ALL RING TECH CO., LTD.

PARENT COMPANY ONLY FINANCIAL

STATEMENTS AND REPORT OF INDEPENDENT

ACCOUNTANTS

DECEMBER 31, 2017 AND 2016

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

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

Description

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

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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)

	Items	Notes	For the years ended December 31, 2017 AMOUNT	%	2016 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)

	Notes	Share capital - common stock	Capital Reserves: Additional paid-in capital	Capital Reserves: Stock options	Retained Earnings: Legal reserve	Retained Earnings: Special reserve	Retained Earnings: Unappropriated retained earnings	Other Equity Interest: Financial statements translation differences of foreign operations	Other Equity Interest: 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

The 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

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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)<u>Derecognition of financial assets</u>

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

(12)<u>Investments accounted for using equity method/ subsidiaries and associates</u>

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

Expressed in thousands of NTD

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

		Amount		
Item	Description	Cost	Net realizable value	Note
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

Company	Beginning balance Number of shares (in thousands)	Beginning balance Fair value	Additon Number of shares (in thousands)	Additon Amount	Deduction Number of shares (in thousands)	Deduction Amount	Ending balance Number of shares (in thousands)	Ending balance 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 AVAILABLE-FOR-SALE FINANCIAL ASSETS-NON CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2017

Expressed in thousands of NTD

Company	Beginning balance		Additon		Deduction		Ending balance		Collateral	Note
	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		
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’.