ALL RING TECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2017 AND 2016

All Ring Tech Co., Ltd.

Declaration of Consolidated Financial Statements of Affiliated Enterprises

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

Hereby declare,

All Ring Tech Co., Ltd.

February 27, 2018

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

Opinion

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

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

Basis for opinion

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

Key audit matters

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

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

Cutoff of revenue

Description

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

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

How our audit addressed the matter

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

1. Obtained an understanding and assessed the accounting policy on revenue recognition.

2. Understood and assessed internal control over revenue recognition, and tested the effectiveness of the internal controls over the shipment of goods and the verification of the timing of revenue recognition.

3. Tested the cutoff of transactions that occurred a certain time before or after the balance sheet date in order to verify whether the risks and rewards of the goods for which revenue has been recognised were transferred, and whether the revenue was recorded in the appropriate period.

Evaluation of inventories

Description

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

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

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

How our audit addressed the matter

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

1. Assessed the reasonableness of the Group's policies and procedures on setting allowance for inventory valuation losses according to applicable accounting principles and the auditor's understanding of the nature of the Group's industry. This included assessing the reasonableness of the source of the historical information on inventory turnover used in determining net realizable value and assessing the reasonableness of judgments of obsolete inventory items.

2. Obtained an understanding of the Group's warehousing control procedures. Reviewed annual physical inventory count plan and participated in the annual inventory count in order to assess the classification of obsolete inventory and effectiveness of internal control over obsolete inventory.

3. Tested the appropriateness of the logic used in evaluating the net realizable value of inventory and inventory aging report to verify the reasonableness of the allowance for inventory valuation losses.

Other matter – Reference to the audits of other independent accountants

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

Other matter – Parent company only financial reports

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

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

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

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

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

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

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

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

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

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

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Liu Tzu-Meng

Independent Accountants

Lin Tzu-Shu

PricewaterhouseCoopers, Taiwan

Republic of China

February 27, 2018

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

for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1. HISTORY AND ORGANISATION

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

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

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

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

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

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

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

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

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

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

IFRS 9, 'Financial instruments'

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

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

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

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

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

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 Group's financial condition and financial performance based on the Group's assessment.

4.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1)Compliance statement

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

(2)Basis of preparation

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

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

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

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

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

(3)Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

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

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

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

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

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

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

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

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

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

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

E. Significant restrictions: None.

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

(1)Foreign currency translation

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

A. Foreign currency transactions and balances

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

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

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

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

B. Translation of foreign operations

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

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

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

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

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

(2)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.

(3)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.

(4)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.

(5)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.

(6)Inventories

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

(7)<u>Available-for-sale financial assets</u>

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.

(8)<u>Impairment of financial assets</u>

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

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

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

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

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

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

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

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

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

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

(a) Available-for-sale financial assets

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

(b) Financial assets at amortized cost

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

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

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

(10)<u>Investments accounted for using equity method / associates</u>

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

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

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

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

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

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

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

(11)Property, plant and equipment

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

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

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

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

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

(12)Intangible assets

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

(13)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.

(14)Impairment of non-financial assets

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

(15)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.

(16)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.

(17)Derecognition of financial liabilities

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

(18)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.

(19)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.

(20)Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

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

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

(21)Income tax

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

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

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

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

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

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

(22)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.

(23) 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.

(24) Revenue recognition

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

(25) 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.

(26) Operating segments

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

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

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

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

Financial assets—impairment of equity investments

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

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

(2) Critical accounting estimates and assumptions

Evaluation of inventories

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

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

5.DETAILS OF SIGNIFICANT ACCOUNTS

(1)Cash and cash equivalents

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

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

B. Please refer to Note 8 'Pledged Assets' for information on the Group's cash and cash equivalents that were 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	$ 607,674	$ 458,190
Less: Allowance for doubtful accounts	(2,811)	(19,479)
	$ 604,863	$ 438,711

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

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

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

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

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

(3)Inventories

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

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

The cost of inventories recognised as expense for the year:

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

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

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

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

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

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

(5)Property, plant and equipment

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

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

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

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

(6)Long-term prepaid rents

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

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

(7)Short-term borrowings

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

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

(8)Provisions for liabilities

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

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

(9)Pensions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(10)Share capital

A. Movements in the number of the Company's ordinary shares outstanding (in thousands) are as follows:

	For the years ended December 31,	
	2017	2016
At January 1	84,239	85,336
Purchase and cancellation of treasury share	-	(1,097)
At December 31	84,239	84,239

B. Treasury shares

(a) Reason for share reacquisition and movements in the number of the Company's treasury shares (in thousands) are as follows:

	For the year ended December 31, 2016			
Reason for share reacquisition	Equity at beginning of year	Increase	Decrease	Equity at end of year
To enhance the Company's credit rating and the stockholders' equity	-	1,097	(1,097)	-

For the year ended December 31, 2017, there was no such issue.

