

**ALL RING TECH CO., LTD. AND
SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT
ACCOUNTANTS**

SEPTEMBER 30, 2018 AND 2017

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

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

Introduction

We have reviewed the accompanying consolidated balance sheets of All Ring Tech Co., Ltd. and its subsidiaries (the “Group”) as at September 30, 2018 and 2017, and the related consolidated statements of comprehensive income for the three-month and nine-month periods then ended, as well as the consolidated statements of changes in equity and of cash flows for the nine-month periods the ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 65 “Review of Financial Information Performed by the Independent Auditor of the Entity” in the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As explained in Note 4(3), the financial statements and related information disclosed in Note 13 of insignificant consolidated subsidiaries as of and for the nine-month periods ended September 30, 2018 and 2017 were not reviewed by independent accountants. Those statements reflect total assets of NT\$519,982 thousand and NT\$563,985 thousand, constituting 19.29% and 21.06% of the consolidated total assets, and total liabilities of NT\$84,226 thousand and NT\$114,195 thousand, constituting 10.58%

and 13.44% of the consolidated total liabilities as of September 30, 2018 and 2017, respectively, and total comprehensive income (loss) of NT\$386 thousand, (NT\$3,055) thousand, (NT\$3,951) thousand and (NT\$14,630) thousand, constituting 1.02%, (2.40%), (1.25%) and (5.64%) of the consolidated total comprehensive loss for the three-month and nine-month periods then ended, respectively.

Qualified Conclusion

Except for the adjustments to consolidated financial statements as of and for the three-month and nine-month periods ended September 30, 2018 and 2017, if any, as might have been determined to be necessary had the financial statements of consolidated subsidiaries been reviewed by independent accountants, that we might have become aware of had it not been for the situation described above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2018 and 2017, and of its consolidated financial performance for the three-month and nine-month periods then ended and its consolidated cash flows for the nine-month periods then ended in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Liu, Tzu-Meng

Independent Accountants

Lin, Yung-Chih

PricewaterhouseCoopers, Taiwan

Republic of China

November 5, 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)

(The consolidated balance sheets as of September 30, 2018 and 2017 are reviewed, not audited)

Assets	Notes	September 30, 2018		December 31, 2017		September 30, 2017		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 735,084	27	\$ 889,708	35	\$ 731,935	27
1136	Financial assets at amortised cost - current	6(3) and 12	27,133	1	-	-	-	-
1150	Notes receivable, net	6(4) and 12	65,056	3	44,817	2	48,970	2
1170	Accounts receivable, net	6(4) and 12	866,043	32	604,863	24	854,326	32
1200	Other receivables		3,378	-	3,567	-	5,954	-
130X	Inventory	5(2) and 6(5)	300,034	11	332,993	13	346,049	13
1410	Prepayments		9,243	-	12,137	-	21,894	1
1479	Other current assets		-	-	41	-	-	-
11XX	Total current assets		<u>2,005,971</u>	<u>74</u>	<u>1,888,126</u>	<u>74</u>	<u>2,009,128</u>	<u>75</u>
Non-current assets								
1517	Financial assets at fair value through other comprehensive income - non-current	6(6) and 12	112,157	4	-	-	-	-
1523	Available-for-sale financial assets - non-current	12	-	-	54,895	2	60,432	2
1600	Property, plant and equipment	6(7) and 8	408,847	15	422,161	17	428,654	16
1780	Intangible assets		5,477	-	4,541	-	5,482	-
1840	Deferred income tax assets	6(22)	93,211	4	92,259	4	96,901	4
1920	Guarantee deposits paid		4,607	-	4,606	-	4,683	-
1985	Long-term prepaid rents	6(8)	32,285	1	32,955	1	32,982	1
1990	Other non-current assets	8	32,548	2	35,793	2	40,018	2
15XX	Total non-current assets		<u>689,132</u>	<u>26</u>	<u>647,210</u>	<u>26</u>	<u>669,152</u>	<u>25</u>
1XXX	Total assets		<u>\$ 2,695,103</u>	<u>100</u>	<u>\$ 2,535,336</u>	<u>100</u>	<u>\$ 2,678,280</u>	<u>100</u>

(Continued)

ALL RING TECH CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of September 30, 2018 and 2017 are reviewed, not audited)

Liabilities and Equity	Notes	September 30, 2018		December 31, 2017		September 30, 2017		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current liabilities								
2100	Short-term borrowings	6(9) and 8	\$ -	-	\$ -	-	\$ 135,000	5
2130	Current contract liabilities	6(16) and 12	30,064	1	-	-	-	-
2150	Notes payable		3,190	-	869	-	619	-
2170	Accounts payable	7	445,947	17	359,148	14	364,177	14
2200	Other payables	6(10) and 7	228,757	9	240,857	10	251,027	9
2230	Current income tax liabilities	6(22)	23,207	1	16,105	1	9,189	-
2250	Provisions for liabilities - current	6(11)	12,227	-	8,873	-	9,577	-
2310	Advance receipts	12	-	-	6,593	-	42,740	2
21XX	Total current liabilities		<u>743,392</u>	<u>28</u>	<u>632,445</u>	<u>25</u>	<u>812,329</u>	<u>30</u>
Non-current liabilities								
2570	Deferred income tax liabilities	6(22)	32,910	1	21,857	1	22,358	1
2640	Net defined benefit liabilities - non-current	6(12)	<u>19,673</u>	<u>1</u>	<u>19,215</u>	<u>1</u>	<u>14,766</u>	<u>1</u>
25XX	Total non-current liabilities		<u>52,583</u>	<u>2</u>	<u>41,072</u>	<u>2</u>	<u>37,124</u>	<u>2</u>
2XXX	Total liabilities		<u>795,975</u>	<u>30</u>	<u>673,517</u>	<u>27</u>	<u>849,453</u>	<u>32</u>
Equity								
3110	Share capital - common stock	6(13)	842,389	31	842,389	33	842,389	32
3200	Capital surplus	6(14)	378,920	14	378,920	15	378,920	14
	Retained earnings	6(15)						
3310	Legal reserve		216,754	8	186,434	7	186,434	7
3320	Special reserve		22,672	1	22,672	1	22,672	1
3350	Unappropriated retained earnings		443,669	17	448,824	18	410,092	15
3400	Other equity interest	6(6)	11,405	-	(17,420)	(1)	(11,680)	(1)
3500	Treasury stocks	6(13)	(16,681)	(1)	-	-	-	-
3XXX	Total equity		<u>1,899,128</u>	<u>70</u>	<u>1,861,819</u>	<u>73</u>	<u>1,828,827</u>	<u>68</u>
Contingent liabilities and commitments								
3X2X	Total liabilities and equity		<u>\$ 2,695,103</u>	<u>100</u>	<u>\$ 2,535,336</u>	<u>100</u>	<u>\$ 2,678,280</u>	<u>100</u>

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)
(REVIEWED, BUT NOT AUDITED)

