Stock Code:3679

(English Translation of Financial Statements and Report Originally Issued in Chinese.)

NISHOKU TECHNOLOGY INC.

FINANCIAL STATEMENTS

December 31, 2017 and 2016
(With Independent Auditors' Report Thereon)

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The auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and financial statements, the Chinese version shall prevail.

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Independent Auditors' Report

To the Board of Directors of Nishoku Technology Inc.:

Opinion

We have audited the financial statements of Nishoku Technology Inc. ("the Company"), which comprise the balance sheets as December 31, 2017 and 2016, and the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and 2016, and notes in the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

1. Impairment assessment of accounts receivable

   Please refer to Note 4(f) "Financial instruments", and Note 5(a) "Significant accounting assumptions and judgments, and major sources of estimation uncertainty" of the financial statements.

   Description of key audit matter

   The Company do business primarily with customers who are involved in the manufacture of mold and electronic parts with credit term, which make the Company vulnerable to credit risk. The default of the client may lead to impairment loss of the receivables. The assessment of impairment loss involves subjective judgments of the management, which is the major source of estimation uncertainty. Therefore, this whole matter needed to be taken into serious consideration.

How the matter was addressed in our audit

Our principal audit procedures included: assessing whether the Company's impairment of accounts receivable has been set aside in accordance with the Company's policy, including inquiring from the management if they had identified the debtors who have financial difficulties ; selecting a moderate number of samples from the account aging statements to ensure the accuracy of the statements, and understanding the reason on overdue accounts; assessing the uncollectable accounts receivable for the appropriateness of impairment assessment of accounts receivable ; assessing the appropriateness and adequacy for doubtful accounts made by the management based on the subsequent collection of accounts receivable.

2. Investments accounted for using equity method

Please refer to Note 4(h) "Investments in subsidiaries", and Note 5 "Significant accounting assumptions and judgments, and major sources of estimation uncertainty" of the financial statements.

Description of key audit matter:

The Company's investments accounted for using equity method are all subsidiaries of the Company. Based on the scope and nature of their businesses which may influence the outcome of their operations, the impairment assessment of accounts receivable, and net realizable value of inventories in certain subsidiaries required the managements to make subjective judgments, which is the major source of estimation uncertainty. Therefore, the impairment assessment of accounts receivable, and valuation of inventories of the investments accounted for using equity method are the key audit matters for our audit.

How the matter was addressed in our audit:

For the principal audit procedures on the impairment assessment of accounts receivable of the investments accounted for using equity method, please refer to key audit matters 1 "Impairment assessment of accounts receivable". And about the evaluation of inventories, our principal audit procedures included: to understand whether the accounting policy for inventory evaluation is consistency with the Company; examine the accuracy of the aging of inventories by sampling and analyse the changes of the aging of inventories by comparison; retroactively inspecting the reasonability for allowance provided on inventory valuation in the past and compare it to the current year to ensure that the measurements and assumptions are reasonable; sampling the inventories sold in the subsequent period to assess whether the allowance for inventories are reasonable.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investments in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Cheng-Chien Chen and Yung-Hua Huang.

KPMG

Taipei, Taiwan (Republic of China)
February 26, 2018

Notes to Readers

The accompanying financial statements are intended only to present the statement of financial position, financial performance and its cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

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(English Translation of Financial Statements and Report Originally Issued in Chinese.)

NISHOKU TECHNOLOGY INC.

Balance Sheets

December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2017 Amount	%	December 31, 2016 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 819,679	12	202,756	3
1170	Accounts receivable, net (notes 6(b) and 7)	134,269	2	59,980	1
130X	Inventories (note 6(c))	7,657	-	6,325	-
1470	Other current assets	28,335	-	24,236	-
1476	Other current financial assets (notes 6(b), 7 and 8)	4,366	-	2,419	-
		994,306	14	295,716	4
	Non-current assets:				
1551	Investments accounted for using equity method (note 6(d))	5,520,016	80	5,851,475	90
1600	Property, plant and equipment (note 6(e))	335,972	5	343,782	5
1840	Deferred tax assets (note 6(j))	70,416	1	35,998	1
1990	Other non-current assets	2,783	-	5,852	-
		5,929,187	86	6,237,107	96
	Total assets	$ 6,923,493	100	6,532,823	100