(b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus.

(c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.

(d) For the year ended December 31, 2016, the Company reacquired 1,097 thousand treasury shares in the amount of $64,665.

(e)Pursuant to the R.O.C. Securities and Exchange Act, shares reacquired for the purpose of maintaining company's credit and shareholders' rights and interests are required to have their registrations changed within six months of reacquisition. For the year ended December 31, 2016, the Company cancelled 1,097 thousand treasury shares in the amount of $64,665.

(f) As of December 31, 2017, the balance of treasury shares was $- after reacquisition and cancellation of shares.

C. As of December 31, 2017, the Company's authorized capital was $1,100,000 (including $80,000 reserved for employee stock options), and the paid-in capital was $842,389 with a par value of $10 per share. The 84,239 thousand shares were issued over several installments. All proceeds from shares issued have been collected.

(11)Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(12)Retained earnings

A. Pursuant to the R.O.C. Company Act, the Company shall set aside 10% of its after-tax profits as legal reserve until the balance is equal to the paid-in capital. Except for covering accumulated deficits or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

B. Under the Company's Articles of Incorporation, considering the Company is operating in a volatile environment and in the stable growth stage of its life cycle, the Board of Directors shall determine earnings appropriation based on the Company's future capital expenditures and demand for capital, as well as the necessity of using retained earnings to meet capital needs, and set the amount of dividends to be distributed to stockholders and the portion of dividends to be paid in cash. The Company's current year earnings shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. Then, either a portion of the remaining amount is set aside as special reserve or an amount is reversed from the special reserve account and added to the remaining amount in accordance with applicable laws and regulations. The final leftover amount of current year earnings is added to the unappropriated earnings from the prior year and the total is the accumulated distributable earnings. At least 30% of the accumulated distributable earnings shall be appropriated as dividends, and cash dividends shall account for at least 10% of total dividends distributed. The Board of Directors drafts a proposal on earnings appropriation according to future operational and investment needs and sends it to the stockholders' meeting for approval.

C. Special reserve

(a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amounts previously set aside by the Company as special reserve in the amount of $22,672 on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

D. The Company recognised dividends distributed to owners amounting to $252,717 ($3 (in dollars) per share) and $170,672 ($2 (in dollars) per share) for the years ended December 31, 2017 and 2016, respectively. On February 27, 2018, the Board of Directors proposed for the distribution of dividends from 2017 earnings in the amount of $261,141 at $3.1 (in dollars) per share.

(13)Other income

	For the years ended December 31,	
	2017	2016
Dividend income	$ 3,081	$ 3,235
Interest income from bank deposits	5,510	2,763
Rent income	649	699
Reversal of allowance for doubtful accounts	16,668	-
Government grants	2,561	-
Miscellaneous income	5,577	6,438
	$ 34,046	$ 13,135

(14)Other gains and losses

	For the years ended December 31,	
	2017	2016
Net gain on financial assets at fair value through profit or loss	$ -	$ 244
Net foreign currency exchange losses	(69,634)	(17,217)
Net gain (loss) on disposal of property, plant and equipment	94	(191)
Miscellaneous disbursements	(7,832)	(8,912)
	($ 77,372)	($ 26,076)

(15)Finance costs

	For the years ended December 31,	
	2017	2016
Interest expense:		
Bank borrowings	$ 935	$ 1,458
Other interest expense	71	88
	$ 1,006	$ 1,546

(16)Expenses by nature

	For the year ended December 31, 2017		
	Operating costs	Operating expenses	Total
Employee benefit expenses	$ 61,157	$ 282,456	$ 343,613
Depreciation	14,541	11,476	26,017
Amortisation	273	3,371	3,644
	$ 75,971	$ 297,303	$ 373,274