Items	Notes	For the three-month periods ended September 30,				For the nine-month periods ended September 30,				
		2018		2017		2018		2017		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(16)	\$ 514,351	100	\$ 537,203	100	\$ 1,584,966	100	\$ 1,458,186	100
5000	Operating costs	6(5)(12)(20)(21) (24) and 7	(323,766)	(63)	(290,476)	(54)	(934,307)	(59)	(799,354)	(55)
5900	Net operating margin		190,585	37	246,727	46	650,659	41	658,832	45
	Operating expenses	6(8)(12)(20)(21) (24), 7 and 12								
6100	Selling expenses		(20,178)	(4)	(24,880)	(4)	(62,312)	(4)	(65,630)	(4)
6200	General and administrative expenses		(24,723)	(5)	(28,032)	(5)	(72,651)	(5)	(72,255)	(5)
6300	Research and development expenses		(66,868)	(13)	(73,824)	(14)	(207,623)	(13)	(191,407)	(13)
6450	Impairment loss determined in accordance with IFRS 9	12	(709)	-	-	-	(2,427)	-	-	-
6000	Total operating expenses		(112,478)	(22)	(126,736)	(23)	(345,013)	(22)	(329,292)	(22)
6900	Operating profit		78,107	15	119,991	23	305,646	19	329,540	23
	Non-operating income and expenses									
7010	Other income	6(17)	7,373	2	22,100	4	13,973	1	30,890	2
7020	Other gains and losses	6(2)(18) and 12	384	-	(5,160)	(1)	15,829	1	(53,889)	(4)
7050	Finance costs	6(19)	(23)	-	(272)	-	(67)	-	(615)	-
7000	Total non-operating income and expenses		7,734	2	16,668	3	29,735	2	(23,614)	(2)
7900	Profit before income tax		85,841	17	136,659	26	335,381	21	305,926	21
7950	Income tax expense	6(22)	(13,768)	(3)	(20,904)	(4)	(50,379)	(3)	(45,147)	(3)
8200	Profit for the period		\$ 72,073	14	\$ 115,755	22	\$ 285,002	18	\$ 260,779	18
	Other comprehensive income (loss)									
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss									
8316	Unrealised gain on valuation of financial assets at fair value through other comprehensive income	6(6)	(\$ 23,702)	(5)	\$ -	-	\$ 36,650	2	\$ -	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(22)	-	-	-	-	44	-	-	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss									
8361	Financial statements translation differences of foreign operations		(10,549)	(2)	3,575	1	(6,565)	-	(12,565)	(1)
8362	Unrealised gain on valuation of available-for-sale financial assets	12	-	-	7,833	1	-	-	11,247	1
8300	Total other comprehensive income (loss) for the period		(\$ 34,251)	(7)	\$ 11,408	2	\$ 30,129	2	(\$ 1,318)	-
8500	Total comprehensive income for the period		\$ 37,822	7	\$ 127,163	24	\$ 315,131	20	\$ 259,461	18
	Profit attributable to:									
8610	Owners of the parent		\$ 72,073	14	\$ 115,755	22	\$ 285,002	18	\$ 260,779	18
	Comprehensive income attributable to:									
8710	Owners of the parent		\$ 37,822	7	\$ 127,163	24	\$ 315,131	20	\$ 259,461	18
	Earnings per share (in dollars)	6(23)								
9750	Basic		\$ 0.86		\$ 1.37		\$ 3.38		\$ 3.10	
9850	Diluted		\$ 0.85		\$ 1.37		\$ 3.36		\$ 3.08	

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)
(REVIEWED, BUT NOT AUDITED)

Notes	Capital Reserves				Retained Earnings			Other Equity Interest			Total equity
	Share capital - common stock	Additional paid-in capital	Stock options	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gain (loss) on valuation of financial assets at fair value through other comprehensive income	Unrealised gain (loss) on valuation of available-for-sale financial assets	Treasury stocks	
For the nine-month period ended September 30, 2017											
Balance at January 1, 2017	\$ 842,389	\$ 378,812	\$ 108	\$ 150,732	\$ 22,672	\$ 437,732	(\$ 2,739)	\$ -	(\$ 7,623)	\$ -	\$ 1,822,083
Net income for the nine-month period ended September 30, 2017	-	-	-	-	-	260,779	-	-	-	-	260,779
Other comprehensive income (loss) for the nine-month period ended September 30, 2017	-	-	-	-	-	-	(12,565)	-	11,247	-	(1,318)
Total comprehensive income for the period	-	-	-	-	-	260,779	(12,565)	-	11,247	-	259,461
Distribution of 2016 net income:											
Legal reserve	-	-	-	35,702	-	(35,702)	-	-	-	-	-
Cash dividends	-	-	-	(252,717)	-	(252,717)	-	-	-	-	(252,717)
Balance at September 30, 2017	\$ 842,389	\$ 378,812	\$ 108	\$ 186,434	\$ 22,672	\$ 410,092	(\$ 15,304)	\$ -	(\$ 3,624)	\$ -	\$ 1,828,827
For the nine-month period ended September 30, 2018											
Balance at January 1, 2018	\$ 842,389	\$ 378,812	\$ 108	\$ 186,434	\$ 22,672	\$ 448,824	(\$ 15,507)	\$ -	(\$ 1,913)	\$ -	\$ 1,861,819
Effects of retrospective application	-	-	-	-	-	1,317	-	(3,230)	1,913	-	-
Adjusted balance at January 1, 2018	842,389	378,812	108	186,434	22,672	450,141	(15,507)	(3,230)	-	-	1,861,819
Net income for the nine-month period ended September 30, 2018	-	-	-	-	-	285,002	-	-	-	-	285,002
Other comprehensive income (loss) for the nine-month period ended September 30, 2018	-	-	-	-	-	44	(6,565)	36,650	-	-	30,129
Total comprehensive income for the period	-	-	-	-	-	285,046	(6,565)	36,650	-	-	315,131
Loss on disposal of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-
Distribution of 2017 net income:											
Legal reserve	-	-	-	-	-	(57)	-	57	-	-	-
Cash dividends	-	-	-	30,320	-	(30,320)	-	-	-	-	(261,141)
Treasury stocks reacquired	-	-	-	(261,141)	-	(261,141)	-	-	-	(16,681)	(16,681)
Balance at September 30, 2018	\$ 842,389	\$ 378,812	\$ 108	\$ 216,754	\$ 22,672	\$ 443,669	(\$ 22,072)	\$ 33,477	(\$ -)	(\$ 16,681)	\$ 1,899,128

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)
(REVIEWED, BUT NOT AUDITED)

	Notes	For the nine-month periods ended September 30,	
		2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 335,381	\$ 305,926
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit losses	12	2,427	-
Reversal of allowance for doubtful accounts	6(17)	-	(17,187)
Provision for inventory market price decline	6(5)	12,709	16,979
Depreciation	6(7)(20)	19,332	19,651
Property, plant and equipment recognised as expense	6(7)	-	16
Gain on disposal of property, plant and equipment	6(18)	(4)	(35)
Amortisation	6(20)	2,869	2,703
Amortisation of long-term prepaid rents	6(8)	265	260
Warranty expense	6(11)	9,270	8,114
Dividend income	6(6)(17)	(4,506)	(3,081)
Interest income	6(17)	(6,882)	(3,060)
Interest expense	6(19)	67	615
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(20,239)	(3,547)
Accounts receivable		(263,607)	(398,428)
Other receivables		189	(3,205)
Inventories		20,250	(22,477)
Prepayments		2,894	(2,211)
Other current assets		41	725
Changes in operating liabilities			
Current contract liabilities		23,551	-
Notes payable		2,321	(407)
Accounts payable		86,799	62,395
Other payables		(12,226)	(4,793)
Provisions for liabilities - current	6(11)	(5,916)	(6,360)
Advance receipts		(80)	26,043
Net defined benefit liabilities - non-current		458	491
Cash inflow (outflow) generated from operations		205,363	(20,873)
Dividends received		4,506	3,081
Interest received		6,882	3,060
Interest paid		(67)	(615)
Income tax paid		(34,112)	(100,071)
Income tax received		937	-
Net cash flows from (used in) operating activities		183,509	(115,418)

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ALL RING TECH CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, BUT NOT AUDITED)