	Liabilities and Equity	December 31, 2017 Amount	%	December 31, 2016 Amount	%
	Current liabilities:				
2100	Short-term borrowings (note 6(f))	$ 200,000	3	150,000	2
2110	Short-term notes and bills payable (note 6(g))	49,982	1	-	-
2170	Notes and Accounts payable	13,822	-	19,855	-
2180	Accounts payable to related parties (note 7)	97,503	1	16,818	-
2300	Other current liabilities	113,411	2	133,823	3
2320	Long-term liabilities, current portion (note 6(h))	200,000	3	150,000	2
		674,718	10	470,496	7
	Non-Current liabilities:				
2540	Long-term borrowings (note 6(h))	1,200,000	17	600,000	10
2570	Deferred tax liabilities and others (note 6(j))	605,477	9	678,961	10
		1,805,477	26	1,278,961	20
	Total liabilities	2,480,195	36	1,749,457	27
	Equity attributable to owners (note 6(k))				
3100	Ordinary share	793,033	11	793,033	12
3200	Capital surplus	1,207,154	18	1,363,943	21
	Retained earnings:				
3310	Legal reserve	436,603	6	376,396	6
3320	Special reserve	38,354	1	-	-
3350	Unappropriated retained earnings	2,149,862	31	2,288,348	35
		2,624,819	38	2,664,744	41
3400	Other equity interest	(181,708)	(3)	(38,354)	(1)
	Total equity	4,443,298	64	4,783,366	73
	Total liabilities and equity	$ 6,923,493	100	6,532,823	100

See accompanying notes to financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

NISHOKU TECHNOLOGY INC.

Statements of Comprehensive Income

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars , Except Earnings Per Share)

		2017		2016	
		Amount	%	Amount	%
4110	Operation Revenues (note 7)	$ 415,040	100	445,679	100
4170	Less: Sales returns and allowance	914	-	1,150	-
	Net operating revenue	414,126	100	444,529	100
5000	Operating costs (notes 6(c), (i), 7 and 12)	302,322	73	309,440	70
	Gross profit from operations	111,804	27	135,089	30
6000	Operating expenses (notes 6(b), (i), (l) and 12):				
6100	Selling expenses	8,471	2	14,317	3
6200	Administrative expenses	96,856	23	120,644	27
6300	Research and development expenses	6,555	2	9,112	2
		111,882	27	144,073	32
	Net operating expense	(78)	-	(8,984)	(2)
	Non-operating income and expense:				
7010	Other income (note 6(o))	4,344	1	2,393	1
7020	Other gains and losses, net (notes 6(o) and (p))	(18,382)	(4)	2,280	1
7050	Finance costs	(14,048)	(3)	(11,745)	(3)
7070	Share of profit of subsidiaries accounted for using equity method	477,882	115	726,699	163
	Total non-operating income and expenses	449,796	109	719,627	162
7900	Profit from continuing operations before tax	449,718	109	710,643	160
7950	Less: Tax expense (note 6(j))	13,824	3	108,567	24
	Profit	435,894	106	602,076	136
8300	Other comprehensive income (loss):				
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of foreign operations	(172,716)	(42)	(373,486)	(84)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(j))	29,362	7	63,493	14
8300	Other comprehensive income (after tax)	(143,354)	(35)	(309,993)	(70)
	Total comprehensive income	$ 292,540	71	292,083	66
9750	Basic earnings per share (NT dollars) (note 6(m))	$	5.50		7.59
9850	Diluted earnings per share (NT dollars) (note 6(m))	$	5.47		7.54

See accompanying notes to financial statements.

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NISHOKU TECHNOLOGY INC.

Statements of Changes in Equity

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	Share capital		Retained earnings			Total other equity interest		
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Treasury shares	Total equity
Balance at January 1, 2016	$ 802,653	1,396,350	342,453	-	2,052,035	271,639	(56,634)	4,808,496
Profit for the year ended December 31, 2016	-	-	-	-	602,076	-	-	602,076
Other comprehensive income for the year ended December 31, 2016	-	-	-	-	-	(309,993)	-	(309,993)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	602,076	(309,993)	-	292,083
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	33,943	-	(33,943)	-	-	-
Cash dividends of ordinary share	-	-	-	-	(301,352)	-	-	(301,352)
Capital surplus at cash dividends	-	(15,861)	-	-	-	-	-	(15,861)
Retirement of treasury share	(9,620)	(16,546)	-	-	(30,468)	-	56,634	-
Balance at December 31, 2016	793,033	1,363,943	376,396	-	2,288,348	(38,354)	-	4,783,366
Profit for the year ended December 31, 2017	-	-	-	-	435,894	-	-	435,894
Other comprehensive income for the year ended December 31, 2017	-	-	-	-	-	(143,354)	-	(143,354)
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	435,894	(143,354)	-	292,540
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	60,207	-	(60,207)	-	-	-
Special reserve appropriated	-	-	-	38,354	(38,354)	-	-	-
Cash dividends of ordinary share	-	-	-	-	(475,819)	-	-	(475,819)
Capital surplus at cash dividends	-	(158,606)	-	-	-	-	-	(158,606)
Stock option compensation cost	-	1,817	-	-	-	-	-	1,817
Balance at December 31, 2017	$ 793,033	1,207,154	436,603	38,354	2,149,862	(181,708)	-	4,443,298

Note 1: For the years ended December 31, 2017 and 2016, the directors' and supervisors' remuneration amounted to 7,000 and 8,720, and the employee remuneration amounted to 23,620 and 32,710, respectively. The amounts were deducted from the statements of comprehensive income in 2017 and 2016, respectively.