	For the year ended December 31, 2016		
	Operating costs	Operating expenses	Total
Employee benefit expenses	$ 64,119	$ 310,508	$ 374,627
Depreciation	12,789	11,105	23,894
Amortisation	142	2,241	2,383
	$ 77,050	$ 323,854	$ 400,904

(17)Employee benefit expense

	For the year ended December 31, 2017		
	Operating costs	Operating expenses	Total
Wages and salaries	$ 53,164	$ 248,124	$ 301,288
Labour and health insurance expenses	3,246	14,944	18,190
Pension costs	2,390	9,032	11,422
Other personnel expenses	2,357	10,356	12,713
	$ 61,157	$ 282,456	$ 343,613

	For the year ended December 31, 2016		
	Operating costs	Operating expenses	Total
Wages and salaries	$ 55,925	$ 277,794	$ 333,719
Labour and health insurance expenses	3,542	15,199	18,741
Pension costs	2,627	8,687	11,314
Other personnel expenses	2,025	8,828	10,853
	$ 64,119	$ 310,508	$ 374,627

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 3% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.

B. For the years ended December 31, 2017 and 2016, employees' compensation was accrued at $25,260 and $30,206, respectively; while directors' and supervisors' remuneration was accrued at $3,353 and $4,045, respectively. The aforementioned amounts were recognised in salary expense and estimated and accrued based on the distributable net profit for 2017 and 2016 calculated by the percentage prescribed under the Articles of Incorporation of the Company. The actual amount resolved by the Board of Directors for employees' compensation and directors' and supervisors' remuneration of 2016 was $34,251, which was the same with the amount recognised in the 2016 financial statements. The employees' compensation will be distributed in the form of cash. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(18)Income taxes

A. Income tax expense

(a) Components of income tax expense:

	For the years ended December 31, 2017	For the years ended December 31, 2016
Current tax:		
Current tax on profits for the year	$ 53,105	$ 74,194
10% tax on undistributed earnings	7,053	3,463
Prior year income tax (over) underestimation	(5,056)	586
Total current tax	55,102	78,243
Deferred tax:		
Origination and reversal of temporary differences	2,064	(9,047)
Income tax expense	$ 57,166	$ 69,196

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	For the years ended December 31, 2017	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	2016
Tax calculated based on profit before tax and statutory tax rate	$ 63,014	$ 70,025
Effects from items adjusted in accordance with tax regulation	3,222	54,339
Effects from loss carryforward	1,626	(46,649)
Effect from investment tax credits	(12,693)	(12,568)
10% tax on undistributed earnings	7,053	3,463
Prior year income tax (over) underestimation	(5,056)	586
Income tax expense	$ 57,166	$ 69,196

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	3,955	925	-	4,880
Unrealised cost to provide after-sale service	1,330	179	-	1,509
Unused compensated absences	1,285	38	-	1,323
Pension costs	2,995	24	248	3,267
Employee benefits	-	31	-	31
Unrealised sales discounts and allowances	9,534	3,342	-	12,876
Unrealised expenses and losses	1,342	(220)	-	1,122
Investment losses	1,061	-	-	1,061
Foreign currency exchange difference	1,497	5,671	-	7,168
Loss carryforward	67,630	(9,214)	-	58,416
	$ 94,069	($ 2,058)	$ 248	$ 92,259
Deferred income tax liabilities				
Temporary differences:				
Foreign currency exchange difference	$ -	($ 6)	$ -	($ 6)
Pension costs	(507)	-	507	-
Investment income	(21,851)	-	-	(21,851)
	($ 22,358)	($ 6)	$ 507	($ 21,857)
	$ 71,711	($ 2,064)	$ 755	$ 70,402

	For the year ended December 31, 2016			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred income tax assets				
Temporary differences:				
Allowance for doubtful accounts	$ 319	$ 3,121	$ -	$ 3,440
Loss on decline in market value of inventories	4,690	(735)	-	3,955
Unrealised cost to provide after-sale service	913	417	-	1,330
Unused compensated absences	1,063	222	-	1,285
Pension costs	2,838	157	-	2,995
Employee benefits	-	9,534	-	9,534
Unrealised sales discounts and allowances	-	1,342	-	1,342
Unrealised expenses and losses	-	1,061	-	1,061
Investment losses	-	1,497	-	1,497
Foreign currency exchange difference	74,632	(7,002)	-	67,630
Loss carryforward	$ 84,455	$ 9,614	$ -	$ 94,069
Deferred income tax liabilities				
Temporary differences:				
Foreign currency exchange difference	($ 494)	$ 494	$ -	$ -
Pension costs	(112)	-	(395)	(507)
Investment income	(20,790)	(1,061)	-	(21,851)
	($ 21,396)	($ 567)	($ 395)	($ 22,358)
	$ 63,059	$ 9,047	($ 395)	$ 71,711