	Notes	For the nine-month periods ended September 30,	
		2018	2017
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial asset at amortised cost	6(3)	(\$ 27,133)	\$ -
Acquisition of financial assets at fair value through other comprehensive income		(21,029)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(6)	417	-
Cash paid for acquisition of property, plant and equipment	6(25)	(8,563)	(2,451)
Proceeds from disposal of property, plant and equipment		37	35
Acquisition of intangible assets		(3,838)	(1,839)
(Increase) decrease in guarantee deposits paid		(1)	433
Decrease in other non-current assets		<u>3,245</u>	<u>12,935</u>
Net cash flows (used in) from investing activities		<u>(56,865)</u>	<u>9,113</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings		-	120,000
Cash dividends paid	6(15)	(261,141)	(252,717)
Acquisition of treasury stocks	6(13)	<u>(16,681)</u>	<u>-</u>
Net cash flows used in financing activities		<u>(277,822)</u>	<u>(132,717)</u>
Effect of exchange rate changes		<u>(3,446)</u>	<u>(10,163)</u>
Net decrease in cash and cash equivalents		(154,624)	(249,185)
Cash and cash equivalents at beginning of period	6(1)	<u>889,708</u>	<u>981,120</u>
Cash and cash equivalents at end of period	6(1)	<u>\$ 735,084</u>	<u>\$ 731,935</u>

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 NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017

(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 November 5, 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 FSC effective from 2018 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board ("IASB")</u>
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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board ("IASB")
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 at amortised 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 subsequent changes in the fair value of an investment in an equity instrument that is not held for trading in other comprehensive income.

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 recognise 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 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.

C. The Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018, please refer to Note 12(4).

(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 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
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

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

B. In the fourth quarter of 2017, the Company reported to the Board of Directors that IFRS 16 has no significant impact to the Group.

(3) 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 IASB
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
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 IASB
IFRS 17, 'Insurance contracts'	January 1, 2021

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" and IAS 34, 'Interim Financial Reporting' as endorsed by the FSC.

(2) Basis of preparation

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

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

(b) Financial assets at fair value through other comprehensive income/ Available-for-sale financial assets measured at fair value.

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

- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.
- C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 and the third quarter ended September 30, 2017 were not restated. The financial statements for the year ended December 31, 2017 and the third quarter ended September 30, 2017 were prepared in compliance with International Accounting Standard 39 (‘IAS 39’), International Accounting Standard 11 (‘IAS 11’), International Accounting Standard 18 (‘IAS 18’) and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies and details of significant accounts.

(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 the subsidiary begins from the date the Group obtains control of the subsidiary and ceases when the Group loses control of the subsidiary.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of the 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 measures 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 consolidated subsidiaries and changes of the current period are as follows:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			September 30, 2018	December 31, 2017	
All Ring Tech Co., Ltd.	PAI FU INTERNATIONAL LIMITED	Mechanical engineering automation, and research, development and design of software	100.00	100.00	Note 1
All Ring Tech Co., Ltd.	Uni-Ring Tech Co., Ltd.	Other machine manufacture industry, electrical appliances, audio visual electronics and international trading industry	100.00	100.00	Note 1
All Ring Tech Co., Ltd.	IMAGINE GROUP LIMITED	Investment business	73.81	73.81	Note 1 Note 2

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			September 30, 2018	December 31, 2017	
PAI FU INTERNATIONAL LIMITED	Kunshan All Ring Tech Co., Ltd.	Research, development, and manufacture of specialized electronic equipment used for cutting capacitance and inductance; sales of self-manufactured products and provision of corresponding technology testing services	100.00	100.00	Note 1
PAI FU INTERNATIONAL LIMITED	IMAGINE GROUP LIMITED	Investment business	26.19	26.19	Note 1 Note 2
IMAGINE GROUP LIMITED	All Ring Tech (Kunshan) Co., Ltd.	Research, development, and manufacture of specialized electronic equipment, testing of instruments and accessories; sales of self-manufactured products and provision of corresponding technology testing services	100.00	100.00	Note 1

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			September 30, 2017		
All Ring Tech Co., Ltd.	PAI FU INTERNATIONAL LIMITED	Mechanical engineering automation, and research, development and design of software	100.00		Note 1

Name of investor	Name of subsidiary	Main business activities	Ownership (%)	Description
			September 30, 2017	
All Ring Tech Co., Ltd.	Uni-Ring Tech Co., Ltd.	Other machine manufacture industry, electrical appliances, audio visual electronics and international trading industry	100.00	Note 1
All Ring Tech Co., Ltd.	IMAGINE GROUP LIMITED	Investment business	73.81	Note 1 Note 2
PAI FU INTERNATIONAL LIMITED	Kunshan All Ring Tech Co., Ltd.	Research, development, and manufacture of specialized electronic equipment used for cutting capacitance and inductance; sales of self-manufactured products and provision of corresponding technology testing services	100.00	Note 1
PAI FU INTERNATIONAL LIMITED	IMAGINE GROUP LIMITED	Investment business	26.19	Note 1 Note 2
IMAGINE GROUP LIMITED	All Ring Tech (Kunshan) Co., Ltd.	Research, development, and manufacture of specialized electronic equipment, testing of instruments and accessories; sales of self-manufactured products and provision of corresponding technology testing services	100.00	Note 1

Note 1: The financial statements of insignificant consolidated subsidiaries as of and for the nine-month periods ended September 30, 2018 and 2017 were not reviewed by independent accountants. Those statements reflect total assets of \$519,982 and \$563,985, constituting 19.29% and 21.06% of the consolidated total assets, and total liabilities of \$84,226 and \$114,195, constituting 10.58% and 13.44% of the consolidated total liabilities, as of September 30, 2018 and 2017, respectively, and total comprehensive income (loss) of this subsidiary amounted to \$386, (\$3,055), (\$3,951) and (\$14,630), constituting 1.02%, (2.40%), (1.25%) and (5.64%) of the consolidated total comprehensive income for the three-month and nine-month periods ended September 30, 2018 and 2017, respectively.

Note 2: The Company and its subsidiaries own, directly or indirectly, more than 50% of the shares of these companies.

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

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

E. Significant restrictions: None.

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

(4) Foreign currency translation

Items included in the consolidated 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 New Taiwan Dollars, which is the Company's functional and 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 other 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 closing exchange rate at the date of that balance sheet;
- ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- iii. All resulting exchange differences are recognised in other comprehensive income.

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

(5) 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 realised, 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 pay off 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 paid off within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

A. Cash equivalents refer to short-term, highly liquid investments that are readily convertible to

known amounts of cash and which are subject to an insignificant risk of changes in value.

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

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

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

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. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at amortised cost

A. Financial assets at amortised cost are those that meet all of the following criteria:

(a) The objective of the Group's business model is achieved by collecting contractual cash flows.

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

(9) Accounts and notes receivable

Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

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

(11)Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
- (a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
- (a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.
 - (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(12)Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(13)Derecognition of financial assets

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

(14)Property, plant and equipment

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

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

<u>Asset</u>	<u>Estimated useful lives</u>
Buildings and structures	15~35 years
Machinery and equipment	2~13 years
Transportation equipment	5 years
Office equipment	2~7 years
Other facilities	2~10 years

(15)Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 35 months to 5 years.

(16)Operating leases (lessee)

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

(17)Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal or value in use. When the circumstances or reasons for recognising 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 amortised historical cost would have been if the impairment had not been recognised.

(18)Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at

amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(19) Accounts and notes payable

Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Derecognition of financial liabilities

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

(21) Offsetting financial instruments

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

(22) Provisions

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

(23) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plan

For the defined contribution plan, the contributions are recognised as pension expenses 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 plan

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 (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

- ii. Remeasurement arising on defined benefit plan is recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. And, the related information is disclosed accordingly.

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

Employees' compensation and directors' and supervisors' remuneration are recognised as expenses and liabilities, 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 employees' compensation is distributed by shares, the Group calculated the number of shares based on the closing market price at the previous day of the board meeting resolution.

(24) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operate 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 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 income 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 financial statements. However, the deferred income 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 income 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 income 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 income tax asset is realized or the deferred income tax liability is settled.

