	-

For the year ended December 31, 2017, there was no such issue.

(b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus.

(c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.

(d) For the year ended December 31, 2016, the Company reacquired 1,097 thousand treasury shares in the amount of $64,665.

(e)Pursuant to the R.O.C. Securities and Exchange Act, shares reacquired for the purpose of maintaining company's credit and shareholders' rights and interests are required to have their registrations changed within six months of reacquisition. For the year ended December 31, 2016, the Company cancelled 1,097 thousand treasury shares in the amount of $64,665.

(f) As of December 31, 2017, the balance of treasury shares was $- after reacquisition and cancellation of shares.

C. As of December 31, 2017, the Company's authorized capital was $1,100,000 (including $80,000 reserved for employee stock options), and the paid-in capital was $842,389 with a par value of $10 per share. The 84,239 thousand shares were issued over several installments. All proceeds from shares issued have been collected.

(11)Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(12)Retained earnings

A. Pursuant to the R.O.C. Company Act, the Company shall set aside 10% of its after-tax profits as legal reserve until the balance is equal to the paid-in capital. Except for covering accumulated deficits or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

B. Under the Company's Articles of Incorporation, considering the Company is operating in a volatile environment and in the stable growth stage of its life cycle, the Board of Directors shall determine earnings appropriation based on the Company's future capital expenditures and demand for capital, as well as the necessity of using retained earnings to meet capital needs, and set the amount of dividends to be distributed to stockholders and the portion of dividends to be paid in cash. The Company's current year earnings shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. Then, either a portion of the remaining amount is set aside as special reserve or an amount is reversed from the special reserve account and added to the remaining amount in accordance with applicable laws and regulations. The final leftover amount of current year earnings is added to the unappropriated earnings from the prior year and the total is the accumulated distributable earnings. At least 30% of the accumulated distributable earnings shall be appropriated as dividends, and cash dividends shall account for at least 10% of total dividends distributed. The Board of Directors drafts a proposal on earnings appropriation according to future operational and investment needs and sends it to the stockholders' meeting for approval.

C. Special reserve

(a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amounts previously set aside by the Company as special reserve in the amount of $22,672 on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

D. The Company recognised dividends distributed to owners amounting to $252,717 ($3 (in dollars) per share) and $170,672 ($2 (in dollars) per share) for the years ended December 31, 2017 and 2016, respectively. On February 27, 2018, the Board of Directors proposed for the distribution of dividends from 2017 earnings in the amount of $261,141 at $3.1 (in dollars) per share.

(13) Other income

	For the years ended December 31,	
	2017	2016
Dividend income	$ 3,081	$ 3,235
Interest income from bank deposits	5,510	2,763
Rent income	649	699
Reversal of allowance for doubtful accounts	16,668	-
Government grants	2,561	-
Miscellaneous income	5,577	6,438
	$ 34,046	$ 13,135

(14) Other gains and losses

	For the years ended December 31,	
	2017	2016
Net gain on financial assets at fair value through profit or loss	$ -	$ 244
Net foreign currency exchange losses	(69,634)	(17,217)
Net gain (loss) on disposal of property, plant and equipment	94	(191)
Miscellaneous disbursements	(7,832)	(8,912)
	($ 77,372)	($ 26,076)

(15) Finance costs

	For the years ended December 31, 2017		For the years ended December 31, 2016	
Interest expense:				
Bank borrowings	$	935	$	1,458
Other interest expense		71		88
	$	1,006	$	1,546

(16) Expenses by nature

	For the year ended December 31, 2017					
	Operating costs		Operating expenses		Total	
Employee benefit expenses	$	61,157	$	282,456	$	343,613
Depreciation		14,541		11,476		26,017
Amortisation		273		3,371		3,644
	$	75,971	$	297,303	$	373,274

	For the year ended December 31, 2016					
	Operating costs		Operating expenses		Total	
Employee benefit expenses	$	64,119	$	310,508	$	374,627
Depreciation		12,789		11,105		23,894
Amortisation		142		2,241		2,383
	$	77,050	$	323,854	$	400,904

(17) Employee benefit expense

	For the year ended December 31, 2017					
	Operating costs		Operating expenses		Total	
Wages and salaries	$	53,164	$	248,124	$	301,288
Labour and health insurance expenses		3,246		14,944		18,190
Pension costs		2,390		9,032		11,422
Other personnel expenses		2,357		10,356		12,713
	$	61,157	$	282,456	$	343,613

	For the year ended December 31, 2016					
	Operating costs		Operating expenses		Total	
Wages and salaries	$	55,925	$	277,794	$	333,719
Labour and health insurance expenses		3,542		15,199		18,741
Pension costs		2,627		8,687		11,314
Other personnel expenses		2,025		8,828		10,853
	$	64,119	$	310,508	$	374,627

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 3% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.

B. For the years ended December 31, 2017 and 2016, employees' compensation was accrued at $25,260 and $30,206, respectively; while directors' and supervisors' remuneration was accrued at $3,353 and $4,045, respectively. The aforementioned amounts were recognised in salary expense and estimated and accrued based on the distributable net profit for 2017 and 2016 calculated by the percentage prescribed under the Articles of Incorporation of the Company. The actual amount resolved by the Board of Directors for employees' compensation and directors' and supervisors' remuneration of 2016 was $34,251, which was the same with the amount recognised in the 2016 financial statements. The employees' compensation will be distributed in the form of cash. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(18) Income taxes

A. Income tax expense

(a) Components of income tax expense:

	For the years ended December 31,	
	2017	2016
Current tax:		
Current tax on profits for the year	$ 53,105	$ 74,194
10% tax on undistributed earnings	7,053	3,463
Prior year income tax (over) underestimation	(5,056)	586
Total current tax	55,102	78,243
Deferred tax:		
Origination and reversal of temporary differences	2,064	(9,047)
Income tax expense	$ 57,166	$ 69,196

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	For the years ended December 31,	
	2017	2016
Remeasurements of defined benefit obligations	($ 755)	$ 395

B. Reconciliation between income tax expense and accounting profit

	For the years ended December 31,	
	2017	2016
Tax calculated based on profit before tax and statutory tax rate	$ 63,014	$ 70,025
Effects from items adjusted in accordance with tax regulation	3,222	54,339
Effects from loss carryforward	1,626	(46,649)
Effect from investment tax credits	(12,693)	(12,568)
10% tax on undistributed earnings	7,053	3,463
Prior year income tax (over) underestimation	(5,056)	586
Income tax expense	$ 57,166	$ 69,196

Amounts of deferred tax assets or liabilities as a result of temporary differences and loss carryforward are as follows:

	For the year ended December 31, 2017			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred income tax assets				
Temporary differences:				
Allowance for doubtful accounts	$ 3,440	($ 2,834)	$ −	$ 606
Loss on decline in market value of inventories	3,955	925	−	4,880
Unrealised cost to provide after-sale service	1,330	179	−	1,509
Unused compensated absences	1,285	38	−	1,323
Pension costs	2,995	24	248	3,267
Employee benefits	−	31	−	31
Unrealised sales discounts and allowances	9,534	3,342	−	12,876
Unrealised expenses and losses	1,342	(220)	−	1,122
Investment losses	1,061	−	−	1,061
Foreign currency exchange difference	1,497	5,671	−	7,168
Loss carryforward	67,630	(9,214)	−	58,416
	$ 94,069	($ 2,058)	$ 248	$ 92,259
Deferred income tax liabilities				
Temporary differences:				
Foreign currency exchange difference	$ −	($ 6)	$ −	($ 6)
Pension costs	(507)	−	507	−
Investment income	(21,851)	−	−	(21,851)
	($ 22,358)	($ 6)	$ 507	($ 21,857)
	$ 71,711	($ 2,064)	$ 755	$ 70,402

	For the year ended December 31, 2016			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred income tax assets				
Temporary differences:				
Allowance for doubtful accounts	$ 319	$ 3,121	$ -	$ 3,440
Loss on decline in market value of inventories	4,690	(735)	-	3,955
Unrealised cost to provide after-sale service	913	417	-	1,330
Unused compensated absences	1,063	222	-	1,285
Pension costs	2,838	157	-	2,995
Employee benefits	-	9,534	-	9,534
Unrealised sales discounts and allowances	-	1,342	-	1,342
Unrealised expenses and losses	-	1,061	-	1,061
Investment losses	-	1,497	-	1,497
Foreign currency exchange difference	74,632	(7,002)	-	67,630
Loss carryforward	$ 84,455	$ 9,614	$ -	$ 94,069
Deferred income tax liabilities				
Temporary differences:				
Foreign currency exchange difference	($ 494)	$ 494	$ -	$ -
Pension costs	(112)	-	(395)	(507)
Investment income	(20,790)	(1,061)	-	(21,851)
	($ 21,396)	($ 567)	($ 395)	($ 22,358)
	$ 63,059	$ 9,047	($ 395)	$ 71,711

D. Expiration dates of unused loss carry forward and amounts of unrecognised deferred tax assets are as follows:

December 31, 2017

Year incurred	Amount assessed/filed	Unused amount	Unrecognised deferred tax assets	Expiry year
2012	442, 071	$ 313, 069	$ –	2022
2013	21, 180	21, 180	–	2023
2014	42, 523	42, 523	32, 896	2024
2015	54, 450	54, 450	33, 220	2025
2016	24, 311	24, 311	16, 816	2026
2017	32, 635	32, 635	21, 761	2027
		$ 488, 168	$ 104, 693	

December 31, 2016

Year incurred	Amount assessed/filed	Unused amount	Unrecognised deferred tax assets	Expiry year
2012	442, 071	$ 367, 071	$ –	2022
2013	21, 180	21, 180	–	2023
2014	42, 523	42, 523	32, 896	2024
2015	54, 450	54, 450	52, 171	2025
2016	29, 336	29, 336	29, 336	2026
		$ 514, 560	$ 114, 403	

E. The Company's income tax returns through 2013 have been assessed and approved by the Tax Authority, and there were no disputes existing between the Company and the Authority as of February 27, 2018.

F. Unappropriated retained earnings:

	December 31, 2017	December 31, 2016
Earnings generated in and after 1998	$ 448, 824	$ 437, 732

G. As of December 31, 2016, the balance of the imputation tax credit account was $40,336. The stockholders of the Company resolved to appropriate the earnings for the years ended December 31, 2016 and 2015, at the stockholders' meeting held on June 15, 2017 and June 15, 2016, respectively. The ex-dividend dates set by the Board of Directors were July 16, 2017 and August 1, 2016, respectively. The creditable tax rates were 22.05% and 17.95%, respectively.

With the abolishment of the imputation tax system under the amendments to the Income Tax Act promulgated by the President of Republic of China, the creditable tax rate for the year ended December 31, 2017 is no longer applies.