D. Expiration dates of unused loss carry forward and amounts of unrecognised deferred tax assets are as follows:

December 31, 2017				
Year incurred	Amount assessed/filed	Unused amount	Unrecognised deferred tax assets	Expiry year
2012	442, 071	$ 313, 069	$ –	2022
2013	21, 180	21, 180	–	2023
2014	42, 523	42, 523	32, 896	2024
2015	54, 450	54, 450	33, 220	2025
2016	24, 311	24, 311	16, 816	2026
2017	32, 635	32, 635	21, 761	2027
		$ 488, 168	$ 104, 693	

December 31, 2016				
Year incurred	Amount assessed/filed	Unused amount	Unrecognised deferred tax assets	Expiry year
2012	442, 071	$ 367, 071	$ –	2022
2013	21, 180	21, 180	–	2023
2014	42, 523	42, 523	32, 896	2024
2015	54, 450	54, 450	52, 171	2025
2016	29, 336	29, 336	29, 336	2026
		$ 514, 560	$ 114, 403	

E. The Company's income tax returns through 2013 have been assessed and approved by the Tax Authority, and there were no disputes existing between the Company and the Authority as of February 27, 2018.

F. Unappropriated retained earnings:

	December 31, 2017	December 31, 2016
Earnings generated in and after 1998	$ 448, 824	$ 437, 732

G. As of December 31, 2016, the balance of the imputation tax credit account was $40,336. The stockholders of the Company resolved to appropriate the earnings for the years ended December 31, 2016 and 2015, at the stockholders' meeting held on June 15, 2017 and June 15, 2016, respectively. The ex-dividend dates set by the Board of Directors were July 16, 2017 and August 1, 2016, respectively. The creditable tax rates were 22.05% and 17.95%, respectively. With the abolishment of the imputation tax system under the amendments to the Income Tax

Act promulgated by the President of Republic of China, the creditable tax rate for the year ended December 31, 2017 is no longer applies.

(19)Earnings per share

	For the year ended December 31, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 303,196	84,239	$ 3.60
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 303,196	84,239	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	498	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 303,196	84,737	$ 3.58

	For the year ended December 31, 2016		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 357,016	84,737	$ 4.21
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 357,016	84,737	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	773	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 357,016	85,510	$ 4.18

(20)Operating leases

In January 2009 and November 2014, the Company leased parcels of land located in the Luzhu Science Park from the Southern Taiwan Science Park Bureau. The former lease is from January 1, 2009 to December 31, 2023. The latter lease is from November 1, 2014 to October 31, 2034. The leases are both classified as operating leases and are renewable at the end of the lease period. Monthly rents per square meter will be adjusted in the following month if the government adjusts the announced land value, rental rate of national land approved by Executive Yuan is adjusted and other reasons that the monthly rents must be adjusted. The Company shall recover or refund additional rents during the payment period. For the years ended December 31, 2017 and 2016, rent expenses were $4,703 ($2,979 shown as 'operating costs' and $1,724 shown as 'operating expenses') and $4,703 ($2,524 shown as 'operating costs' and $2,179 shown as 'operating expenses'), respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2017	December 31, 2016
Not later than one year	$ 4,703	$ 4,703
Later than one year but not later than five years	18,814	18,814
Later than five years	26,678	31,381
	$ 50,195	$ 54,898

(21)Supplemental cash flow information

A. Investing activities with partial cash payments

	For the years ended December 31,	
	2017	2016
Purchase of property, plant and equipment	$ 1,846	$ 81,813
Add: Opening balance of payable on equipment (shown as 'other payables')	1,082	14,700
Less: Ending balance of payable on equipment (shown as 'other payables')	(10)	(1,082)
Cash paid for acquisition of property, plant and equipment	$ 2,918	$ 95,431

B. Financing activities with no cash flow effects:

	For the years ended December 31,	
	2017	2016
Inventories transferred to property, plant and equipment	$ -	$ 2,576

6. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
Jie Kuen Precision Technologies Co., Ltd. (Jie Kuen)	Other related parties (Note)
Ding Ji Electrical Engineering Co., Ltd. (Ding Ji)	Other related parties (Note)
Nan Feng Mechanical Electrical Co., Ltd. (Nan Feng)	Other related parties (Note)

Note: This Company’s responsible person is the Company's supervisor.