- D. Deferred income 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 income 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 income 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 utilised.
- G. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.
- H. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

(25) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(26) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends

are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(27) Revenue recognition

Sales of goods

- (a) Sales are recognised when control of the products has transferred, being when the products are delivered to the client, the client has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the client's acceptance of the products.
- (b) Revenue from these sales is recognised based on the price specified in the contract, net of the estimated output tax, sales returns, and sales discounts and allowances. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. Collection terms of sale are as follows: the first payment is collected 30 to 130 days after delivering machineries, and the second payment is collected 30 to 190 days after acceptance of machineries. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.
- (c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(28) Government grants

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

(29) Operating segments

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

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

The preparation of these consolidated financial statements requires management to make critical judgments 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 amount of assets and liabilities within the next financial year, and the related information is addressed below:

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

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

A. As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable 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 realisable 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 September 30, 2018, the carrying amount of inventories was \$300,034.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Cash:			
Cash on hand	\$ 1,981	\$ 1,351	\$ 1,892
Checking accounts and demand deposits	<u>257,708</u>	<u>257,228</u>	<u>527,840</u>
	<u>259,689</u>	<u>258,579</u>	<u>529,732</u>
Cash equivalents:			
Time deposits	<u>475,395</u>	<u>631,129</u>	<u>202,203</u>
	<u>\$ 735,084</u>	<u>\$ 889,708</u>	<u>\$ 731,935</u>

A. The Group associates 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 September 30, 2018, December 31, 2017 and September 30, 2017.

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

	<u>September 30, 2018</u>
Non-current items:	
Financial assets mandatorily measured at fair value through profit or loss	
Unlisted stocks	\$ 21,185
Valuation adjustment	<u>(21,185)</u>
	<u>\$ -</u>

A. The Group recognised net gain (Shown as "Other gains and losses") on financial assets at fair value through profit or loss amounting to \$27 and \$150 for the three-month period and the nine-month period ended September 30, 2018, respectively.

B. The Group has no financial assets at fair value through profit or loss pledged to others as collateral of September 30, 2018.

C. Information relating to credit risk is provided in Note 12(2).

D. Information on financial assets at fair value through profit or loss as of December 31, 2017 and September 30, 2017 are provided in Note 12(4).

(3) Financial assets at amortised cost

	September 30, 2018
Current items:	
Negotiable certificates of deposits	\$ 27,133
A. As at September 30, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was \$27,133.	
B. The Group has no financial assets at amortised cost pledged to others as collateral as of September 30, 2018.	
C. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).	
D. The Group has no financial assets at amortised cost as of December 31, 2017 and September 30, 2017.	

(4) Notes and accounts receivable

	September 30, 2018	December 31, 2017	September 30, 2017
Notes receivable	\$ 65,056	\$ 44,817	\$ 48,970
Accounts receivable	\$ 871,281	\$ 607,674	\$ 856,618
Less: Allowance for uncollectible accounts	(5,238)	(2,811)	(2,292)
	\$ 866,043	\$ 604,863	\$ 854,326

A. The ageing analysis of notes receivable and accounts receivable that were past due is as follows:

	September 30, 2018		December 31, 2017	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Less than 30 days	\$ 184,611	\$ 65,056	\$ 76,666	\$ 44,817
31~90 days	295,544	-	246,955	-
91~180 days	208,740	-	108,628	-
181~360 days	139,377	-	99,154	-
Over 360 days	43,009	-	76,271	-
	<u>\$ 871,281</u>	<u>\$ 65,056</u>	<u>\$ 607,674</u>	<u>\$ 44,817</u>

	September 30, 2017	
	Accounts receivable	Notes receivable
Less than 30 days	\$ 113,115	\$ 48,970
31~90 days	353,448	-
91~180 days	252,364	-
181~360 days	101,807	-
Over 360 days	35,884	-
	<u>\$ 856,618</u>	<u>\$ 48,970</u>

The above ageing analysis was based on invoice date.

- B. The Group has no notes and accounts receivable pledged to others as collateral as of September 30, 2018, December 31, 2017 and September 30, 2017.
- C. As of September 30, 2018, December 31, 2017 and September 30, 2017, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable were the book value.
- D. Information relating to credit risk is provided in Note 12(2).

(5) Inventories

	September 30, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 60,009	(\$ 7,587)	\$ 52,422
Work in process	224,304	(23,406)	200,898
Finished goods	61,168	(14,454)	46,714
	<u>\$ 345,481</u>	<u>(\$ 45,447)</u>	<u>\$ 300,034</u>

	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 27,669	(\$ 8,366)	\$ 19,303
Work in process	230,030	(18,250)	211,780
Finished goods	108,032	(6,122)	101,910
	<u>\$ 365,731</u>	<u>(\$ 32,738)</u>	<u>\$ 332,993</u>
	September 30, 2017		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 49,049	(\$ 7,019)	\$ 42,030
Work in process	246,869	(17,376)	229,493
Finished goods	90,376	(15,850)	74,526
	<u>\$ 386,294</u>	<u>(\$ 40,245)</u>	<u>\$ 346,049</u>

The cost of inventories recognised as expense for the period:

	For the three-month periods ended September 30,	
	2018	2017
Cost of goods sold	\$ 320,833	\$ 282,293
Provision for inventory market price decline	2,933	8,183
	<u>\$ 323,766</u>	<u>\$ 290,476</u>
	For the nine-month periods ended September 30,	
	2018	2017
Cost of goods sold	\$ 921,598	\$ 782,375
Provision for inventory market price decline	12,709	16,979
	<u>\$ 934,307</u>	<u>\$ 799,354</u>

(6) Financial assets at fair value through other comprehensive income - non-current

Items	September 30, 2018
Equity instruments	
Unlisted stocks	\$ 78,680
Valuation adjustment	33,477
	<u>\$ 112,157</u>

- A. The Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$112,157 at September 30, 2018.
- B. Aiming to satisfy the capital expenditure needs, the Group sold \$417 of equity instruments

investments at fair value and resulted in cumulative losses of \$57 on disposal during the nine-month period ended September 30, 2018, which was reclassified to retained earnings.

- C. Amounts recognised in profit or loss and other comprehensive in relation to the financial assets at fair value through other comprehensive income are listed below:

	For the three-month period ended September 30, 2018	For the nine-month period ended September 30, 2018
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	(\$ <u>23,702</u>)	\$ <u>36,650</u>
Cumulative losses reclassified to retained earnings due to derecognition	(\$ <u>57</u>)	(\$ <u>57</u>)
Dividend income recognised in profit or loss	\$ <u>4,506</u>	\$ <u>4,506</u>

- D. As at September 30, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was \$112,157.
- E. The Group has no financial assets at fair value through other comprehensive income pledged to others as collateral.
- F. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).
- G. Information on available-for-sale financial assets as of December 31, 2017 and September 30, 2017 is provided in Note 12(4).