(19)Earnings per share

	For the year ended December 31, 2017		
Basic earnings per share	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Profit attributable to ordinary shareholders of the parent	$ 303,196	84,239	$ 3.60
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 303,196	84,239	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	498	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 303,196	84,737	$ 3.58

	For the year ended December 31, 2016		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 357,016	84,737	$ 4.21
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 357,016	84,737	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	773	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 357,016	85,510	$ 4.18

(20)Operating leases

In January 2009 and November 2014, the Company leased parcels of land located in the Luzhu Science Park from the Southern Taiwan Science Park Bureau. The former lease is from January 1, 2009 to December 31, 2023. The latter lease is from November 1, 2014 to October 31, 2034. The leases are both classified as operating leases and are renewable at the end of the lease period. Monthly rents per square meter will be adjusted in the following month if the government adjusts the announced land value, rental rate of national land approved by Executive Yuan is adjusted and other reasons that the monthly rents must be adjusted. The Company shall recover or refund additional rents during the payment period. For the years ended December 31, 2017 and 2016, rent expenses were $4,703 ($2,979 shown as 'operating costs' and $1,724 shown as 'operating expenses') and $4,703 ($2,524 shown as 'operating costs' and $2,179 shown as 'operating expenses'), respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2017	December 31, 2016
Not later than one year	$ 4,703	$ 4,703
Later than one year but not later than five years	18,814	18,814
Later than five years	26,678	31,381
	$ 50,195	$ 54,898

(21)Supplemental cash flow information

A. Investing activities with partial cash payments

	For the years ended December 31,	
	2017	2016
Purchase of property, plant and equipment	$ 1,846	$ 81,813
Add: Opening balance of payable on equipment (shown as 'other payables')	1,082	14,700
Less: Ending balance of payable on equipment (shown as 'other payables')	(10)	(1,082)
Cash paid for acquisition of property, plant and equipment	$ 2,918	$ 95,431

B. Financing activities with no cash flow effects:

	For the years ended December 31,	
	2017	2016
Inventories transferred to property, plant and equipment	$ -	$ 2,576

6. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
Jie Kuen Precision Technologies Co., Ltd. (Jie Kuen)	Other related parties (Note)
Ding Ji Electrical Engineering Co., Ltd. (Ding Ji)	Other related parties (Note)
Nan Feng Mechanical Electrical Co., Ltd. (Nan Feng)	Other related parties (Note)

Note: This Company's responsible person is the Company's supervisor.

(2) Significant related party transactions

A. Sales of goods

	For the years ended December 31,	
	2017	2016
Jie Kuen	$ -	$ 480

Collection period for other related parties was 40 days after the sales of goods. The collection period for third parties were as follows: the first payment is collected 30 to 130 days after delivering machineries, and the second payment is collected 30 to 190 days after acceptance of machineries. Other terms of sale were the same with third parties.

B. Purchases of goods

	For the years ended December 31,	
	2017	2016
Ding Ji	$ 16,961	$ -
Jie Kuen	2,847	7,586
	$ 19,808	$ 7,586

The terms of purchases and payments to other related parties was 120 days after receipt. Payment terms of purchases to normal vendors are 60 to 180 days. Except for the payment terms mentioned above, other terms of purchases were the same with third parties.

C. Payables to related parties

	For the years ended December 31,	
	2017	2016
Accounts payable		
-Ding Ji	$ 9,853	$ –
-Jie Kuen	2,863	2,684
	12,716	2,684
Other payables		
-Nan Feng	106	–
	$ 12,822	$ 2,684

The payables to related parties arise mainly from purchase transactions and are due 120 days after the date of purchase. The payables bear no interest.

(3) Key management compensation

	For the years ended December 31,	
	2017	2016
Salaries and other short-term employee benefits	$ 41,718	$ 44,456
Post-employment benefits	1,052	1,040
	$ 42,770	$ 45,496

7. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

Pledged asset	December 31, 2017	December 31, 2016	Purpose
Pledged time deposits (shown as 'other non-current assets')	$ 1,820	$ 1,820	Guarantee for land leases
Buildings and structures (shown as 'property, plant and equipment, net')	292,375	302,283	Guarantees for short-term borrowings (Note)
	$ 294,195	$ 304,103	

Note: The associated debt has been repaid but the designation of 'property, plant, and equipment' as collateral has not been removed.

8. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) As of December 31, 2017 and 2016, the Group's guarantees and endorsements were as follows:

Endorsor	Endorsee	December 31, 2017	December 31, 2016	Purpose
All Ring Tech Co., Ltd.	Uniring Tech Co., Ltd.	$ 50,000	$ 150,000	Pledged for borrowing facilities

As of December 31, 2017 and 2016, the actual amount of the endorsement used by subsidiary, Uniring Tech Co., Ltd., were $－ and $15,000, respectively.

(2) For more information about operating lease, please refer to Note 6 (20) ‘Operating leases’.

9. SIGNIFICANT DISASTER LOSS

None.

10. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

11. OTHERS

(1) Capital management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instruments

A. Fair value information of financial instruments

The carrying amounts of the Group’s financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, refundable deposits, short-term borrowings, notes payable, accounts payable and other payables) are approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(3) fair value information.

B. Financial risk management policies

(a) The Group’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group’s financial position and financial performance.

(b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group’s operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward foreign exchange contracts, transacted with Group treasury. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

iii. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through liabilities denominated in the relevant foreign currencies.

iv. The Group's businesses involve some non-functional currency operations (The functional currency of the Company and subsidiary, Uniring Tech Co., Ltd., is the NTD; the functional currency of subsidiaries PAI FU INTERNATIONAL LTD. and IMAGINE GROUP LIMITED is the USD; the functional currency of subsidiary, Kunshan Wanrun Electronic Technology Co., Ltd., and All Ring Tech Jing-Ji Co., Ltd. is the RMB). The information on assets and liabilities denominated in foreign currencies whose value would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2017			December 31, 2016		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD:NTD	$ 29,585	29.76	$880,450	$ 26,127	32.25	$842,596
USD:RMB	463	6.51	13,760	483	6.95	15,578
Financial liabilities						
Monetary items						
USD:NTD	2,740	29.76	81,542	2,699	32.25	87,043
USD:RMB	25	6.51	743	5	6.95	161

v. The sensitivity analysis of foreign exchange risk mainly focuses on the foreign currency monetary items at the end of the financial reporting period. If the exchange rate of NTD to all foreign currencies had appreciated / depreciated by 1%, the Group's net income for the years ended December 31,2017 and 2016 would have decreased / increased by $6,739 and $6,399, respectively.

vi. The total exchange loss, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2017 and 2016; amounted to $69,634 and $17,217, respectively.

<u>Price risk</u>

i. The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet as available-for-sale and at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group has set various stop loss points to ensure not to be exposed to significant risk. Accordingly, no material market risk was expected.

ii. The Group's investments in equity securities comprise domestic and foreign unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2017 and 2016 would have increased/decreased by $- and $-, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by $552 and $397, respectively, as a result of gains/losses on equity securities classified as available-for-sale.

<u>Interest rate risk</u>

Since the borrowings of the Group are either fixed-rate or short-term, it does not have significant interest rate risk.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors and the usage of the line of credit is monitored periodically. Credit risk arises from cash and cash equivalents and credit risk from customers, including outstanding accounts receivable and promised transactions not yet completed. The Group conducts business with multiple financial institutions with excellent credit for minimizing risk through diversification.

ii. Please refer to Note 6 for detailed information on the credit quality of the Group's financial assets.

(c) Liquidity risk

i. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times to ensure the sufficient financial flexibility of the Group.

ii. Group treasury invests surplus cash in interest bearing current accounts, time deposits and beneficiary certificates, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head room as determined by the above mentioned forecasts, and readily generate cash flows to manage liquidity risk.

iii. The Group has the following undrawn borrowing facilities:

	December 31, 2017	December 31, 2016
Floating rate		
Expiring within one year	$ 1,750,000	$ 1,885,000

iv. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the following table are undiscounted contractual cash flows.

December 31, 2017	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Non-derivative financial liabilities:				
Notes payable	$ 869	$ -	$ -	$ -
Accounts payable	359,148	-	-	-
Other payables	240,857	-	-	-

December 31, 2016	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Non-derivative financial liabilities:				
Short-term borrowings	$ 15,228	$ -	$ -	$ -
Notes payable	1,026	-	-	-
Accounts payable	301,782	-	-	-
Other payables	256,863	-	-	-

v. The non-derivative of the Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3)Fair value information

A. Details of the fair value of the Group's financial assets and financial liabilities not measured at fair value are provided in Note 12(2)A. fair value information of financial instruments.

B. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1:Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in beneficiary certificates and equity securities is included in Level 1

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. The fair value of the Group's investment in equity investment without active market is included in Level 3.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets at December 31, 2017 and 2016 is as follows:

December 31, 2017	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Available-for-sale financial assets	$ 54,895	$ -	$ -	$ 54,895
Equity securities				

December 31, 2016	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Available-for-sale financial assets	$ 49,185	$ -	$ -	$ 49,185
Equity securities				

D. The methods and assumptions the Group used to measure fair value are as follows:

(a) The following financial assets use quoted market prices as inputs for fair value measurement (level 1): for open-end mutual funds, the net asset value is used; for emerging stocks, the average trading price at the balance sheet date is used.

(b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes.

E. For the years ended December 31, 2017 and 2016, there was no transfer between Level 1 and Level 2.

F. No financial instruments belonged to Level 3 for the years ended December 31, 2017 and 2016.

12. SUPPLEMENTARY DISCLOSURES

(Only information for the year ended December 31, 2017 is disclosed in accordance with regulations.)

(1) Significant transactions information

A. Loans to others: Please refer to Table 1.

B. Provision of endorsements and guarantees to others: Please refer to Table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to Table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None,

F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: None.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to Table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China)：Please refer to Table 5.

(3) Information on investments in Mainland China

A. Basic information: Please refer to Table 6.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to Table 7.

13. SEGMENT INFORMATION

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions. The Group's operational decision-maker manages each entity in the organization according to its role. There is no material change in the basis for formation of entities and division of segments in the Group or in the measurement basis for segment information during this period.

(2) Measurement of segment information

The Group’s operational decision-maker evaluates the performance of each department based on its pre-tax income. This metric excludes nonrecurring expenses of the department and unrealized gains or losses from financial products. Interest income and expense are not allocated to operating segments, as this type of activity is driven by the Company’s central treasury function, which manages the cash position of the group.