(2) Significant related party transactions

A. Sales of goods

	For the years ended December 31, 2017	2016
Jie Kuen	$ -	$ 480

Collection period for other related parties was 40 days after the sales of goods. The collection period for third parties were as follows: the first payment is collected 30 to 130 days after delivering machineries, and the second payment is collected 30 to 190 days after acceptance of machineries. Other terms of sale were the same with third parties.

B. Purchases of goods

	For the years ended December 31, 2017	2016
Ding Ji	$ 16,961	$ -
Jie Kuen	2,847	7,586
	$ 19,808	$ 7,586

The terms of purchases and payments to other related parties was 120 days after receipt. Payment terms of purchases to normal vendors are 60 to 180 days. Except for the payment terms mentioned above, other terms of purchases were the same with third parties.

C. Payables to related parties

	For the years ended December 31, 2017	2016
Accounts payable		
-Ding Ji	$ 9,853	$ -
-Jie Kuen	2,863	2,684
	12,716	2,684
Other payables		
-Nan Feng	106	-
	$ 12,822	$ 2,684

The payables to related parties arise mainly from purchase transactions and are due 120 days after the date of purchase. The payables bear no interest.

(3)Key management compensation

	For the years ended December 31,	
	2017	2016
Salaries and other short-term employee benefits	$ 41,718	$ 44,456
Post-employment benefits	1,052	1,040
	$ 42,770	$ 45,496

7.PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

Pledged asset	December 31, 2017	December 31, 2016	Purpose
Pledged time deposits (shown as 'other non-current assets')	$ 1,820	$ 1,820	Guarantee for land leases
Buildings and structures (shown as 'property, plant and equipment, net')	292,375	302,283	Guarantees for short-term borrowings (Note)
	$ 294,195	$ 304,103	

Note: The associated debt has been repaid but the designation of 'property, plant, and equipment' as collateral has not been removed.

8.SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) As of December 31, 2017 and 2016, the Group's guarantees and endorsements were as follows:

Endorsor	Endorsee	December 31, 2017	December 31, 2016	Purpose
All Ring Tech Co., Ltd.	Uniring Tech Co., Ltd.	$ 50,000	$ 150,000	Pledged for borrowing facilities

As of December 31, 2017 and 2016, the actual amount of the endorsement used by subsidiary, Uniring Tech Co., Ltd., were $－ and $15,000, respectively.

(2) For more information about operating lease, please refer to Note 6 (20) 'Operating leases'.

9.SIGNIFICANT DISASTER LOSS

None.

10.SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

11.OTHERS

(1)Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(2)Financial instruments

A. Fair value information of financial instruments

The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, refundable deposits, short-term borrowings, notes payable, accounts payable and other payables) are approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(3) fair value information.

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and financial performance.

(b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward foreign exchange contracts, transacted with Group treasury. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

iii. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through liabilities denominated in the relevant foreign currencies.

iv. The Group's businesses involve some non-functional currency operations (The functional currency of the Company and subsidiary, Uniring Tech Co., Ltd., is the NTD; the functional currency of subsidiaries PAI FU INTERNATIONAL LTD. and IMAGINE GROUP LIMITED is the USD; the functional currency of subsidiary, Kunshan Wanrun Electronic Technology Co., Ltd., and All Ring Tech Jing-Ji Co., Ltd. is the RMB). The information on assets and liabilities denominated in foreign currencies whose value would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2017			December 31, 2016		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD:NTD	$ 29,585	29.76	$880,450	$ 26,127	32.25	$842,596
USD:RMB	463	6.51	13,760	483	6.95	15,578
Financial liabilities						
Monetary items						
USD:NTD	2,740	29.76	81,542	2,699	32.25	87,043
USD:RMB	25	6.51	743	5	6.95	161

v. The sensitivity analysis of foreign exchange risk mainly focuses on the foreign currency monetary items at the end of the financial reporting period. If the exchange rate of NTD to all foreign currencies had appreciated / depreciated by 1%, the Group's net income for the years ended December 31,2017 and 2016 would have decreased / increased by $6,739 and $6,399, respectively.

vi. The total exchange loss, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2017 and 2016; amounted to $69,634 and $17,217, respectively.