(7) Property, plant and equipment

	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Other facilities	Total
<u>January 1, 2018</u>						
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)
	<u>\$ 374,981</u>	<u>\$ 12,282</u>	<u>\$ 3,819</u>	<u>\$ 5,637</u>	<u>\$ 25,442</u>	<u>\$ 422,161</u>
For the nine-month period ended <u>September 30, 2018</u>						
At January 1	\$ 374,981	\$ 12,282	\$ 3,819	\$ 5,637	\$ 25,442	\$ 422,161
Additions	-	2,484	4,560	1,608	37	8,689
Depreciation	(11,396)	(1,530)	(1,106)	(1,805)	(3,495)	(19,332)
Disposals -- Cost	-	-	-	(272)	-	(272)
— Accumulated depreciation	-	-	-	239	-	239
Net exchange differences	(2,361)	(214)	(22)	(28)	(13)	(2,638)
At September 30	<u>\$ 361,224</u>	<u>\$ 13,022</u>	<u>\$ 7,251</u>	<u>\$ 5,379</u>	<u>\$ 21,971</u>	<u>\$ 408,847</u>
<u>September 30, 2018</u>						
Cost	\$ 465,428	\$ 21,947	\$ 16,475	\$ 17,574	\$ 42,458	\$ 563,882
Accumulated depreciation	(104,204)	(8,925)	(9,224)	(12,195)	(20,487)	(155,035)
	<u>\$ 361,224</u>	<u>\$ 13,022</u>	<u>\$ 7,251</u>	<u>\$ 5,379</u>	<u>\$ 21,971</u>	<u>\$ 408,847</u>

	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Other facilities	Total
<u>January 1, 2017</u>						
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)
	<u>\$ 391,490</u>	<u>\$ 14,412</u>	<u>\$ 6,381</u>	<u>\$ 6,961</u>	<u>\$ 29,740</u>	<u>\$ 448,984</u>
<u>For the nine-month period ended September 30, 2017</u>						
At January 1	\$ 391,490	\$ 14,412	\$ 6,381	\$ 6,961	\$ 29,740	\$ 448,984
Additions	-	-	-	902	506	1,408
Transferred as expense	-	-	-	(16)	-	(16)
Depreciation	(11,326)	(1,457)	(1,280)	(1,980)	(3,608)	(19,651)
Disposals—Cost	-	-	(491)	(1,472)	(333)	(2,296)
—Accumulated depreciation	-	-	491	1,472	333	2,296
Net exchange differences	(1,758)	(226)	(27)	(38)	(22)	(2,071)
At September 30	<u>\$ 378,406</u>	<u>\$ 12,729</u>	<u>\$ 5,074</u>	<u>\$ 5,829</u>	<u>\$ 26,616</u>	<u>\$ 428,654</u>
<u>September 30, 2017</u>						
Cost	\$ 468,411	\$ 19,880	\$ 14,725	\$ 16,067	\$ 42,596	\$ 561,679
Accumulated depreciation	(90,005)	(7,151)	(9,651)	(10,238)	(15,980)	(133,025)
	<u>\$ 378,406</u>	<u>\$ 12,729</u>	<u>\$ 5,074</u>	<u>\$ 5,829</u>	<u>\$ 26,616</u>	<u>\$ 428,654</u>

A. The Group has not capitalised any interest for the nine-month periods ended September 30, 2018 and 2017.

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 September 30, 2018, December 31, 2017 and September 30, 2017.

(8) Long-term prepaid rents

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Land use right	\$ 32,285	\$ 32,955	\$ 32,982

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 three-month and nine-month periods ended September 30, 2018 and 2017, the rent expense (shown as part of 'operation expenses') was \$86, \$88, \$265 and \$260, respectively.

(9) Short-term borrowings

<u>Type of borrowings</u>	<u>September 30, 2017</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank secured borrowings	\$ 100,000	1.16%	Buildings and structures
Bank unsecured borrowings	35,000	1.20%	None
	<u>\$ 135,000</u>		

The Group has no short-term borrowings as of September 30, 2018 and December 31, 2017.

(10) Other payables

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Accrued salaries and bonuses	\$ 82,773	\$ 94,372	\$ 82,712
Compensation payable to employees, directors and supervisors	27,090	28,613	24,805
Others	118,894	117,872	143,510
	<u>\$ 228,757</u>	<u>\$ 240,857</u>	<u>\$ 251,027</u>

(11) Provisions for liabilities

	<u>For the nine-month periods ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Balance at beginning of period	\$ 8,873	\$ 7,823
Additional provisions	9,270	8,114
Used during the period	(5,916)	(6,360)
Balance at end of period	<u>\$ 12,227</u>	<u>\$ 9,577</u>

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 to be realised in the next two years.

(12) 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 contributes 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 pension cost under the aforementioned defined benefit pension plan of the Company for the three-month and nine-month periods ended September 30, 2018 and 2017 were \$135, \$130, \$406 and \$392, respectively.
 - (b) The Company's expected contributions under the defined benefit pension plan for the year ending December 31, 2018 amount to \$24.
- 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 plan of the Company and its domestic subsidiaries for the three-month and nine-month periods ended September 30, 2018 and 2017 were \$2,587, \$2,301, \$6,987 and \$6,788, respectively.
- C. In accordance with the pension and insurance laws of the People's Republic of China, Kunshan All Ring Tech Co., Ltd. and All Ring Tech (Kunshan) 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 three-month and nine-month periods ended September 30, 2018 and 2017 were \$498, \$557, \$1,507 and \$1,460, respectively.

(13) Share capital

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

	<u>For the nine-month periods ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
At January 1	84, 239	84, 239
Treasury stock reacquired	(286)	-
At September 30	<u>83, 953</u>	<u>84, 239</u>

B. As of September 30, 2018, the Company's authorised capital was \$1,100,000 (including \$80,000 reserved for employee stock options), and the paid-in capital was \$842,389 with a par value of \$10 per share. The 84,239 thousand shares were issued over several installments. All proceeds from shares issued have been collected.

C. Treasury shares

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

<u>Reason for reacquisition</u>	<u>September 30, 2018</u>		
	<u>Opening Balance</u>	<u>Additions</u>	<u>Ending Balance</u>
To enhance the Company's credit rating and the stockholders' equity	<u>-</u>	<u>286</u>	<u>286</u>

(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 realised 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) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.

(e) As of September 30, 2018, the balance of the Company's treasury shares was \$16,681.

(14) 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 Law 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 reserves should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(15) 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

deficit 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 during their 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 \$261,141 (\$3.1 (in dollars) per share) and \$252,717 (\$3 (in dollars) per share) for the years ended December 31, 2018 and 2017, respectively.

(16) Operating revenue

	For the three-month period ended September 30, 2018
Revenue from contracts with customers	<u>\$ 514,351</u>
	For the nine-month period ended September 30, 2018
Revenue from contracts with customers	<u>\$ 1,584,966</u>

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods at a point in time. Revenue is primarily from sales of automation machinery and equipment. Related disclosures for operating revenue are provided in Note 14.

B. Contract liabilities

Revenue recognised that was included in the contract liabilities balance at the beginning of the period amounted to \$5,102.

(17) Other income

	For the three-month periods ended September 30,	
	2018	2017
Dividend income	\$ 4,506	\$ 3,081
Interest income from bank deposits	2,136	883
Rent income	20	166
Gains on doubtful debt recoveries	-	17,187
Other income	711	783
	<u>\$ 7,373</u>	<u>\$ 22,100</u>

	For the nine-month periods ended September 30,	
	2018	2017
Dividend income	\$ 4,506	\$ 3,081
Interest income from bank deposits	6,882	3,060
Rent income	62	487
Gains on doubtful debt recoveries	-	17,187
Other income	2,523	7,075
	<u>\$ 13,973</u>	<u>\$ 30,890</u>

(18) Other gains and losses

	For the three-month periods ended September 30,	
	<u>2018</u>	<u>2017</u>
Net gains on financial assets at fair value through profit or loss	\$ 27	\$ -
Net foreign exchange gains (losses)	414	(5,031)
Miscellaneous disbursements	(57)	(129)
	<u>\$ 384</u>	<u>(\$ 5,160)</u>

	For the nine-month periods ended September 30,	
	<u>2018</u>	<u>2017</u>
Net gains on financial assets at fair value through profit or loss	\$ 150	\$ -
Net foreign exchange gains (losses)	15,915	(53,493)
Net gains on disposal of property, plant and equipment	4	35
Miscellaneous disbursements	(240)	(431)
	<u>\$ 15,829</u>	<u>(\$ 53,889)</u>