(3) Segment profit or loss, assets and liabilities

The segment information provided to the chief operating decision maker for the reportable segments is as follows:

	For the year ended December 31, 2017				
	All Ring Tech Co., Ltd.	Kunshan Wanrun Electronic Technology Co., Ltd.	All Ring Tech Jing-Ji Co., Ltd.	Others	Total
Total segment revenue	$1,614,505	$ 52,607	$ 197,627	$ 61,688	$1,926,427
Inter-segment revenue	28,913	29,387	1,146	128	59,574
Revenne from external customers	1,585,592	23,220	196,481	61,560	1,866,853
Interest income	4,825	615	61	9	5,510
Depreciation and amortisation	21,406	357	7,416	482	29,661
Interest income	869	-	-	137	1,006
Segment income (loss) before tax	358,918	(13,783)	13,319	(29,982)	328,472
Segment assets	2,478,645	64,645	311,193	65,851	2,920,334
Segment liabilities	616,826	5,078	78,709	6,023	706,636

	For the year ended December 31, 2016				
	All Ring Tech Co., Ltd.	Kunshan Wanrun Electronic Technology Co., Ltd.	All Ring Tech Jing-Ji Co., Ltd.	Others	Total
Total segment revenue	$1,871,297	$ 94,651	$ 117,703	$ 43,819	$2,127,470
Inter-segment revenue	4,690	5,661	4,528	132	15,011
Revenue from external customers	1,866,607	88,990	113,175	43,687	2,112,459
Interest income	2,222	457	73	11	2,763
Depreciation and amortisation	17,023	455	8,230	569	26,277
Interest expense	1,318	-	-	228	1,546
Segment income (loss) before tax	426,610	(9,994)	(5,670)	(26,142)	384,804
Segment assets	2,415,405	100,724	282,224	101,177	2,899,530
Segment liabilities	593,322	26,047	58,493	28,130	705,992

(4)Reconcilation about segment profit or loss, assets and liabilities

A. Sales between segments are carried out at arm’s length. The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the consolidated statement of comprehensive income. A reconciliation of reportable segment income or loss to the income/(loss) before tax from continuing operations is provided as follows:

	For the years ended December 31,	
	2017	2016
Reportable segments income/(loss) before tax	$ 358,454	$ 410,946
Other segments income/(loss) before tax	(29,982)	(26,142)
Add: inter-segment income (loss)	31,890	41,408
Profit from continuing operations before tax	$ 360,362	$ 426,212

B. The amounts provided to the chief operating decision maker with respect to total assets are measured in a manner consistent with that of the financial statements. A reconciliation of assets of reportable segment and total assets is as follows:

	December 31, 2017	December 31, 2016
Assets of reportable segments	$ 2,854,483	$ 2,798,353
Assets of other operating segments	65,851	101,177
Less: Inter-segment transaction	(384,998)	(380,393)
Total assets	$ 2,535,336	$ 2,519,137

C. The amounts provided to the chief operating decision maker with respect to total liabilities are measured in a manner consistent with that of the financial statements. A reconciliation of liabilities of reportable segment and total liabilities is as follows:

	December 31, 2017	December 31, 2016
Liabilities of reportable segments	$ 700,613	$ 677,862
Liabilities of other operating segments	6,023	28,130
Less: Inter-segment transaction	(33,119)	(8,938)
Total liabilities	$ 673,517	$ 697,054

(5)Information on products and services

Income from external customers is primarily from sales of automation machinery and equipment, therefore it is not necessary to disclose the details of this amount.

(6)Geographical information

Geographical information for the years ended December 31, 2017 and 2016 are as follows:

	Year ended December 31, 2017		Year ended December 31, 2016	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$ 1,647,152	$ 337,332	$ 1,910,294	$ 358,664
China	219,701	158,118	202,165	183,141
	$ 1,866,853	$ 495,450	$ 2,112,459	$ 541,805

(7)Major customer information

For the years ended December 31, 2017 and 2016, information on the Group's significant customers (revenue accounting for more than 10% of the consolidated operating revenue) is as follows:

	Year ended December 31, 2017		Year ended December 31, 2016	
	Revenue	Segment	Revenue	Segment
Company A	$ 429,969	All Ring Tech Co., Ltd.	$ 8,565	All Ring Tech Co., Ltd.
Company B	392,728	All Ring Tech Co., Ltd.	974,961	All Ring Tech Co., Ltd.
Company C	36,454	All Ring Tech Co., Ltd.	224,469	All Ring Tech Co., Ltd.
	$ 859,151		$ 1,207,995	

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of All Ring Tech Co., Ltd.

Opinion

We have audited the accompanying parent company only balance sheets of All Ring Tech Co., Ltd. (the “Company”) as at December 31, 2017 and 2016, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other independent accountants, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company’s financial statements of the current period are stated as follows:

Cutoff of revenue

<u>Description</u>

Refer to Note 4(26) for accounting policies on revenue recognition.

The sales revenue of the Company is primarily from the assembly and sale of equipment. Based on the terms of the sale agreement, sales revenue is recognized when the risks and rewards of the goods sold are transferred to the customer after the installation of the goods or the acceptance of the goods by the customer. As the transfer of significant risks and rewards of ownership of the goods to the customer in a sale transaction involves manual process and judgement, there exists a risk of material misstatement that may arise from improper revenue recognition for transactions that occur near the balance sheet date and the transaction amounts are material. Thus, we consider the cutoff of revenue a key audit matter.

How our audit addressed the matter

We performed the following key audit procedures on the above key audit matter:

1. Obtained an understanding and assessed the accounting policy on revenue recognition.
2. Understood and assessed internal control over revenue recognition, and tested the effectiveness of the internal controls over the shipment of goods and the verification of the timing of revenue recognition.
3. Tested the cutoff of transactions that occurred a certain time before or after the balance sheet date in order to verify whether the risks and rewards of the goods for which revenue has been recognized were transferred, and whether revenue was recorded in the appropriate period.

Evaluation of inventories

Description

Refer to Note 4(8) to the parent company only financial statements for the accounting policy on inventory valuation, Note 5(2) for information on the uncertainty of accounting estimates of and assumptions on inventory valuation, and Note 6(3) for information on allowance for inventory valuation losses. As of December 31, 2017, inventory and allowance for inventory valuation losses were NT$309,049 thousand and NT$28,674 thousand, respectively.

The Company develops, manufactures, and assembles production equipment of semiconductors and passive components. Due to rapid changes in technology, the risk of the materials inventory of related equipment incurring valuation losses or becoming obsolete is high. Inventories are stated at the lower of cost and net realizable value. The net realizable value of inventory that is over a certain age or individually identified as obsolete is determined by historical information on inventory turnover obtained by management from periodic inspections.

The technology related to the Company's products is rapidly changing, and determining the net realizable value of inventory identified as obsolete involves subjective judgement. Thus, we consider the evaluation of inventories a key audit matter.

How our audit addressed the matter

We performed the following key audit procedures on the above key audit matter:

1. Assessed the reasonableness of the Company's policies and procedures on setting allowance for inventory valuation losses according to applicable accounting principles and the auditor's understanding of the nature of the Company's industry. This included assessing the reasonableness of the source of the historical information on inventory turnover used in determining net realizable value and assessing the reasonableness of judgments of obsolete inventory items.
2. Obtained an understanding of the Company's warehousing control procedures. Reviewed annual physical inventory count plan and participated in the annual inventory count in order to assess the classification of obsolete inventory and effectiveness of internal control over obsolete inventory.
3. Tested the appropriateness of the logic used in evaluating the net realizable value of inventory and inventory aging report to verify the reasonableness of the allowance for inventory valuation losses.

Other matter –Reference to the audits of other independent accountant

We did not audit the financial statements of an investee accounted for under the equity method, Uniring Tech Co., Ltd. The investment amounted to NT$28,561 thousand and NT$26,759 thousand, both constituting 1% of total assets as of December 31, 2017 and 2016, respectively, and the share of loss and other comprehensive income of the subsidiary accounted for under the equity method was (NT$18,198) thousand and (NT$14,466) thousand, constituting (6%) and (4%) of total comprehensive income for the years then ended, respectively. The financial statements of the investee company were audited by other independent accountants whose report thereon has been furnished to us, and our opinion expressed herein is based solely on the audit report of the other independent accountants.

Responsibilities of management and those charged with governance for the parent company only financial statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the board of directors (including independent directors) and the supervisors, are responsible for overseeing the Company's financial reporting process.

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 ROC GAAS 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 ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient 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 group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period 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.

Liu Tzu-Meng

Independent Accountants

Lin Tzu-Shu

PricewaterhouseCoopers, Taiwan
Republic of China
February 27, 2018

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.
As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

ALL RING TECH CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2017 AMOUNT	%	December 31, 2016 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 804,404	33	$ 833,981	35
1150	Notes receivable, net		35,231	1	41,046	2
1170	Accounts receivable, net	6(2) and 7	488,642	20	357,906	15
1200	Other receivables	7	3,363	-	2,614	-
130X	Inventories	5(2), 6(3)(6)	280,375	11	273,375	11
1410	Prepayments		4,668	-	5,031	-
11XX	**Total current assets**		1,616,683	65	1,513,953	63
	Non-current assets					
1523	Available-for-sale financial assets - non-current	6(4)	54,895	2	49,185	2
1550	Investments accounted for under equity method	6(5) and 7	386,648	16	410,954	17
1600	Property, plant and equipment	6(6) and 8	326,784	13	344,018	14
1780	Intangible assets		4,541	-	6,282	-
1840	Deferred income tax assets	6(17)	80,762	4	82,488	4
1920	Guarantee deposits paid		4,535	-	4,568	-
1990	Other non-current assets	8	3,797	-	3,957	-
15XX	**Total non-current assets**		861,962	35	901,452	37
1XXX	**Total assets**		$ 2,478,645	100	$ 2,415,405	100

(Continued)

ALL RING TECH CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2017 AMOUNT	%	December 31, 2016 AMOUNT	%
	Current liabilities					
2150	Notes payable		$ 869	-	$ 908	-
2170	Accounts payable	7	325,634	13	241,737	10
2200	Other payables	7	219,175	9	228,711	9
2230	Current income tax liabilities	6(17)	14,696	1	61,230	3
2250	Provisions for liabilities - current	6(7)	8,873	-	7,823	-
2310	Advance receipts		6,513	-	16,280	1
21XX	**Total current liabilities**		575,760	23	556,689	23
	Non-current liabilities					
2570	Deferred income tax liabilities	6(17)	21,851	1	22,358	1
2640	Net defined benefit liabilities - non-current	6(8)	19,215	1	14,275	1
25XX	**Total non-current liabilities**		41,066	2	36,633	2
2XXX	**Total liabilities**		616,826	25	593,322	25
	Equity					
	Share capital					
3110	Share capital - common stock	6(9)	842,389	34	842,389	35
3200	**Capital surplus**	6(9)(10)	378,920	15	378,920	15
	Retained earnings	6(11)(17)				
3310	Legal reserve		186,434	8	150,732	6
3320	Special reserve		22,672	1	22,672	1
3350	Unappropriated retained earnings		448,824	18	437,732	18
3400	**Other equity interest**	6(4)(5)	(17,420)	(1)	(10,362)	-
3XXX	**Total equity**		1,861,819	75	1,822,083	75
	Contingent liabilities and commitments	6(19), 7 and 9				
3X2X	**Total liabilities and equity**		$ 2,478,645	100	$ 2,415,405	100

The accompanying notes are an integral part of these parent company only financial statements.

ALL RING TECH CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

			For the years ended December 31,			
			2017		2016	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	**Operating revenue**	7	$ 1,614,505	100	$ 1,871,297	100
5000	**Operating costs**	6(3)(8)(15)(16)(19) and 7	(821,784)	(51)	(975,147)	(52)
5900	**Net operating margin**		792,721	49	896,150	48
	Operating expenses	6(8)(15)(16)(19) and 7				
6100	Selling expenses		(59,554)	(4)	(75,275)	(4)
6200	General and administrative expenses		(68,563)	(4)	(74,246)	(4)
6300	Research and development expenses		(238,611)	(15)	(268,536)	(14)
6000	**Total operating expenses**		(366,728)	(23)	(418,057)	(22)
6900	**Operating profit**		425,993	26	478,093	26
	Non-operating income and expenses					
7010	Other income	6(12) and 7	34,588	2	10,021	-
7020	Other gains and losses	6(2)(13) and 12	(69,256)	(4)	(19,130)	(1)
7050	Finance costs	6(14)	(869)	-	(1,318)	-
7070	Share of loss of subsidiaries, associates and joint ventures accounted for using equity method, net	6(5)	(31,538)	(2)	(41,056)	(2)
7000	**Total non-operating income and expenses**		(67,075)	(4)	(51,483)	(3)
7900	**Profit before income tax**		358,918	22	426,610	23
7950	Income tax expense	6(17)	(55,722)	(3)	(69,594)	(4)
8200	**Profit for the year**		$ 303,196	19	$ 357,016	19
	Other comprehensive income (loss)					
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311	Remeasurement of defined benefit obligations	6(8)	($ 4,440)	-	$ 2,323	-
8349	Income tax related to components of other comprehensive income (loss) that will not be reclassified to profit or loss	6(17)	755	-	(395)	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(5)	(12,768)	(1)	(20,655)	(1)
8362	Unrealized gains (losses) on valuation of available-for-sale financial assets	6(4)	5,710	-	(1,373)	-
8300	**Other comprehensive loss for the year**		($ 10,743)	(1)	($ 20,100)	(1)
8500	**Total comprehensive income for the year**		$ 292,453	18	$ 336,916	18
	Earnings per share (in dollars)	6(18)				
9750	**Basic**		$ 3.60		$ 4.21	
9850	**Diluted**		$ 3.58		$ 4.18	

The accompanying notes are an integral part of these parent company only financial statements.