Price risk

i. The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet as available-for-sale and at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group has set various stop loss points to ensure not to be exposed to significant risk. Accordingly, no material market risk was expected.

ii. The Group's investments in equity securities comprise domestic and foreign unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2017 and 2016 would have increased/decreased by $- and $-, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by $552 and $397, respectively, as a result of gains/losses on equity securities classified as available-for-sale.

Interest rate risk

Since the borrowings of the Group are either fixed-rate or short-term, it does not have significant interest rate risk.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors and the usage of the line of credit is monitored periodically. Credit risk arises from cash and cash equivalents and credit risk from customers, including outstanding accounts receivable and promised transactions not yet completed. The Group conducts business with multiple financial institutions with excellent credit for minimizing risk through diversification.

ii. Please refer to Note 6 for detailed information on the credit quality of the Group's financial assets.

(c) Liquidity risk

i. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times to ensure the sufficient financial flexibility of the Group.

ii. Group treasury invests surplus cash in interest bearing current accounts, time deposits and beneficiary certificates, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head room as determined by the above mentioned forecasts, and readily generate cash flows to manage liquidity risk.

iii. The Group has the following undrawn borrowing facilities:

	December 31, 2017	December 31, 2016
Floating rate		
Expiring within one year	$ 1,750,000	$ 1,885,000

iv. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the following table are undiscounted contractual cash flows.

December 31, 2017	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Non-derivative financial liabilities:				
Notes payable	$ 869	$ -	$ -	$ -
Accounts payable	359,148	-	-	-
Other payables	240,857	-	-	-

December 31, 2016	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Non-derivative financial liabilities:				
Short-term borrowings	$ 15,228	$ -	$ -	$ -
Notes payable	1,026	-	-	-
Accounts payable	301,782	-	-	-
Other payables	256,863	-	-	-

v. The non-derivative of the Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3)Fair value information

A. Details of the fair value of the Group's financial assets and financial liabilities not measured at fair value are provided in Note 12(2)A. fair value information of financial instruments.

B. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1:Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in beneficiary certificates and equity securities is included in Level 1

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3:Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets at December 31, 2017 and 2016 is as follows:

December 31, 2017	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Available-for-sale financial assets	$ 54,895	$ -	$ -	$ 54,895
Equity securities				

December 31, 2016	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Available-for-sale financial assets	$ 49,185	$ -	$ -	$ 49,185
Equity securities				

D. The methods and assumptions the Group used to measure fair value are as follows:

(a) The following financial assets use quoted market prices as inputs for fair value measurement (level 1): for open-end mutual funds, the net asset value is used; for emerging stocks, the average trading price at the balance sheet date is used.

(b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes.

E. For the years ended December 31, 2017 and 2016, there was no transfer between Level 1 and

Level 2.

F. No financial instruments belonged to Level 3 for the years ended December 31, 2017 and 2016.

12. SUPPLEMENTARY DISCLOSURES

(Only information for the year ended December 31, 2017 is disclosed in accordance with regulations.)

(1) Significant transactions information

A. Loans to others: Please refer to Table 1.

B. Provision of endorsements and guarantees to others: Please refer to Table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to Table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None,

F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: None.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to Table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China)：Please refer to Table 5.

(3) Information on investments in Mainland China

A. Basic information: Please refer to Table 6.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to Table 7.

13. SEGMENT INFORMATION

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions. The Group's operational decision-maker manages each entity in the organization according to its role. There is no material change in the basis for formation of entities and division of segments in the Group or in the measurement basis for segment information during this period.

(2) Measurement of segment information

The Group's operational decision-maker evaluates the performance of each department based on its pre-tax income. This metric excludes nonrecurring expenses of the department and unrealized gains or losses from financial products. Interest income and expense are not allocated to operating segments, as this type of activity is driven by the Company's central treasury function, which manages the cash position of the group.