(19) Finance costs

	For the three-month periods ended September 30,	
	<u>2018</u>	<u>2017</u>
Interest expense:		
Bank borrowings	\$ 11	\$ 256
Other interest expense	12	16
	<u>\$ 23</u>	<u>\$ 272</u>

	For the nine-month periods ended September 30,	
	<u>2018</u>	<u>2017</u>
Interest expense:		
Bank borrowings	\$ 26	\$ 561
Other interest expense	41	54
	<u>\$ 67</u>	<u>\$ 615</u>

(20) Expenses by nature

	<u>For the three-month period ended September 30, 2018</u>		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Employee benefit expenses	\$ 20,696	\$ 80,217	\$ 100,913
Depreciation	3,559	2,959	6,518
Amortisation	127	839	966
	<u>\$ 24,382</u>	<u>\$ 84,015</u>	<u>\$ 108,397</u>

	<u>For the three-month period ended September 30, 2017</u>		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Employee benefit expenses	\$ 16,764	\$ 86,851	\$ 103,615
Depreciation	3,674	2,909	6,583
Amortisation	76	871	947
	<u>\$ 20,514</u>	<u>\$ 90,631</u>	<u>\$ 111,145</u>

	<u>For the nine-month period ended September 30, 2018</u>		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Employee benefit expenses	\$ 42,901	\$ 240,084	\$ 282,985
Depreciation	10,740	8,592	19,332
Amortisation	338	2,531	2,869
	<u>\$ 53,979</u>	<u>\$ 251,207</u>	<u>\$ 305,186</u>

	<u>For the nine-month period ended September 30, 2017</u>		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Employee benefit expenses	\$ 46,119	\$ 227,025	\$ 273,144
Depreciation	10,934	8,717	19,651
Amortisation	198	2,505	2,703
	<u>\$ 57,251</u>	<u>\$ 238,247</u>	<u>\$ 295,498</u>

(21) Employee benefit expense

	<u>For the three-month period ended September 30, 2018</u>		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Wages and salaries	\$ 18,285	\$ 71,262	\$ 89,547
Labour and health insurance fees	1,354	3,841	5,195
Pension costs	549	2,671	3,220
Other personnel expenses	508	2,443	2,951
	<u>\$ 20,696</u>	<u>\$ 80,217</u>	<u>\$ 100,913</u>

	<u>For the three-month period ended September 30, 2017</u>		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Wages and salaries	\$ 14,734	\$ 78,569	\$ 93,303
Labour and health insurance fees	763	3,456	4,219
Pension costs	627	2,361	2,988
Other personnel expenses	640	2,465	3,105
	<u>\$ 16,764</u>	<u>\$ 86,851</u>	<u>\$ 103,615</u>

	<u>For the nine-month period ended September 30, 2018</u>		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Wages and salaries	\$ 37,429	\$ 215,650	\$ 253,079
Labour and health insurance fees	2,298	10,538	12,836
Pension costs	1,615	7,285	8,900
Other personnel expenses	1,559	6,611	8,170
	<u>\$ 42,901</u>	<u>\$ 240,084</u>	<u>\$ 282,985</u>

	<u>For the nine-month period ended September 30, 2017</u>		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Wages and salaries	\$ 40,285	\$ 201,469	\$ 241,754
Labour and health insurance fees	2,313	10,526	12,839
Pension costs	1,776	6,864	8,640
Other personnel expenses	1,745	8,166	9,911
	<u>\$ 46,119</u>	<u>\$ 227,025</u>	<u>\$ 273,144</u>

- 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 three-month and nine-month periods ended September 30, 2018 and 2017, employees' compensation and directors' and supervisors' remuneration were accrued at \$6,851, \$10,565,

\$27,090 and \$24,805, respectively. The aforementioned amounts were recognised in salary expenses and estimated and accrued based on the distributable net profit as of the end of reporting period by the percentage prescribed under the Company's Articles of Incorporation. Employees' compensation and directors' and supervisors' remuneration of 2017 amounting to \$28,613, as resolved by the Board of Directors were in agreement with those amounts recognised in the 2017 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.

(22) Income tax

A. Income tax expense

(a) Components of income tax expense:

	<u>For the three-month periods ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Current tax:		
Current tax on profits for the period	\$ 12,041	\$ 18,003
Prior year income tax underestimation	11	-
Total current tax	<u>12,052</u>	<u>18,003</u>
Deferred tax:		
Origination and reversal of temporary differences	1,716	2,901
Income tax expense	<u>\$ 13,768</u>	<u>\$ 20,904</u>
	<u>For the nine-month periods ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Current tax:		
Current tax on profits for the period	\$ 51,390	\$ 45,982
10% tax on undistributed earnings	805	7,053
Prior year income tax overestimation	(11,961)	(5,056)
Total current tax	<u>40,234</u>	<u>47,979</u>
Deferred tax:		
Origination and reversal of temporary differences	22,125	(2,832)
Impact of change in tax rate	(11,980)	-
Total deferred tax	<u>10,145</u>	<u>(2,832)</u>
Income tax expense	<u>\$ 50,379</u>	<u>\$ 45,147</u>

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

	<u>For the three-month periods ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Impact of change in tax rate	<u>\$ -</u>	<u>\$ -</u>

	<u>For the nine-month periods ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Impact of change in tax rate	<u>(\$ 44)</u>	<u>\$ -</u>

B. The Company's income tax returns through 2015 have been assessed and approved by the Tax Authority. As of November 5, 2018, no administrative relief has occurred.

C. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(23) Earnings per share

	<u>For the three-month period ended September 30, 2018</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 72,073</u>	<u>84,212</u>	<u>\$ 0.86</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 72,073	84,212	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>-</u>	<u>455</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 72,073</u>	<u>84,667</u>	<u>\$ 0.85</u>

For the three-month period ended September 30, 2017

	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 115,755	84,239	\$ 1.37
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 115,755	84,239	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	365	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 115,755	84,604	\$ 1.37

For the nine-month period ended September 30, 2018

	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 285,002	84,230	\$ 3.38
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 285,002	84,230	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	531	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 285,002	84,761	\$ 3.36

	<u>For the nine-month period ended September 30, 2017</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 260,779	84,239	\$ 3.10
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 260,779	84,239	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	480	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 260,779	84,719	\$ 3.08

(24) 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 three-month and nine-month periods ended September 30, 2018 and 2017, rent expenses were \$1,272 (\$806 shown as 'operating costs' and \$466 shown as 'operating expenses'), \$1,176 (\$745 shown as 'operating costs' and \$431 shown as 'operating expenses'), \$3,816 (\$2,418 shown as 'operating costs' and \$1,398 shown as 'operating expenses') and \$3,528 (\$2,235 shown as 'operating costs' and \$1,293 shown as 'operating expenses'), respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Not later than one year	\$ 5,088	\$ 4,703	\$ 4,703
Later than one year but not later than five years	20,352	18,814	18,814
Later than five years	<u>25,044</u>	<u>26,678</u>	<u>27,854</u>
	<u>\$ 50,484</u>	<u>\$ 50,195</u>	<u>\$ 51,371</u>

(25) Supplemental cash flow information

Investing activities with partial cash payments

	<u>For the nine-month periods ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Purchase of property, plant and equipment	\$ 8,689	\$ 1,408
Add: Opening balance of payable on equipment (shown as 'other payables')	10	1,082
Less: Ending balance of payable on equipment (shown as 'other payables')	(136)	(39)
Cash paid for acquisition of property, plant and equipment	<u>\$ 8,563</u>	<u>\$ 2,451</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Jie Kuen Enterprise Inc. (Jie Kuen)	Other related party (Note)
Jie Kuen Precision Technologies Co., Ltd. (Jie Kuen Precision)	Other related party (Note)
Ding Ji Electrical Engineering Co., Ltd. (Ding Ji)	Other related party (Note)
Nan Feng Mechanical Electrical Co., Ltd. (Nan Feng)	Other related party (Note)

(Note) This Company's responsible person is the Company's supervisor.