ALL RING TECH CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

			Capital Reserves		Retained Earnings			Other Equity Interest			
	Notes	Share capital - common stock	Additional paid-in capital	Stock options	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gain (loss) on available-for-sale financial assets	Treasury stocks	Total equity
For the year ended December 31, 2016											
Balance at January 1, 2016		$ 853,359	$ 380,879	$ 108	$ 127,882	$ 22,672	$ 323,938	$ 17,916	($ 6,250)	$ -	$1,720,504
Appropriation and distribution of 2015 retained earnings											
Legal reserve		-	-	-	22,850	-	(22,850)	-	-	-	-
Cash dividendds	6(11)	-	-	-	-	-	(170,672)	-	-	-	(170,672)
Profit for the year		-	-	-	-	-	357,016	-	-	-	357,016
Other comprehensive income (loss) for the year	6(4)(5)	-	-	-	-	-	1,928	(20,655)	(1,373)	-	(20,100)
Purchase of treasury shares	6(9)	-	-	-	-	-	-	-	-	(64,665)	(64,665)
Cancellation of treasury shares	6(9)	(10,970)	(2,067)	-	-	-	(51,628)	-	-	64,665	-
Balance at December 31, 2016		$ 842,389	$ 378,812	$ 108	$ 150,732	$ 22,672	$ 437,732	($ 2,739)	($ 7,623)	$ -	$1,822,083
For the year ended December 31, 2017											
Balance at January 1, 2017		$ 842,389	$ 378,812	$ 108	$ 150,732	$ 22,672	$ 437,732	($ 2,739)	($ 7,623)	$ -	$1,822,083
Appropriation and distribution of 2016 retained earnings											
Legal reserve		-	-	-	35,702	-	(35,702)	-	-	-	-
Cash dividendds	6(11)	-	-	-	-	-	(252,717)	-	-	-	(252,717)
Profit for the year		-	-	-	-	-	303,196	-	-	-	303,196
Other comprehensive income (loss) for the year	6(4)(5)	-	-	-	-	-	(3,685)	(12,768)	5,710	-	(10,743)
Balance at December 31, 2017		$ 842,389	$ 378,812	$ 108	$ 186,434	$ 22,672	$ 448,824	($ 15,507)	($ 1,913)	$ -	$1,861,819

he accompanying notes are an integral part of these parent company only financial statements.

ALL RING TECH CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31, 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 358,918	$ 426,610
Adjustments			
Adjustments to reconcile profit (loss)			
Net losses on financial assets at fair value through profit or loss		-	184
Provision for doubtful accounts	6(2)	-	19,425
Reversal of allowance for doubtful accounts	6(2)(12)	(16,668)	-
Provision for inventory market price decline	6(3)	5,441	-
Reversal of allowance for inventory market price decline	6(3)	-	(4,326)
Share of loss of subsidiaries, associates and joint ventures accounted for under equity method	6(5)	31,538	41,056
Depreciation	6(6)(15)	17,826	14,713
Gain on disposal of property, plant and equipment	6(13)	(103)	-
Amortisation	6(15)	3,580	2,310
Dividend income	6(12)	(3,081)	(3,235)
Interest income	6(12)	(4,825)	(2,222)
Interset expense	6(14)	869	1,318
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets held for trading		-	180,000
Notes receivable		5,815	(2,867)
Accounts receivable		(114,068)	(51,679)
Other receivables		(749)	492
Inventories		(12,441)	(56,502)
Prepayments		363	1,344
Changes in operating liabilities			
Notes payable		(39)	141
Accounts payable		83,897	70,907
Other payables		(8,464)	120,713
Provisions for liabilities - current		1,050	2,451
Advance receipts		(9,767)	(3,119)
Net defined benefit liability, non-current		500	564
Cash inflow generated from operations		339,592	758,278
Cash dividends received		3,081	3,235
Interest received		4,825	2,222
Interest paid		(869)	(1,318)
Income taxes paid		(100,282)	(36,075)
Net cash flows from operating activities		246,347	726,342

(Continued)

ALL RING TECH CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31, 2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of available-for-sale financial assets - non-current		$ -	($ 393)
Acquisition of investments accounted for under equity method - subsidiary	6(5) and 7	(20,000)	-
Cash paid for acquisition of property, plant and equipment	6(20)	(2,587)	(95,140)
Proceeds from disposal of property, planty and equipment		1,026	30
Acquisition of intangible assets		(1,839)	(6,006)
Decrease in guarantee deposits paid		33	470
Decrease in other non-current assets		160	160
Net cash flows used in investing activities		(23,207)	(100,879)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of cash dividends	6(11)	(252,717)	(170,672)
Purchase of treasury shares	6(9)	-	(64,665)
Net cash flows used in financing activities		(252,717)	(235,337)
Net (decrease) increase in cash and cash equivalents		(29,577)	390,126
Cash and cash equivalents at beginning of year	6(1)	833,981	443,855
Cash and cash equivalents at end of year	6(1)	$ 804,404	$ 833,981

The accompanying notes are an integral part of these parent company only financial statements.

ALL RING TECH CO., LTD
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

(1) All Ring Tech Co., Ltd. (the "Company") was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) on May 24, 1996. Its primary business includes the design, manufacturing, and assembly of automation machines, the research and design of computer software, and the manufacturing of optical instruments.

(2)The common shares of the Company have been listed on the Taipei Exchange since September 2002.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on February 27, 2018.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1)Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by the FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10, IFRS 12 and IAS 28, 'Investment entities: applying the consolidation exception'	January 1, 2016
Amendments to IFRS 11, 'Accounting for acquisition of interests in joint operations'	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
Amendments to IAS 1, 'Disclosure initiative'	January 1, 2016
Amendments to IAS 16 and IAS 38, 'Clarification of acceptable methods of depreciation and amortisation'	January 1, 2016
Amendments to IAS 16 and IAS 41, 'Agriculture: bearer plants'	January 1, 2016
Amendments to IAS 19, 'Defined benefit plans: employee contributions'	July 1, 2014
Amendments to IAS 27, 'Equity method in separate financial statements'	January 1, 2016

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 36, ‘Recoverable amount disclosures for non-financial assets’	January 1, 2014
Amendments to IAS 39, ‘Novation of derivatives and continuation of hedge accounting’	January 1, 2014
IFRIC 21,‘Levies’	January 1, 2014
Annual improvements to IFRSs 2010-2012 cycle	July 1, 2014
Annual improvements to IFRSs 2011-2013 cycle	July 1, 2014
Annual improvements to IFRSs 2012-2014 cycle	January 1, 2016

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

(2)Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, ‘Classification and measurement of share-based payment transactions’	January 1, 2018
Amendments to IFRS 4, ‘Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts’	January 1, 2018
IFRS 9, ‘Financial instruments’	January 1, 2018
IFRS 15, ‘Revenue from contracts with customers’	January 1, 2018
Amendments to IFRS 15, ‘Clarifications to IFRS 15 Revenue from contracts with Customers’	January 1, 2018
Amendments to IAS 7, ‘Disclosure initiative’	January 1, 2017
Amendments to IAS 12, ‘Recognition of deferred tax assets for unrealised losses’	January 1, 2017
Amendments to IAS 40, ‘Transfers of investment property’	January 1, 2018
IFRIC 22, ‘Foreign currency transactions and advance consideration’	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 1, ‘First-time adoption of International Financial Reporting Standards’	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 12, ‘Disclosure of interests in other entities’	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IAS 28, ‘Investments in associates and joint ventures’	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

IFRS 9, 'Financial instruments'

(a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortized cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

(b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognize 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

When adopting the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC effective from 2018, the Company will apply the new rules under IFRS 9 retrospectively from January 1, 2018. The significant effects of applying the new standards as of January 1, 2018 are summarized below:

In accordance with IFRS 9, the Company expects to reclassify available-for-sale financial assets in the amount of $54,895, by increasing financial assets at fair value through profit or loss and valuation adjustment in the amounts of $21,185 and ($21,185), respectively. Additionally, the company will making an irrevocable election at initial recognition on equity instruments not held for dealing or trading purpose, by increasing financial assets at fair value through other comprehensive income and valuation adjustment in the amounts of $58,125 and ($3,230), also, increasing retained earnings and decreasing other equity interest in the amounts of $1,317 and $1,317, respectively.

(3) <u>IFRSs issued by IASB but not yet endorsed by the FSC</u>

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'.	January 1, 2019
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 16, 'Leases'	January 1, 2019
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'.	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

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

(2) Basis of preparation

A. Except for the following items, the parent company only financial statements have been prepared under the historical cost convention:

(a) Financial assets at fair value through profit or loss.

(b) Available-for-sale financial assets measured at fair value.

(c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The parent company only financial statements are presented in NTD, which is the Company's functional and presentation currency

A. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
B. Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
C. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are retranslated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
D. All foreign exchange gains and losses are presented in the statement of comprehensive income within "Other gains and losses".

(4) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
   (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
   (b) Assets held mainly for trading purposes;
   (c) Assets that are expected to be realized within twelve months from the balance sheet date;
   (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
B. Liabilities that meet one of the following criteria are classified as current liabilities;

otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. 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.

(5)Cash equivalents

A. Cash equivalents refer to 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.

B. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

A. Financial assets at fair value through profit or loss are financial assets held for trading. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

C. Financial assets at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognised in profit or loss.

(7)Receivables

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognised at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(8)Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses. When the cost of inventories exceeds the net realizable value, the amount of any write-down of inventories recognised as cost of sales during the period; and the amount of any reversal of inventory write-down is recognised as a reduction in cost of sales during the period.

(9)Available-for-sale financial assets

A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

B. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.

C. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income.

(10) Impairment of financial assets

A. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

B. The criteria that the Company uses to determine whether there is objective evidence of an impairment loss is as follows:

(a) Significant financial difficulty of the issuer or debtor;

(b) The Company, for economic or legal reasons relating to the borrower’s financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(c) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;

(d) The disappearance of an active market for that financial asset because of financial difficulties;

(e) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

(f) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

(g) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C. When the Company assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(a) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset’s acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from ‘other comprehensive income’ to ‘profit or loss’. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(b) Financial assets measured at amortised cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(11) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(12) Investments accounted for using equity method/ subsidiaries and associates

A. A subsidiary is an entity where the Company has the right to dominate its finance and operating policies (including special purpose entities), normally the Company owns more than 50% of the voting rights directly or indirectly in that entity. Subsidiaries are accounted for under the equity method in the Company's parent company only financial statements.