(3)Segment profit or loss, assets and liabilities

The segment information provided to the chief operating decision maker for the reportable segments is as follows:

	For the year ended December 31, 2017				
	All Ring Tech Co., Ltd.	Kunshan Wanrun Electronic Technology Co., Ltd.	All Ring Tech Jing-Ji Co., Ltd.	Others	Total
Total segment revenue	$1,614,505	$ 52,607	$ 197,627	$ 61,688	$1,926,427
Inter-segment revenue	28,913	29,387	1,146	128	59,574
Revenne from external customers	1,585,592	23,220	196,481	61,560	1,866,853
Interest income	4,825	615	61	9	5,510
Depreciation and amortisation	21,406	357	7,416	482	29,661
Interest income	869	–	–	137	1,006
Segment income (loss) before tax	358,918	(13,783)	13,319	(29,982)	328,472
Segment assets	2,478,645	64,645	311,193	65,851	2,920,334
Segment liabilities	616,826	5,078	78,709	6,023	706,636

	For the year ended December 31, 2016				
	All Ring Tech Co., Ltd.	Kunshan Wanrun Electronic Technology Co., Ltd.	All Ring Tech Jing-Ji Co., Ltd.	Others	Total
Total segment revenue	$1,871,297	$ 94,651	$ 117,703	$ 43,819	$2,127,470
Inter-segment revenue	4,690	5,661	4,528	132	15,011
Revenue from external customers	1,866,607	88,990	113,175	43,687	2,112,459
Interest income	2,222	457	73	11	2,763
Depreciation and amortisation	17,023	455	8,230	569	26,277
Interest expense	1,318	-	-	228	1,546
Segment income (loss) before tax	426,610	(9,994)	(5,670)	(26,142)	384,804
Segment assets	2,415,405	100,724	282,224	101,177	2,899,530
Segment liabilities	593,322	26,047	58,493	28,130	705,992

(4)Reconcilation about segment profit or loss, assets and liabilities

A. Sales between segments are carried out at arm’s length. The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the consolidated statement of comprehensive income. A reconciliation of reportable segment income or loss to the income/(loss) before tax from continuing operations is provided as follows:

	For the years ended December 31,	
	2017	2016
Reportable segments income/(loss) before tax	$ 358,454	$ 410,946
Other segments income/(loss) before tax	(29,982)	(26,142)
Add: inter-segment income (loss)	31,890	41,408
Profit from continuing operations before tax	$ 360,362	$ 426,212

B. The amounts provided to the chief operating decision maker with respect to total assets are measured in a manner consistent with that of the financial statements. A reconciliation of assets of reportable segment and total assets is as follows:

	December 31, 2017	December 31, 2016
Assets of reportable segments	$ 2,854,483	$ 2,798,353
Assets of other operating segments	65,851	101,177
Less: Inter-segment transaction	(384,998)	(380,393)
Total assets	$ 2,535,336	$ 2,519,137

C. The amounts provided to the chief operating decision maker with respect to total liabilities are measured in a manner consistent with that of the financial statements. A reconciliation of liabilities of reportable segment and total liabilities is as follows:

	December 31, 2017	December 31, 2016
Liabilities of reportable segments	$ 700,613	$ 677,862
Liabilities of other operating segments	6,023	28,130
Less: Inter-segment transaction	(33,119)	(8,938)
Total liabilities	$ 673,517	$ 697,054

(5)Information on products and services

Income from external customers is primarily from sales of automation machinery and equipment, therefore it is not necessary to disclose the details of this amount.

(6)Geographical information

Geographical information for the years ended December 31, 2017 and 2016 are as follows:

	Year ended December 31, 2017		Year ended December 31, 2016	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$ 1,647,152	$ 337,332	$ 1,910,294	$ 358,664
China	219,701	158,118	202,165	183,141
	$ 1,866,853	$ 495,450	$ 2,112,459	$ 541,805

(7)Major customer information

For the years ended December 31, 2017 and 2016, information on the Group's significant customers (revenue accounting for more than 10% of the consolidated operating revenue) is as follows:

	Year ended December 31, 2017		Year ended December 31, 2016	
	Revenue	Segment	Revenue	Segment
Company A	$ 429,969	All Ring Tech Co., Ltd.	$ 8,565	All Ring Tech Co., Ltd.
Company B	392,728	All Ring Tech Co., Ltd.	974,961	All Ring Tech Co., Ltd.
Company C	36,454	All Ring Tech Co., Ltd.	224,469	All Ring Tech Co., Ltd.
	$ 859,151		$ 1,207,995	