See accompanying notes to financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese.)

NISHOKU TECHNOLOGY INC.

Statements of Cash Flows

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

		2017	2016
Cash flows from (used in) operating activities:			
Profit before tax	$	449,718	710,643
Adjustments:			
Adjustments to reconcile profit (loss):			
Depreciate and amortization		15,677	17,680
Provision for bad debt expense		2,113	8,572
Reversal of inventory valuation and obsolescence		(478)	(547)
Interest expense		14,048	11,745
Interest revenue		(3,413)	(1,602)
Share of profit of subsidiaries accounted for using equity method		(477,882)	(726,699)
Divided Income from subsidiaries		575,782	166,914
Gain on disposal on property, plan and equipment		3	(424)
Stock option compensation cost		1,817	-
		127,667	(524,361)
Changes in operating assets and liabilities:			
Changes in operating assets:			
Financial assets at fair value through profit or loss		-	15,458
Accounts receivable		(76,402)	81,965
Inventories		(854)	5,193
Other current assets and other financial assets		(2,721)	(2,074)
		(79,977)	100,542
Changes in operating liabilities:			
Accounts payable		74,652	(94,287)
Other current liabilities		(27,077)	(930)
		47,575	(95,217)
Total changes in operating assets and liabilities		(32,402)	5,325
Total adjustments		95,265	(519,036)
Cash inflow generated from operations		544,983	191,607
Interest received		3,413	1,602
Interest paid		(14,048)	(11,745)
Income taxes paid		(23,981)	(954)
Net cash flows from operating activities		510,367	180,510
Cash flows from (used in) investing activities:			
Acquisition of property, plant and equipment		(6,424)	(394)
Proceeds from disposal of property, plant and equipment		130	1,907
Increase in other non-current assets		(2,707)	(889)
Net cash flows from (used in) investing activities		(9,001)	624
Cash flows from (used in) financing activities:			
Increase (decrease) in short-term loans		50,000	(80,500)
Increase in short-term notes and bills payable		49,982	-
Increase in long-term debt		650,000	100,000
Cash dividends paid		(634,425)	(317,213)
Net cash flows from (used in) financing activities		115,557	(297,713)
Net increase (decrease) in cash and cash equivalents		616,923	(116,579)
Cash and cash equivalents at beginning of period		202,756	319,335
Cash and cash equivalents at end of period	$	819,679	202,756

See accompanying notes to financial statements.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

NISHOKU TECHNOLOGY INC. (the "Company") was incorporated in year 1980, as a company limited by shares and registered under the Ministry of Economic Affairs, ROC. The Company conducted an IPO on the Taiwan Stock Exchange (TWSE) on October 5, 2011. The Company primarily is involved in the manufacture and sale of plastic injection mold, tooling manufacturing and general import and export Trade.

(2) Approval date and procedures of the financial statements:

These financial statements were authorized for issuance by the board of directors on February 26, 2018.

(3) New standards, amendments and interpretations adopted:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2017:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 " Presentation of Financial Statements-Disclosure Initiative	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36 " Impairment of Non-Financial assets- Recoverable Amount Disclosures for Non Financial Assets"	January 1, 2014
Amendments to IAS 39 " Financial Instruments-Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014

NISHOKU TECHNOLOGY INC.
Notes to the Financial Statements

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

The Company assessed that the initial application of the above IFRSs would not have any material impact on the financial statements.

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018 in accordance with Ruling No. 1060025773 issued by the FSC on July 14, 2017.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Clarifications of 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
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments and impairment.

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NISHOKU TECHNOLOGY INC.
Notes to the Financial Statements

1) Classification- Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial assets in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. In addition, IAS 39 has an exception to the measurement requirements for investments in unquoted equity instruments that do not have a quoted market price in an active market (and derivatives on such an instrument) and for which fair value cannot therefore be measured reliable. Such financial instruments are measured at cost. IFRS 9 removes this exception, requiring all equity investments (and derivatives on them) to be measured at fair value.

Based on its assessment, the Company does not expect that the new classification requirements will have a material impact on its accounting for trade receivables, loans, investments in debt securities and investments in equity securities that are managed on a fair value basis.