B. Unrealized gains or losses resulting from inter-company transactions with subsidiaries are eliminated. Necessary adjustments are made to the accounting policies of subsidiaries, to be consistent with the accounting policies of the Company.

C. After acquisition of subsidiaries, the Company recognizes proportionately the share of profit and loss and other comprehensive income in the income statement as part of the Company's profit and loss and other comprehensive income, respectively. When the share of loss from a subsidiary exceeds the carrying amount of Company's interest in that subsidiary, the Company continues to recognize its share in the subsidiary's loss proportionately.

D. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

E. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

F. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognizes change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.

G. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

H. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company's ownership percentage of the associate but maintains significant influence on the associate, then “Capital surplus” and “Investments accounted for under the equity method” shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Company’s ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

I. Upon loss of significant influence over an associate, the Company remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss

J. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

K.According to “Regulations Governing the Preparation of Financial Statements by Securities Issuers”, “Profit for the year” and “Other comprehensive income for the year” reported in an entity's parent company only statement of comprehensive income, shall equal to “profit for the year” and “Other comprehensive income” attributable to owners of the parent reported in that entity's consolidated statement of comprehensive income. Total equity reported in an entity's parent company only financial statements, shall equal to equity attributable to owners of parent reported in that entity's consolidated financial statements.

(13)Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If each component of property, plant, and equipment is significant, it is depreciated separately.

D. The assets’ residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets’ residual values and useful lives differ from previous estimates or the patterns of consumption of the assets’ future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, ‘Accounting Policies, Changes in Accounting Estimates and Errors’, from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Assets	Estimated useful lives
Buildings and structures	15 years ～ 35 years
Machinery and equipment	3 years ～ 13 years
Transportation equipment	5 years
Office equipment	3 years ～ 7 years
Other facilities	3 years ～ 15 years

(14) Intangible assets

Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 35 months to 3 years.

(15) Operating leases (lessee)

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(16) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognised.

(17) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(18) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(19) Derecognition of financial liabilities

Financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(19) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(20) Provisions

Provisions (including warranties) are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(21) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

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

C. Employees' compensation and directors' remuneration

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

(22) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings of the Company and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(23)Share capital

A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(24)Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(25)Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable taking into account business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Company's activities. Revenue arising from the sales of goods is recognised when the Company has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

(26) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognizes expenses for the related costs for which the grants are intended to compensate.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Company's accounting policies

Financial assets—impairment of equity investments

The Company follows the guidance of IAS 39 to determine whether a financial asset—equity investment is impaired. This determination requires significant judgement. In making this judgement, the Company evaluates, among other factors, the duration and extent to which the fair value of an equity investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If the decline of the fair value of an individual equity investment below cost was considered significant or prolonged, the Company would suffer a loss in its financial statements, being the transfer of the accumulated fair value adjustments recognised in other comprehensive income on the impaired available-for-sale financial assets to profit or loss.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

A. As inventories are stated at the lower of cost and net realizable value, the Company must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

B. As of December 31, 2017, the carrying amount of inventories was $280,375.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2017	December 31, 2016
Cash		
Cash on hand	$ 1,006	$ 1,180
Checking accounts and demand deposits	209,198	511,601
	210,204	512,781
Cash equivalents:		
Time deposits	594,200	321,200
	$ 804,404	$ 833,981

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. Please refer to Note 8 'Pledged Assets' for information on the Company's cash and cash equivalents that were pledged as collateral (included in 'Other non-current assets)'as of December 31, 2017 and 2016.

(2) Accounts receivable, net

	December 31, 2017	December 31, 2016
Accounts receivable	$ 491,453	$ 377,385
Less: Allowance for doubtful accounts	(2,811)	(19,479)
	$ 488,642	$ 357,906

A. As of December 31, 2017 and 2016, the Company did not have accounts receivable past due but not impaired.

B. Movements of financial assets that were impaired are as follows:

	For the years ended December 31,	
	2017	2016
	Group provision	Group provision
At January 1	$ 19,479	$ 54
(Reversal of) provision for impairment	(16,668)	19,425
At December 31	$ 2,811	$ 19,479

C. As of December 31, 2017 and 2016, the Company's accounts receivable that were neither past due nor impaired were primarily from customers with good payment history.

D. As of December 31, 2017 and 2016, the Company did not hold collateral pledged by customers to secure collection on accounts receivable.

(3) Inventories

	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 16,585	($ 6,702)	$ 9,883
Work in progress	189,291	(15,850)	173,441
Finished goods	103,173	(6,122)	97,051
	$ 309,049	($ 28,674)	$ 280,375

	December 31, 2016		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 20,205	($ 8,232)	$ 11,973
Work in progress	204,429	(8,470)	195,959
Finished goods	71,974	(6,531)	65,443
	$ 296,608	($ 23,233)	$ 273,375

The cost of inventories recognised as expense for the year:

	For the years ended December 31,	
	2017	2016
Cost of goods sold	$ 816,345	$ 979,473
Provision (reversal of allowance) for inventory market price decline (Note)	5,441	(4,326)
Gain on physical inventory	(2)	-
Total cost of sales	$ 821,784	$ 975,147

(Note) For the year ended December 31, 2016, the Company sold inventories for which a valuation loss was recognised in the prior year, resulting in a gain on the reversal of the loss, which was recorded as a reduction in cost of sales.

(4)Available-for-sale financial assets-non-current

	December 31, 2017	December 31, 2016
Unlisted stocks	$ 79,310	$ 79,310
Adjustments for change in value	(1,913)	(7,623)
Accumulated impairment	(22,502)	(22,502)
	$ 54,895	$ 49,185

A. The Company recognised $5,710 and ($1,373) in other comprehensive income (loss) for fair value change for the years ended December 31, 2017 and 2016, respectively.

B. The Company did not pledge available-for-sale financial assets-non-current as collateral as of December 31, 2017 and 2016

(5)Investments accounted for under equity method

A.Movement of investments accounted for under equity method:

	For the years ended December 31,	
	2017	2016
At January 1	$ 410,954	$ 472,665
Acquisition of investments accounted for under equity method	20,000	-
Share of profit or loss of investments accounted for under equity method	(31,538)	(41,056)
Other equity－financial statements translation differences of foreign operations	(12,768)	(20,655)
At December 31	$ 386,648	$ 410,954

B.Details of investments accounted for under equity method are as follows:

	December 31, 2017	December 31, 2016
PAI FU INTERNATIONAL LIMITED	$ 151,869	$ 183,568
Uniring Tech Co., Ltd.	28,561	26,759
IMAGINE GROUP LIMITED	206,218	200,627
	$ 386,648	$ 410,954

C.Information on the Company’s subsidiaries is provided in Note 4(3) of the Company’s 2017 consolidated financial report.

D.As of December 31, 2017 and 2016, no investment accounted for using equity method was pledged as collateral.

(6)Property, plant and equipment

	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Other facilities	Total
January 1, 2017						
Cost	$ 353,520	$ 4,244	$ 9,031	$ 11,425	$ 37,574	$ 415,794
Accumulated depreciation	(51,237)	(527)	(3,885)	(6,428)	(9,699)	(71,776)
	$ 302,283	$ 3,717	$ 5,146	$ 4,997	$ 27,875	$ 344,018
For the year ended December 31, 2017						
At January 1	$ 302,283	$ 3,717	$ 5,146	$ 4,997	$ 27,875	$ 344,018
Additions	-	-	-	1,009	506	1,515
Depreciation expense	(9,908)	(482)	(1,350)	(1,939)	(4,147)	(17,826)
Disposal-Cost	-	-	(3,140)	(1,497)	(333)	(4,970)
-Accumulated depreciation	-	-	2,220	1,494	333	4,047
At December 31	$ 292,375	$ 3,235	$ 2,876	$ 4,064	$ 24,234	$ 326,784
December 31, 2017						
Cost	$ 353,520	$ 4,244	$ 5,891	$ 10,937	$ 37,747	$ 412,339
Accumulated depreciation	(61,145)	(1,009)	(3,015)	(6,873)	(13,513)	(85,555)
	$ 292,375	$ 3,235	$ 2,876	$ 4,064	$ 24,234	$ 326,784

	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Other facilities	Unfinished construction and equipment under acceptance	Total
January 1, 2016							
Cost	$ 133,926	$ 498	$ 9,031	$ 7,644	$ 14,125	$ 166,538	$ 331,762
Accumulated depreciation	(42,957)	(480)	(2,462)	(4,838)	(6,362)	-	(57,099)
	$ 90,969	$ 18	$ 6,569	$ 2,806	$ 7,763	$ 166,538	$ 274,663
For the year ended December 31, 2016							
At January 1	$ 90,969	$ 18	$ 6,569	$ 2,806	$ 7,763	$ 166,538	$ 274,663
Additions	11,793	1,170	-	2,025	5,258	61,276	81,522
Reclassifications	207,801	-	-	1,822	18,191	(227,814)	-
Transfer from inventories	-	2,576	-	-	-	-	2,576
Depreciation expense	(8,280)	(47)	(1,423)	(1,626)	(3,337)	-	(14,713)
Disposal-Cost	-	-	-	(66)	-	-	(66)
-Accumulated depreciation	-	-	-	36	-	-	36
At December 31	$ 302,283	$ 3,717	$ 5,146	$ 4,997	$ 27,875	$ -	$ 344,018
December 31, 2016							
Cost	$ 353,520	$ 4,244	$ 9,031	$ 11,425	$ 37,574	$ -	$ 415,794
Accumulated depreciation	(51,237)	(527)	(3,885)	(6,428)	(9,699)	-	(71,776)
	$ 302,283	$ 3,717	$ 5,146	$ 4,997	$ 27,875	$ -	$ 344,018

A.The Company has not capitalized any interest for the years ended December 31, 2017 and 2016.

B.Please refer to Note 8, 'Pledged assets' for information on the Company's property, plant and equipment that were pledged as collateral as of December 31, 2017 and 2016.

(7) Provisions for liabilities

	For the years ended December 31,	
	2017	2016
Balance at beginning of year	$ 7,823	$ 5,372
Additional provisions	10,488	11,940
Used during the year	(9,438)	(9,489)
Balance at end of year	$ 8,873	$ 7,823

The Company's warranty provision is primarily related to the sale of semiconductor equipment, passive component equipment, and light-emitting diode equipment. The amount of the provision is estimated according to historical warranty data. The Company expects the costs related to the provision would be realized in the next two years.