(2) Significant transactions and balances with related parties

A. Purchases of goods

	<u>For the three-month periods ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Ding Ji	\$ 5,524	\$ 5,851
Jie Kuen Precision	2,650	-
Jie Kuen (Note)	(2,650)	2,156
	<u>\$ 5,524</u>	<u>\$ 8,007</u>

	For the nine-month periods ended September 30,	
	2018	2017
Ding Ji	\$ 25,687	\$ 10,935
Jie Kuen Precision	2,650	-
Jie Kuen (Note)	(2,415)	2,299
	<u>\$ 25,922</u>	<u>\$ 13,234</u>

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

(Note) It includes the transaction amount of \$235 from January to September of 2018 and the amount of \$2,650 purchased in the previous year and refunded in the current period.

B. Payables to related parties

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Accounts payable:			
-Ding Ji	\$ 13,787	\$ 9,853	\$ 11,139
-Jie Kuen Precision	2,756	-	-
-Jie Kuen	156	2,863	2,367
-Nan Feng	36	-	-
	<u>16,735</u>	<u>12,716</u>	<u>13,506</u>
Other payables			
-Nan Feng	8	106	-
	<u>\$ 16,743</u>	<u>\$ 12,822</u>	<u>\$ 13,506</u>

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 three-month periods ended September 30,	
	2018	2017
Salaries and other short-term employee benefits	\$ 5,412	\$ 4,801
Post-employment benefits	224	390
	<u>\$ 5,636</u>	<u>\$ 5,191</u>

	For the nine-month periods ended September 30,	
	2018	2017
Salaries and other short-term employee benefits	\$ 29,887	\$ 26,429
Post-employment benefits	684	783
	<u>\$ 30,571</u>	<u>\$ 27,212</u>

8. PLEDGED ASSETS

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

<u>Pledged asset</u>	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>	<u>Purpose</u>
Pledged time deposits (shown as 'other non-current assets')	\$ 1,820	\$ 1,820	\$ 1,820	Guarantee for land leases
Buildings and structures (shown as 'property, plant and equipment, net')	284,943	292,375	294,852	Guarantee for short-term borrowings (Note)
	<u>\$ 286,763</u>	<u>\$ 294,195</u>	<u>\$ 296,672</u>	

Note: The associated debt as of September 30, 2018 and December 31, 2017 have been repaid but the designation of "property, plant, and equipment" as collateral has not yet been removed.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) As of September 30, 2018, December 31, 2017 and September 30, 2017, the Group's guarantees and endorsements were as follows:

<u>Endorser</u>	<u>Endorsee</u>	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>	<u>Purpose</u>
All Ring Tech Co., Ltd.	Uni- Ring Tech Co., Ltd.	\$ 50,000	\$ 50,000	\$ 50,000	Pledged for borrowing facilities

As of September 30, 2018, December 31, 2017 and September 30, 2017, the actual amount of the endorsement used by the subsidiary, Uni-Ring Tech Co., Ltd., were all \$—.

(2) For more information about operating lease, please refer to Note 6 (24) 'Operating leases'.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. 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 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. Financial instruments by category

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
<u>Financial assets</u>			
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	\$ 112,157	\$ -	\$ -
Available-for-sale financial assets	-	54,895	60,432
Financial assets at amortised cost/Loans and receivables			
Cash and cash equivalents	735,084	889,708	731,935
Financial assets at amortised cost	27,133	-	-
Notes receivable	65,056	44,817	48,970
Accounts receivable	866,043	604,863	854,326
Other receivables	3,378	3,567	5,954
Guarantee deposits paid	4,607	4,606	4,683
	<u>\$ 1,813,458</u>	<u>\$ 1,602,456</u>	<u>\$ 1,706,300</u>

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
<u>Financial liabilities</u>			
Financial liabilities at amortised cost			
Notes payable	\$ 3,190	\$ 869	\$ 619
Accounts payable	445,947	359,148	364,177
Other accounts payable	228,757	240,857	251,027
	<u>\$ 677,894</u>	<u>\$ 600,874</u>	<u>\$ 615,823</u>

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate 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 cooperation 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

i. Foreign exchange risk

- (i.) The Group operates internationally and is exposed to foreign exchange rate risk arising from the transactions of the Company and its subsidiaries in various functional currency, primarily with respect to the USD and RMB. Foreign exchange rate risk arises from future commercial transactions and 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, Uni-Ring 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 All Ring Tech Co., Ltd., and All Ring Tech (Kunshan) Co., Ltd. is the RMB). Information on assets and liabilities subject to significant foreign exchange risk is as follows:

September 30, 2018			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 23,025	30.53	\$ 702,953
USD:RMB	165	6.89	5,040
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	2,974	30.53	90,796
USD:RMB	1	6.89	31
December 31, 2017			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 29,585	29.76	\$ 880,450
USD:RMB	463	6.51	13,760
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	2,740	29.76	81,542
USD:RMB	25	6.51	743

September 30, 2017

	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 32,308	30.26	\$ 977,640
USD : RMB	484	6.65	14,648
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	3,652	30.26	110,510
USD : RMB	17	6.65	514

(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 nine-month periods ended September 30, 2018 and 2017 would have decreased/increased by \$4,937 and \$7,314, respectively.

(vi.) The total exchange gain (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the nine-month periods ended September 30, 2018 and 2017, amounted to \$15,915 and (\$53,493), respectively.

ii 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 financial assets at fair value through loss or profit, financial assets at fair value through other comprehensive income and available-for-sale financial assets. 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, other components of equity for the nine-month periods ended September 30, 2018 and 2017 would have increased/decreased by \$1,116 and \$606, respectively, as a result of gains/losses on equity securities classified as at fair value through comprehensive income and available-for-sale.

(iii.) Cash flow and fair value interest rate risk

If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, there is no significant effect on after-tax profit for the nine-month periods ended September 30, 2018 and 2017.

(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. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. The Group manages their credit risk taking into consideration the entire group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing 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. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The Group adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
If the contract payments were past due over 180 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 720 days.
- v. The Group classifies customer's accounts receivable in accordance with credit risk on trade. The Group applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	For the nine-month period ended September 30, 2018	
	<u>Accounts receivable</u>	
At January 1 _IAS 39	\$	2,811
Adjustments under new standards		-
At January 1 _IFRS 9		2,811
Provision for impairment		2,427
At September 30	\$	<u>5,238</u>

vi. Credit risk information for the nine-month period ended September 30, 2017 is provided in Note 12(4).

(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 headroom as determined by the abovementioned forecasts, and readily generate cash flows to manage liquidity risk.
- iii. 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.

<u>September 30, 2018</u>	<u>Within 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Non-derivative financial liabilities:				
Notes payable	\$ 3,190	\$ -	\$ -	\$ -
Accounts payable	445,947	-	-	-
Other payables	228,757	-	-	-
<u>December 31, 2017</u>	<u>Within 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Non-derivative financial liabilities:				
Notes payable	\$ 869	\$ -	\$ -	\$ -
Accounts payable	359,148	-	-	-
Other payables	240,857	-	-	-
<u>September 30, 2017</u>	<u>Within 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Non-derivative financial liabilities:				
Short-term borrowings	\$ 136,580	\$ -	\$ -	\$ -
Notes payable	619	-	-	-
Accounts payable	364,177	-	-	-
Other payables	251,027	-	-	-

- iv. 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. 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.

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.

- B. Financial instruments not measured at fair value

The Group's financial instruments not measured at fair value which includes the carrying amounts of cash and cash equivalents, financial assets at amortised cost – current, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable and other payables are approximate to their fair values.