(8) Pensions

A. The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company ontribute monthly an amount equal to 4% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March. Related information on the defined benefit pension plan disclosed above is as follows:

(a) The amounts recognised in the balance sheet are as follows:

	December 31, 2017	December 31, 2016
Present value of defined benefit obligations	($ 28,970)	($ 25,657)
Fair value of plan assets	9,755	11,382
Net defined benefit liability	($ 19,215)	($ 14,275)

(b) Movements in net defined benefit liabilities are as follows:

	For the year ended December 31, 2017		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Balance at January 1	($ 25,657)	$ 11,382	($ 14,275)
Current service cost	(324)	-	(324)
Interest (expense) income	(359)	159	(200)
	(26,340)	11,541	(14,799)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(40)	(40)
Change in financial assumptions	(851)	-	(851)
Experience adjustments	(3,549)	-	(3,549)
	(4,400)	(40)	(4,440)
Pension fund contribution	-	24	24
Paid pension	1,770	(1,770)	-
Balance at December 31	($ 28,970)	$ 9,755	($ 19,215)

	For the year ended December 31, 2016		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Balance at January 1	($ 27,285)	$ 11,251	($ 16,034)
Current service cost	(316)	-	(316)
Interest (expense) income	(464)	191	(273)
	(28,065)	11,442	(16,623)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(85)	(85)
Change in financial assumptions	(797)	-	(797)
Experience adjustments	3,205	-	3,205
	2,408	(85)	2,323
Pension fund contribution	-	25	25
Balance at December 31	($ 25,657)	$ 11,382	($ 14,275)

(c) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2017 and 2016 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

(d) The principal actuarial assumptions used were as follows:

	For the years ended December 31,	
	2017	2016
Discount rate	1.10%	1.40%
Future salary increases	3.50%	3.50%

For the years ended December 31, 2017 and 2016, assumptions regarding future mortality experience are set based on actuarial advice in accordance with Taiwan Life Insurance Industry 5th Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2017				
Effect on present value of	(\$ 712)	\$ 738	\$ 647	(\$ 629)
December 31, 2016				
Effect on present value of	(\$ 666)	\$ 691	\$ 612	(\$ 594)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

(e) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2018 amount to $24.

(f) As of December 31, 2017, the weighted average duration of the retirement plan is 11 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	$	1,860
2 ～ 5 years		4,493
6 years and above		1,820
	$	8,173

B. Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2017 and 2016 were $8,561 and $8,046, respectively.

(9)Share capital

A. Movements in the number of the Company’s ordinary shares outstanding (in thousands) are as follows:

	For the years ended December 31,	
	2017	2016
At January 1	84,239	85,336
Purchase and cancellation of treasury share	-	(1,097)
At December 31	84,239	84,239

B. Treasury shares

(a) Reason for share reacquisition and movements in the number of the Company’s treasury shares (in thousands) are as follows:

	For the year ended December 31, 2016			
Reason for share reacquisition	Equity at beginning of year	Increase	Decrease	Equity at end of year
To enhance the Company’s credit rating and the stockholders’ equity	-	1,097	(1,097)	-

For the year ended December 31, 2017, there was no such issue.

(b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company’s issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus.

(c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.

(d) For the year ended December 31, 2016, the Company reacquired 1,097 thousand treasury shares in the amount of $64,665.

(e) Pursuant to the R.O.C. Securities and Exchange Act, shares reacquired for the purpose of maintaining company’s credit and shareholders’ rights and interests are required to have their registrations changed within six months of reacquisition. For the year ended December 31, 2016, the Company cancelled 1,097 thousand treasury shares in the amount of $64,665.

(f) As of December 31, 2017, the balance of treasury shares was $－ after reacquisition and cancellation of shares.

C. As of December 31, 2017, the Company's authorised capital was $1,100,000 (including $80,000 reserved for employee stock options), and the paid-in capital was $842,389 with a par value of $10 per share. The 84,239 thousand shares were issued over several installments. All proceeds from shares issued have been collected.

(10) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(11) Retained earnings

A. Pursuant to the R.O.C. Company Act, the Company shall set aside 10% of its after-tax profits as legal reserve until the balance is equal to the paid-in capital. Except for covering accumulated deficits or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

B. Under the Company's Articles of Incorporation, considering the Company is operating in a volatile environment and in the stable growth stage of its life cycle, the Board of Directors shall determine earnings appropriation based on the Company's future capital expenditures and demand for capital, as well as the necessity of using retained earnings to meet capital needs, and set the amount of dividends to be distributed to stockholders and the portion of dividends to be paid in cash. The Company's current year earnings shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. Then, either a portion of the remaining amount is set aside as special reserve or an amount is reversed from the special reserve account and added to the remaining amount in accordance with applicable laws and regulations. The final leftover amount of current year earnings is added to the unappropriated earnings from the prior year and the total is the accumulated distributable earnings. At least 30% of the accumulated distributable earnings shall be appropriated as dividends, and cash dividends shall account for at least 10% of total dividends distributed. The Board of Directors drafts a proposal on earnings appropriation according to future operational and investment needs and sends it to the stockholders' meeting for approval.

C. Special reserve

(a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amounts previously set aside by the Company as special reserve in the amount of $22,672 on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

D. The Company recognised dividends distributed to owners amounting to $252,717 ($3 (in dollars) per share) and $170,672 ($2 (in dollars) per share) for the years ended December 31, 2017 and 2016, respectively. On February 27, 2018, the Board of Directors proposed that total dividends for the distribution of dividends from 2017 earnings in the amount of $261,141 at $3.1 (in dollars) per share.

(12) Other income

	For the years ended December 31,	
	2017	2016
Dividend revenue	$ 3,081	$ 3,235
Interest income from bank deposits	4,825	2,222
Rent income	2,022	2,022
Reversal of allowance for doubtful accounts	16,668	-
Government grants	2,561	-
Miscellaneous income	5,431	2,542
	$ 34,588	$ 10,021

(13) Other gains and losses

	For the years ended December 31,	
	2017	2016
Net gain on financial assets at fair value through profit or loss	$ -	$ 244
Net foreign currency exchange losses	(69,359)	(18,835)
Net gains on disposal of property, plant and equipment	103	-
Miscellaneous disbursements	-	(539)
	($ 69,256)	($ 19,130)

(14) Finance costs

	For the years ended December 31,	
	2017	2016
Interest expense:		
Bank borrowings	$ 799	$ 1,232
Other interest expense	70	86
	$ 869	$ 1,318

(15) Expenses by nature

	For the year ended December 31, 2017		
	Operating costs	Operating expenses	Total
Employee benefit expenses	$ 37,378	$ 244,849	$ 282,227
Depreciation	9,801	8,025	17,826
Amortisation	273	3,307	3,580
	$ 47,452	$ 256,181	$ 303,633

	For the year ended December 31, 2016		
	Operating costs	Operating expenses	Total
Employee benefit expenses	$ 41,059	$ 275,949	$ 317,008
Depreciation	7,649	7,064	14,713
Amortisation	142	2,168	2,310
	$ 48,850	$ 285,181	$ 334,031

(16)Employee benefit expense

	For the year ended December 31, 2017		
	Operating costs	Operating expenses	Total
Wages and salaries	$ 32,715	$ 215,958	$ 248,673
Labour and health insurance expenses	2,560	13,555	16,115
Pension costs	1,318	7,767	9,085
Other personnel expenses	785	7,569	8,354
	$ 37,378	$ 244,849	$ 282,227

	For the year ended December 31, 2016		
	Operating costs	Operating expenses	Total
Wages and salaries	$ 36,242	$ 247,121	$ 283,363
Labour and health insurance expenses	2,594	13,567	16,161
Pension costs	1,293	7,342	8,635
Other personnel expenses	930	7,919	8,849
	$ 41,059	$ 275,949	$ 317,008

As of December 31, 2017 and 2016, the Company had 206 and 205 employees, respectively

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees’ compensation and directors’ and supervisors’ remuneration. The ratio shall not be lower than 3% for employees’ compensation and shall not be higher than 3% for directors’ and supervisors’ remuneration.

B. For the years ended December 31, 2017 and 2016, employees’ compensation were accrued at $25,260 and $30,206, respectively; while directors’ and supervisor’s remuneration were accrued at $3,353 and $4,045, respectively. The aforementioned amounts were recognised in salary expenses and estimated and accrued based on the distributable net profit for 2017 and 2016 calculated by the percentage prescribed under the Articles of Incorporation of the Company. The actual amount resolved by the Board of Directors for employees’ compensation and directors’ and supervisors’ remuneration for 2016 was $34,251, which was the same with the amount recognised in the 2016 financial statements. The employees’ compensation will be distributed in the form of cash. Information about employees’ compensation and directors’ and supervisors’ remuneration of the Company as resolved by the Board of Directors will be posted in the “Market Observation Post System” at the website of the Taiwan Stock Exchange.

(17) Income taxes

A. Income tax expense

(a) Components of income tax expense:

	For the years ended December 31, 2017	For the years ended December 31, 2016
Current tax:		
Current tax on profits for the year	$ 51,751	$ 74,335
10% tax on undistributed earnings	7,053	3,463
Prior year income tax (over) underestimation	(5,056)	985
Total current tax	53,748	78,783
Deferred tax:		
Origination and reversal of temporary differences	1,974	(9,189)
Income tax expense	$ 55,722	$ 69,594

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	For the years ended December 31, 2017	For the years ended December 31, 2016
Remeasurements of defined benefit obligations	($ 755)	$ 395

B. Reconciliation between income tax expense and accounting profit

	For the years ended December 31, 2017	For the years ended December 31, 2016
Tax calculated based on profit before tax and statutory tax rate	$ 61,016	$ 72,524
Effects from items adjusted in accordance with tax regulation	3,022	11,990
Effects from loss carryforward	2,380	(6,800)
Effect from investment tax credits	(12,693)	(12,568)
10% tax on undistributed earnings	7,053	3,463
Prior year income tax (over) underestimation	(5,056)	985
Income tax expense	$ 55,722	$ 69,594

C. Amounts of deferred tax assets or liabilities as a result of temporary differences and loss carryforward are as follows:

	For the year ended December 31, 2017			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred income tax assets				
Temporary differences:				
Allowance for doubtful accounts	$ 3,440	($ 2,834)	$ -	$ 606
Loss on decline in market value of inventories	3,950	925	-	4,875
Unrealised cost to provide after-sale service	1,330	179	-	1,509
Unused compensated absences	1,285	38	-	1,323
Pension costs	2,934	85	248	3,267
Unrealised sales discounts and allowances	9,534	3,342	-	12,876
Unrealised expenses and losses	1,342	(220)	-	1,122
Investment losses	1,061	-	-	1,061
Foreign currency exchange difference	1,476	5,692	-	7,168
Loss carryforward	56,136	(9,181)	-	46,955
	$ 82,488	($ 1,974)	$ 248	$ 80,762
Deferred income tax liabilities				
Temporary differences:				
Pension costs	($ 507)	$ -	$ 507	$ -
Investment income	(21,851)	-	-	(21,851)
	($ 22,358)	$ -	$ 507	($ 21,851)
	$ 60,130	($ 1,974)	$ 755	$ 58,911

	For the year ended December 31, 2016			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred income tax assets				
Temporary differences:				
Allowance for doubtful accounts	$ 319	$ 3,121	$ -	$ 3,440
Loss on decline in market value of inventories	4,685	(735)	-	3,950
Unrealised cost to provide after-sale service	913	417	-	1,330
Unused compensated absences	1,032	253	-	1,285
Pension costs	2,838	96	-	2,934
Unrealised sales discounts and allowances	-	9,534	-	9,534
Unrealised expenses and losses	-	1,342	-	1,342
Investment losses	-	1,061	-	1,061
Foreign currency exchange difference		1,476	-	1,476
Loss carryforward	62,936	(6,800)	-	56,136
	$ 72,723	$ 9,765	$ -	$ 82,488
Deferred income tax liabilities				
Temporary differences:				
Foreign currency exchange difference	($ 485)	$ 485	$ -	$ -
Pension costs	(112)	-	(395)	(507)
Investment income	(20,790)	(1,061)	-	(21,851)
	($ 21,387)	($ 576)	($ 395)	($ 22,358)
	$ 51,336	$ 9,189	($ 395)	$ 60,130

D. Expiration dates of unused loss carry forward and amounts of unrecognised deferred tax assets are as follows:

December 31, 2017				
Year incurred	Amount assessed/filed	Unused amount	Unrecognised deferred tax assets	Expiry year
2012	405,210	$ 276,208	$ -	2022

December 31, 2016				
Year incurred	Amount assessed/filed	Unused amount	Unrecognised deferred tax assets	Expiry year
2012	405, 210	$ 330, 210	$ －	2022

E. The Company's income tax returns through 2013 have been assessed and approved by the Tax Authority, and there were no disputes existing between the Company and the Authority as of February 27, 2018.

F. Unappropriated retained earnings:

	December 31, 2017	December 31, 2016
Earnings generated in and after 1998	$ 448, 824	$ 437, 732

G. As of December 31, 2016, the balance of the imputation tax credit account was $40,336. The stockholders of the Company resolved to appropriate the earnings for the years ended December 31, 2016 and 2015, at the stockholders' meeting held on June 15, 2017 and June 15, 2016, respectively. The ex-dividend dates set by the Board of Directors were July 16, 2017 and August 1, 2016, respectively. The creditable tax rates were 22.05% and 17.95%, respectively. With the abolishment of the imputation tax system under the amendments to the Income Tax Act promulgated by the President of the Republic of China, the creditable tax rate for the year ended December 31, 2017 is no longer applied.

(18)Earnings per share

	For the year ended December 31, 2017		
Basic earnings per share	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Profit attributable to ordinary shareholders	$ 303, 196	84, 239	$ 3. 60
Diluted earnings per share			
Profit attributable to ordinary shareholders	$ 303, 196	84, 239	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	－	498	
Profit attributable to ordinary shareholderst plus assumed conversion of all dilutive potential ordinary shares	$ 303, 196	84, 737	$ 3. 58

	For the year ended December 31, 2016		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders	$ 357,016	84,737	$ 4.21
Diluted earnings per share			
Profit attributable to ordinary shareholders	$ 357,016	84,737	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	773	
Profit attributable to ordinary shareholderst plus assumed conversion of all dilutive potential ordinary shares	$ 357,016	85,510	$ 4.18

(19)Operating leases

In January 2009 and November 2014, the Company leased parcels of land located in the Luzhu Science Park from the Southern Taiwan Science Park Bureau. The former lease is from January 1, 2009 to December 31, 2023. The latter lease is from November 1, 2014 to October 31, 2034. The leases are both classified as operating leases and are renewable at the end of the lease period. Monthly rents per square meter will be adjusted in the following month if the government adjusts the announced land value, rental rate of national land approved by Executive Yuan is adjusted and other reasons that the monthly rents must be adjusted. The Company shall recover or refund additional rents during the payment period. For the years ended December 31, 2017 and 2016, rent expenses were $4,703 ($2,979 shown as 'operating costs' and $1,724 shown as 'operating expenses') and $4,703 ($2,524 shown as 'operating costs' and $2,179 shown as 'operating expenses'), respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2017	December 31, 2016
Not later then one year	$ 4,703	$ 4,703
Later than one year but not later then five years	18,814	18,814
Later than five years	26,678	31,381
	$ 50,195	$ 54,898

(20)Supplemental cash flow information

A. Investing activities with partial cash payments

	For the years ended December 31,	
	2017	2016
Purchase of property, plant and equipment	$ 1,515	$ 81,522
Add: Opening balance of payable for equipment (shown as 'other payables')	1,082	14,700
Less: Ending balance of payable for equipment (shown as 'other payables')	(10)	(1,082)
Cash paid for acquisition of property, plant and equipment	$ 2,587	$ 95,140

B. Financing activities with no cash flow effects:

	For the years ended December 31,	
	2017	2016
Inventories transferred to property, plant and equipment	$ -	$ 2,576

7.RELATED PARTY TRANSACTIONS

(1)Names of related parties and relationship

Names of related parties	Relationship with the Company
Uniring Tech Co., Ltd.	Subsidiaries
Kunshan Wanrun Electronic Technology Co., Ltd.	Subsidiaries
All Ring Tech Jing-Ji Co., Ltd.	Subsidiaries
Jie Kuen Precision Technologies Co., Ltd.	Other related parties (Note)
Ding Ji Electrical Engineering Co., Ltd.	Other related parties (Note)
Nan Feng Mechanical Electrical Co., Ltd.	Other related parties (Note)

Note: The Company's responsible person is the Company's supervisor.

(2)Significant related party transactions

A. Sales of goods

	For the years ended December 31,	
	2017	2016
Subsidiaries	$ 28,913	$ 4,690
Other related parties	-	480
	$ 28,913	$ 5,170

The collection period for subsidiaries was 120 days after sales of goods and 40 days for sales to other related parties. The collection period for third parties are as follows: the first payment is collected 30 to 130 days after delivering machineries, and the second payment is collected 30 to 190 days after acceptance of machineries. Except for the collection periods mentioned above, other terms of sales were the same with third parties.

B. Purchases of goods

	For the years ended December 31,	
	2017	2016
Other related parties	$ 19,808	$ 7,586
Subsidiaries	855	2,822
	$ 20,663	$ 10,408

The terms of purchases and payments to subsidiaries was 45 days after receipt and 120 days to other related parties. Payment terms of purchases to normal vendors are 60 to 180 days. Except for the payment terms mentioned above, other terms of purchases were the same with third parties.

C. Rental income

	For the years ended December 31,	
	2017	2016
Uniring Tech Co.,Ltd.	$ 2,022	$ 2,022

D. Equity transations

The Company participated in cash capital increase of the subsidiary, Uniring Tech Co., Ltd., by investing $20,000 in June 2017.

E. Receivables from related parties

	December 31, 2017	December 31, 2016
Subsidiaries	$ 16,345	$ 3,529

The receivables from related parties arise mainly from sale transactions. The receivables are unsecured in nature and bear no interest. There are no provisions held against receivables from related parties.

F. Payables to related parties

	December 31, 2017	December 31, 2016
Accounts payable		
Other related parties	$ 12,716	$ 2,684
Subsidiaries	45	82
	12,761	2,766
Other payables		
Other related parties	$ 106	$ -
Subsidiaries	22	-
	128	-
	$ 12,889	$ 2,766

The payables to related parties arise mainly from purchase transactions and are due 120 days after the date of purchase. The payables bear no interest.

G. Endorsements and guarantees provided to related parties

Endorser/guarantor	Endorsee/guarantee	December 31, 2017	December 31, 2016	Purpose
All Ring Tech Co.,	Uniring Tech Co., Ltd.	$ 50,000	$ 50,000	Loan financing

As of December 31, 2017 and 2016, the actual amount of the endorsement/guarantee provided by the Company for its subsidiary, Uniring Tech Co., Ltd., amounted to $－ and $15,000, respectively.

(3)Key management compensation

	For the years ended December 31,	
	2017	2016
Salaries and other short-term employee benefits	$ 40,480	$ 43,050
Post-employment benefits	1,052	1,040
	$ 41,532	$ 44,090

8. PLEDGED ASSETS

The Company's assets pledged as collateral are as follows:

Pledged asset	December 31, 2017	December 31, 2016	Purpose
Pledged time deposits (shown as 'other non-current assets')	$ 1,820	$ 1,820	Guarantee for land leases
Buildings and structures (shown as 'property, plant and equipment, net')	292,375	302,283	Guarantees for short-term borrowings (Note)
	$ 294,195	$ 304,103	

(Note) The associated debt has been repaid but the designation of 'property, plant, and equipment' as collateral has not been removed.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) For the details of significant contingent liabilities and unrecognised contract with related parties, please refer to Note 7 'Related party transactions'.

(2) For more information about operating lease, please refer to Note 6(19) 'Operating leases'.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instruments

A. Fair value information of financial instruments

The carrying amounts of the Company's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, refundable deposits, notes payable, accounts payable and other payables) are approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(3) fair value information.

B. Financial risk management policies

(a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance.

(b) Risk management is carried out by a central treasury department under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

ii. Management has set up a policy to require company to manage foreign exchange risk against their functional currency. The ccompany are required to hedge their entire foreign exchange risk exposure with the Company treasury. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Company use forward foreign exchange contracts, transacted with Company treasury. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

iii. The Company has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Company's foreign operations is managed primarily through liabilities denominated in the relevant foreign currencies.

iv.The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2017			December 31, 2016		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD:NTD	$ 29,585	29.76	$880,450	$ 26,127	32.25	$842,596
Investment accounted for under equity method						
USD:NTD	12,930	29.76	384,797	12,646	32.25	407,834
Financial liabilities						
Monetary items						
USD:NTD	2,740	29.76	81,542	2,699	32.25	87,043

v. The sensitivity analysis of foreign exchange risk mainly focuses on the foreign currency monetary items at the end of the financial reporting period. If the exchange rate of NTD to all foreign currencies had appreciated/depreciated by 1%, the Company's net income for the years ended December 31, 2017 and 2016 would have increased/decreased by $9,825 and $9,656, respectively.

vi. The total exchange loss, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2017 and 2016 amounted to $69,359 and $18,835, respectively.

Price risk

i. The Company is exposed to equity securities price risk because of investments held by the Company and classified on the parent company only balance sheet either as available-for-sale or financial asset at fair value through profit or loss. The Company is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Company has set various stop loss points to ensure not to be exposed to significant risks. Accordingly, no material market risk was expected.

ii. The Company's investments in equity securities comprise domestic and foreign unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2017 and 2016 would have increased/decreased by $- and $-, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by $552 and $397, respectively, as a result of gains/losses on equity securities classified as available-for-sale.

Interest rate risk

Since the borrowings of the Company are either fixed-rate or short-term, it does not have significant interest rate risk.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors and the usage of the line of credit is monitored periodically. Credit risk arises from cash and cash equivalents and credit risk from customers, including outstanding receivable and promised transactions not yet completed. The Company conducts business with multiple financial institutions with excellent credit for minimizing the risks through diversification.

ii. Please refer to Note 6 for details information on the credit quality of the Company's financial assets.

(c) Liquidity risk

i. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times to ensure the sufficient financial flexibility of the Company.

ii. Company treasury invests surplus cash in interest bearing current accounts, time deposits and beneficiary certificates, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head room as determined by the above mentioned forecasts, and readily generate cash flows to manage liquidity risk.

iii. The Company has the following undrawn borrowing facilities:

	December 31, 2017	December 31, 2016
Floating rate		
Expiring within one year	$ 1,700,000	$ 1,750,000

iv. The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the following table are undiscounted contractual cash flows.

December 31, 2017	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Non-derivative financial liabilities:				
Notes payable	$ 869	$ -	$ -	$ -
Accounts payable	325,634	-	-	-
Other payables	219,175	-	-	-

December 31, 2016	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Non-derivative financial liabilities:				
Notes payable	$ 908	$ -	$ -	$ -
Accounts payable	241,737	-	-	-
Other payables	228,711	-	-	-

v. The non-derivative liability of the Company does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

A. Details of the fair value of the Company's financial assets and financial liabilities not measured at fair value are provided in Note 12(2)A fair value information of financial instruments.

B. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1:Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in beneficiary certificates and equity securities is included in Level 1

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. The fair value of the Company's investment in equity investment without active market is included in Level 3.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets at December 31, 2017 and 2016 is as follows:

December 31, 2017	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Available-for-sale financial assets	$ 54,895	$ -	$ -	$ 54,895
Equity securities				

December 31, 2016	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Available-for-sale financial assets	$ 49,185	$ -	$ -	$ 49,185
Equity securities				

D. The methods and assumptions the Group used to measure fair value are as follows:

(a) The following financial assets use quoted market prices as inputs for fair value measurement (level 1): for open-end mutual funds, the net asset value is used; for emerging stocks, the average trading price at the balance sheet date is used.