- C. The related information of financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

<u>September 30, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	<u>\$ 112,157</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 112,157</u>
<u>December 31, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Available-for-sale financial assets				
Equity securities	<u>\$ 54,895</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,895</u>
<u>September 30, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Available-for-sale financial assets				
Equity securities	<u>\$ 60,432</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,432</u>

- 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 nine-month periods ended September 30, 2018 and 2017, there was no transfer between Level 1 and Level 2.
- F. For the nine-month periods ended September 30, 2018 and 2017, there was no transfer into or out from Level 3.

(4) Effects on initial application of IFRS 9

A. Summary of significant accounting policies adopted for the year ended December 31, 2017 and the nine-month period ended September 30, 2017:

(a) 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 amortised 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.

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

- i. 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.
- ii. 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.
- iii. Financial liabilities at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial assets 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.

(c) Available for sale financial assets

- i. Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.
- ii. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.
- iii. 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.

(d) Impairment of financial assets

- i. 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.
- ii. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:
 - (i.) Significant financial difficulty of the issuer or debtor;
 - (ii.) 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;
 - (iii.) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
 - (iv.) The disappearance of an active market for that financial asset because of financial difficulties;
 - (v.) 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;
 - (vi.) 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;
 - (vii.) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.
- iii. 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:
 - (i.) 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 amortization) 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, then 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.

(ii.) 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 amortized 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.

B. The reconciliations of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, 2018, IFRS 9, were as follows:

In accordance with IFRS 9, the Group reclassified 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 made 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), respectively, and increasing retained earnings and decreasing other equity interest in the amounts of \$1,317 and \$1,317, respectively.

C. The allowance for impairment and provision was \$1,317 for the year ended December 31, 2017, which was impaired under IAS 39, transferred to the adjustment for change in value of "financial assets at fair value through other comprehensive income" on January 1, 2018. There was no impairment loss under IFRS 9.

D. The significant accounts for the year ended December 31, 2017 and as of September 30, 2017 are as follows:

(a) Available-for-sale financial assets – non-current

	December 31, 2017	September 30, 2017
Unlisted stocks	\$ 79,310	\$ 79,310
Adjustment for change in value	(1,913)	3,624
Accumulated impairment	(22,502)	(22,502)
	<u>\$ 54,895</u>	<u>\$ 60,432</u>

- i. The Group recognised \$7,833 and \$11,247 in other comprehensive income for fair value change for the three-month and nine-month periods ended September 30, 2017, respectively.
 - ii. As of December 31, 2017 and September 30, 2017, the Group did not pledge any of the available-for-sale financial assets as collateral.
- E. Credit risk information for the year ended December 31, 2017 and for the nine-month period ended September 30, 2017 is as follows:
- (a) 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 analyzing 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 account receivables and promised transactions not yet completed.
 - (b) For the nine-month period ended September 30, 2017, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.
 - (c) As of December 31, 2017 and for the nine-month period ended September 30, 2017, there were no past due nor impaired financial assets.
 - (d) Movements of the Group's provision for impairment of accounts receivable for the nine-month period ended September 30, 2017 were as follows:

	<u>For the nine-month period ended September 30, 2107</u>
	<u>Group provision</u>
At January 1	\$ 19,479
Reversal of impairment	(17,187)
At September 30	<u>\$ 2,292</u>

- (e) As of December 31, 2017 and for the nine-month period ended September 30, 2017, the Group's accounts receivable that were neither past due nor impaired are primarily from customers with good payment history.

(5) Effects of initial application of IFRS 15 and information on application of IAS 11 and IAS 18 in 2017

- A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 and the nine-month period ended September 30, 2017 are set out below.
- Revenue is measured at the fair value of the consideration received or receivable taking into account of 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.

B. The effects and description of current balance sheet and comprehensive income statement if the Group continues adopting above accounting policies are as follows:

(a) The effects and description of balance sheet:

<u>Balance sheet items</u>	<u>September 30, 2018</u>		
	<u>Balance by using IFRS 15</u>	<u>Balance by using previous accounting policies</u>	<u>Effects from changes in accounting policy</u>
Contract liabilities— current	\$ 30,064	\$ -	\$ 30,064
Advance sales receipts	-	30,064	(30,064)

Advance sales receipts (shown as other current liabilities) in relation to the contract were previously presented in accordance with previous R.O.C. GAAP. Under IFRS 15 'Revenue from contracts with customers', the advance sales receipts are recognised as contract liabilities.

(b) There is no significant effect on current comprehensive income statement if the Group continues adopting above accounting policies.

13. SUPPLEMENTARY DISCLOSURES

According to the current regulatory requirements, the Group is only required to disclose the information for the nine-month period ended September 30, 2018.

(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 subsidiary, associates and joint ventures): Please refer to Table 3.

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

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

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

G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in

capital or more: None.

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

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

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

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Please refer to Table 6.

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

14. SEGMENT INFORMATION

(1) General information

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

(2) 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 nine-month period ended September 30, 2018

	All Ring Tech Co., Ltd.	Kunshan All Ring Tech Co., Ltd.	All Ring Tech (Kunshan) Co., Ltd.	Others	Total
Total segment revenue	\$1,394,003	\$ 1,171	\$ 213,687	\$ 3,041	\$1,611,902
Inter-segment revenue	24,451	-	2,438	47	26,936
Revenue from external customers	1,369,552	1,171	211,249	2,994	1,584,966
Interest income	6,403	438	36	5	6,882
Depreciation and amortisation	15,812	262	5,900	227	22,201
Interest expense	67	-	-	-	67
Segment income (loss) before tax	334,610	(7,251)	12,372	(11,330)	328,401
Segment assets	2,637,292	52,038	349,741	53,995	3,093,066
Segment liabilities	738,164	1,270	113,087	4,775	857,296

For the nine-month period ended September 30, 2017

	All Ring Tech Co., Ltd.	Kunshan All Ring Tech Co., Ltd.	All Ring Tech (Kunshan) Co., Ltd.	Others	Total
Total segment revenue	\$1,253,000	\$ 41,649	\$ 165,139	\$ 43,552	\$1,503,340
Inter-segment revenue	22,720	21,535	777	122	45,154
Revenue from external customers	1,230,280	20,114	164,362	43,430	1,458,186
Interest income	2,511	503	42	4	3,060
Depreciation and amortisation	16,109	271	5,583	391	22,354
Interest expense	478	-	-	137	615
Segment income (loss) before tax	305,182	(8,244)	4,963	(11,699)	290,202
Segment assets	2,585,105	83,489	321,851	99,060	3,089,505
Segment liabilities	756,279	18,572	98,186	20,460	893,497

(3) Reconciliation 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 nine-month periods ended September 30,	
	2018	2017
Reportable segments income/(loss) before tax	\$ 339,731	\$ 301,901
Other segments income/(loss) before tax	(11,330)	(11,699)
Add: Inter-segment income	6,980	15,724
Profit from continuing operations before tax	<u>\$ 335,381</u>	<u>\$ 305,926</u>

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:

	<u>September 30, 2018</u>	<u>September 30, 2017</u>
Assets of reportable segments	\$ 3,039,071	\$ 2,990,445
Assets of other operating segments	53,995	99,060
Less: Inter-segment transaction	(<u>397,963</u>)	(<u>411,225</u>)
Total assets	<u>\$ 2,695,103</u>	<u>\$ 2,678,280</u>

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:

	<u>September 30, 2018</u>	<u>September 30, 2017</u>
Liabilities of reportable segments	\$ 852,521	\$ 873,037
Liabilities of other operating segments	4,775	20,460
Less: Inter-segment transaction	(<u>61,321</u>)	(<u>44,044</u>)
Total liabilities	<u>\$ 795,975</u>	<u>\$ 849,453</u>