(b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes.

E. For the years ended December 31, 2017 and 2016, there was no transfer between Level 1 and Level 2.

F. No financial instruments belonged to Level 3 for the years ended December 31, 2017 and 2016.

13. SUPPLEMENTARY DISCLOSURES

(Only information for the year ended December 31, 2017 is disclosed in accordance with regulations.)

(1) Significant transactions information

A. Loans to others: Please refer to Table 1.
B. Provision of endorsements and guarantees to others: Please refer to Table 2.
C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to Table 3.
D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: None.
E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None,
F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.
G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: None.
H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: None.
I. Trading in derivative instruments undertaken during the reporting periods: None.
J. Significant inter-company transactions during the reporting periods: Please refer to Table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China)：Please refer to Table 5.

(3) Information on investments in Mainland China

A. Basic information: Please refer to Table 6.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 7.

14. SEGMENT INFORMATION

Not applicable.

ALL RING TECH CO., LTD.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2017

Item	Description	Amount
Cash :		
Cash on hand		$ 1,006
Checking accounts deposit		249
Demand deposit-Domestic currency		84,995
-Foreign currency	USD 4,036 (in thousands), exchange rate: 29.71	123,954
Cash equivalents:		210,204
Time deposit-Foreign currency	USD 20,000 (in thousands), exchange rate: 29.71	
	Expiration date is from January 2, 2018 to January 5, 2018	
	Year interest rate: 1.45%～1.46%	594,200
		$ 804,404

ALL RING TECH CO., LTD.
STATEMENT OF NOTES RECEIVABLE
DECEMBER 31, 2017

Expressed in thousands of NTD

Client Name	Description	Amount
TAI-TECH ADVANCED ELECTRONICS CO., LTD.	Notes receivable	$ 30,857
TECSTAR TECHNOLOGY CO., LTD.	Notes receivable	2,040
Others (less than 5% of the account balance)	Notes receivable	2,334
		$ 35,231

ALL RING TECH CO., LTD.
STATEMENT OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2017

Client Name	Description	Amount	Note
Non-related parties:			
Company A	Accounts receivable	$ 94,529	–
TAI-TECH ADVANCED ELECTRONICS CO., LTD.	Accounts receivable	80,398	–
EVERLIGHT ELECTRONICS CO., LTD.	Accounts receivable	80,295	–
ADVANCED SEMICONDUCTOR ENGINEERING, INC.	Accounts receivable	43,402	–
YAGEO CORPORATION	Accounts receivable	39,096	–
CHILISIN ELECTRONICS CORP.	Accounts receivable	33,390	–
Others (less than 5 % of the account balance)	Accounts receivable	104,352	–
		475,462	
Less : Allowance for doubtful accounts		(2,811)	
		472,651	
Related party:			
ALL RING TECH JING-JI CO.,LTD.	Accounts receivable	15,991	–
		$ 488,642	

ALL RING TECH CO., LTD.
STATEMENT OF INVENTORY
DECEMBER 31, 2017

Expressed in thousands of NTD

Item	Description	Amount		Note
		Cost	Net realizable value	
Raw material	—	$ 16,585	$ 18,747	Note
Work in process	—	189,291	248,591	Note
Finished goods	—	103,173	104,611	Note
		309,049	$ 371,949	
Less: Allowance for valuation loss		(28,674)		
		$ 280,375		

Note : Please refer to Note 4(8) for details of decision making of net realizable value.

ALL RING TECH CO., LTD.
STATEMENT OF CHANGE IN AVAILABLE-FOR-SALE FINANCIAL ASSETS-NON CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2017

Expressed in thousands of NTD

	Beginning balance		Additon		Deduction		Ending balance			
Company	Number of shares (in thousands)	Fair value	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Fair value	Collateral	Note
Unlisted stock:										
TAI-TECH ADVANCED ELECTRONICS CO., LTD.	1,925	$ 53,963	-	$ -	-	$ -	1,925	$ 53,963	None	—
TECSTAR TECHNOLOGY CO., LTD.	334	4,163	-	-	-	-	334	4,163	None	—
EGIGA SOURCE TECHNOLOGY CO., LTD.	1,298	21,184	-	-	-	-	1,298	21,184	None	—
ELCON INTERNATIONAL CO., LTD.	391	-	-	-	-	-	391	-	None	—
		79,310		-		-		79,310	None	—
Adjustments for change in value		(7,623)		5,710		-		(1,913)	None	—
Accumulative impairment		(22,502)		-		-		(22,502)	None	—
		$ 49,185		$ 5,710		$ -		$ 54,895		

ALL RING TECH CO., LTD.
STATEMENT OF CHANGE IN INVESTMENTS ACCOUNTED FOR UNDER EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2017

Expressed in thousands of NTD

	Beginning balance		Addtion		Deduction		Ending balance			Market value or net equity value			
Investor	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Percentage of ownership	Amount	Unit Price	Total Amount	Collateral	Note
PAI FU INTERNATIONAL LIMITED	1,930	$ 183,568	-	$ -	-	($ 31,699)	1,930	100.00%	$ 151,869	$ 78.69	$ 151,869	None	—
Uniring Tech. CO., LTD.	7,149	26,759	2,000	20,000	(4,293)	(18,198)	4,856	100.00%	28,561	6.19	30,053	None	—
IMAGINE GROUP LIMITED	3,720	200,627	-	8,809	-	(3,218)	3,720	73.81%	206,218	46.21	171,917	None	—
	12,799	$ 410,954	2,000	$ 28,809	(4,293)	($ 53,115)	10,506		$ 386,648		$ 353,839		

ALL RING TECH CO., LTD.

STATEMENT OF CHANGE IN PROPERTY, PLANT, AND EQUIPMENT－COST

FOR THE YEAR ENDED DECEMBER 31, 2017

Expressed in thousands of NTD

Please refer to Note 6(6) ‘Property, plant, and equipment’.

ALL RING TECH CO., LTD.
STATEMENT OF CHANGE IN PROPERTY, PLANT,
AND EQUIPMENT－ACCUMULATED DEPRECIATION
FOR THE YEAR ENDED DECEMBER 31, 2017

Expressed in thousands of NTD

Please refer to Note 6(6) ‘Property, plant, and equipment’; for depreciation methods used and useful lives of property, plant and equipment, please refer to Note 4(13).

ALL RING TECH CO., LTD.
STATEMENT OF CHANGE IN DEFERRED INCOME TAX ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017

Expressed in thousands of NTD

Please refer to Note 6 (17) ‘Income taxes’.

ALL RING TECH CO., LTD.
STATEMENT OF ACCOUNTS PAYABLE
DECEMBER 31, 2017

Expressed in thousands of NTD

Client Name	Description	Amount	Note
Non-related parties:			
HUA-YU SEIKI CO., LTD.	Accounts payable	$ 17,310	—
JIN JAAN SHEET METAL CO., LTD.	Accounts payable	12,468	—
SHIHLIN ELECTRIC & ENGINEERING CORPORATION	Accounts payable	12,431	—
Others(less than 3% of the account balance)	Accounts payable	270,709	—
		312,918	
Related paries:			
DING JI ELECTRICAL ENGINEERING CO., LTD.	Accounts payable	9,853	—
JIE KUEN PRECISION TECHNOLOGIES CO., LTD.	Accounts payable	2,863	—
		12,716	
		$ 325,634	

ALL RING TECH CO., LTD.
STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2017

Expressed in thousands of NTD

Item	Quantity	Amount	Note
Semiconductor equipment	651 set	$ 1,057,996	—
Passive components equipment	326 pc	384,350	—
Light-emitting diode equipment	242 pc	99,823	—
Material	—	118,566	—
Operating revenue		1,660,735	
Less: Sales returns		(26,161)	—
Sales allowances		(20,069)	—
Operating revenue, net		$ 1,614,505	

ALL RING TECH CO., LTD.
STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Expressed in thousands of NTD

Item	Amount
Raw materials at January 1,2017	$ 20,205
Add: Raw materials purchased	765,663
Gain on physical inventory	2
Less: Raw materials sold	(58,854)
Transferred to expenses	(29,681)
Raw materials at December 31,2017	(16,585)
Raw materials used	680,750
Direct labor	19,203
Manufacturing expenses	53,177
Manufacturing cost	753,130
Work-in-progress at January 1, 2017	204,429
Add: Work-in-progress purchased	20,422
Work-in-progress at December 31, 2017	(189,291)
Cost of finished goods	788,690
Finished goods at January 1, 2017	71,974
Finished goods at December 31, 2017	(103,173)
Cost of products sold	757,491
Add: Cost of raw materials sold	58,854
Cost of good sold	816,345
Add: Provision for inventory market price decline	5,441
Gain on physical inventory	(2)
Operating costs	$ 821,784

ALL RING TECH CO., LTD.
STATEMENT OF MANUFACTURING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

Expressed in thousands of NTD

Item	Description	Amount	Note
Salary and Wages	—	$ 14,830	—
Depreciation	—	9,801	—
Traveling Expense	—	6,683	—
Consumables	—	6,010	—
Rental expense	—	3,066	—
Insurance	—	2,717	—
Others (less than 5% of the account balance)	—	10,070	—
		$ 53,177	

ALL RING TECH CO., LTD.
STATEMENT OF SELLING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

Expressed in thousands of NTD

Item	Description	Amount	Note
Salary and Wages	—	$ 20,134	—
After-sale service costs	—	10,488	—
Shipment	—	10,435	—
Others (less than 5% of the account balance)	—	18,497	—
		$ 59,554	

ALL RING TECH CO., LTD.
STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

Expressed in thousands of NTD

Item	Description	Amount	Note
Salary and Wages	—	$ 43,740	—
Donations	—	6,600	—
Service fees	—	3,054	—
Insurance	—	2,796	—
Depreciation	—	2,499	—
Others (less than 5% of the account balance)	—	9,874	—
		$ 68,563	

ALL RING TECH CO., LTD.
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

Expressed in thousands of NTD

Item	Description	Amount	Note
Salary and Wages	—	$ 159,851	—
Raw material used	—	20,243	—
Traveling Expense	—	14,404	—
Insurance	—	10,349	—
Others (less than 5% of the account balance)	—	33,764	—
		$ 238,611	

ALL RING TECH CO., LTD.
STATEMENT OF OTHER INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017

Expressed in thousands of NTD

Please refer to Note 6(12) 'Other income'.

ALL RING TECH CO., LTD.
STATEMENT OF OTHER GAINS AND LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2017

Expressed in thousands of NTD

Please refer to Note 6(13) 'Other gains and losses'.

ALL RING TECH CO., LTD.
STATEMENT OF FINANCIAL COST
FOR THE YEAR ENDED DECEMBER 31, 2017

Expressed in thousands of NTD

Please refer to Note 6(14) ‘Financial cost’.

ALL RING TECH CO., LTD.
STATEMENT OF EMPLOYEE BENEFIT EXPENSE,
DEPRECIATION AND AMORTISATION BY FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2017

Expressed in thousands of NTD

Please refer to Note 6(15) ‘Expense by nature’ and 6(16)‘Employee benefit expense’.