2) Impairment-Financial assets and contact assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and

- Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

(Continued)

Based on its assessment, the Company does not expect that application of IFRS 9's impairment requirements to have a significant impact on its financial statements.

3) Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Company's assessment included an analysis to identify data gaps against current processes and the Company plans to implement the system and controls changes that it believes will be necessary to capture the required data.

4) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Company will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognized in retained earnings and reserves as at January 1, 2018.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.

(ii) IFRS 15 Revenue from Contracts with Customers

1) Sales of goods

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts".

The Company for the sale of products, revenue is currently recognized when the goods are delivered to the customers according to transaction terms, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods.

Under IFRS 15, revenue will be recognized when a customer obtains control of the goods. Based on the Company' s assessment, the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer are similar to the point in time at which a customer obtains control of the goods. Therefore, the Company does not expect any significant differences in the timing of revenue recognition for these services.

2) Transition

The Company plans to adopt IFRS 15 in its financial statements using the retrospective approach. As a result, the Company will apply all of the requirements of IFRS 15 to each comparative period presented and adjust its Company financial statements.

The Company plans to use the practical expedients for completed contracts. This means that completed contracts that began and ended in the same comparative reporting period, as well as the contracts that are completed contracts at the beginning of the earliest period presented, are not restated.

Based on its assessment, the Company does not expect that application of IFRS 15's impairments to have a significant impact on its consolidated financial statements.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 16 "Leases"	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019

Those which may be relevant to The Company are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
January 13, 2016	IFRS 16 "Leases"	The new standard of accounting for lease is amended as follows: • For a contract that is, or contains, a lease, the lessee shall recognize a right of use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right of-use asset during the lease term. • A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.

The Company is evaluating the impact on its financial position and financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Company completes its evaluation.

(4) Summary of significant accounting policies:

The accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language consolidated financial statements, the Chinese version shall prevail.

The significant accounting policies presented in the financial statements are summarized below. Except for those specifically mentioned, The following accounting policies are applied consistently to the periods presented in the financial statements.

(a) Statement of compliance

These annual financial statements have been prepared in accordance with the " Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations").

(b) Basis of preparation

(i) Basis of measurement

Except for the financial instruments measured at fair value through profit or loss, the financial statements have been prepared on a historical cost basis.

(ii) Functional and presentation currency

The functional currency is determined based on the primary economic environment in which the Company operates. The Company' s financial statements are presented in New Taiwan dollars, which is the Company' s functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Foreign currencies

(i) Foreign currency transaction

Transactions in foreign currencies are translated to the functional currency of the Company at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the period, adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Company' s functional currency at the exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Company' s functional currency at the average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve in equity.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes of only part of its investment in an associate or a joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

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(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent (as defined in IAS 17) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash, cash in bank, and short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial instruments

Financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instruments.

(i) Financial assets

The Company classifies financial assets into the following categories: financial assets at fair value through profit or loss and loans and receivables.

1) Financial assets measured at fair value through profit or loss

A financial asset is classified in this category if it is classified as held for trading or is designated as such on initial recognition.

Financial assets are classified as held for trading if they are acquired principally for the purpose of selling in the short term. The Company designates financial assets, other than those classified as held for trading, as at fair value through profit or loss at initial recognition under one of the following situations:

(Continued)

a) Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;

b) Performance of the financial asset is evaluated on a fair value basis;

c) A hybrid instrument contains one or more embedded derivatives.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss, and are included in non-operating income and expenses. A regular way purchase or sale of financial assets shall be recognized and derecognized as applicable using trade-date accounting.

2) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables and other receivables. Such assets are recognized initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables other than insignificant interest on short-term receivables are measured at amortized cost using the effective interest method, less any impairment losses. A regular way purchase or sale of financial assets shall be recognized and derecognized as applicable using trade-date accounting.

3) Impairment of financial assets

Except for financial assets at fair value through profit or loss, financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment 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 that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is considered objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than those suggested by historical trends.

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An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset is deducted from the carrying amount except for trade receivables, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of a receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss on a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before impairment was recognized at the reversal date.

Impairment losses and recoveries of accounts receivable are recognized in profit or loss; impairment losses and recoveries of other financial assets are recognized in non-operating income and expense.

4) Derecognition of financial assets

The Company derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

The Company separates the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income shall be recognized in profit or loss.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

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2) Other financial liabilities

Financial liabilities not classified as held for trading or designated as at fair value through profit or loss, which comprise loans and borrowings, and trade and other payables, are measured at fair value, plus any directly attributable transaction costs at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in finance costs under non-operating income or expense.

3) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in other gains and losses under non-operating income or expenses.

4) Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when the Company has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(iii) Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are recognized initially at fair value, and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss, and are included in other gains and losses under non-operating income and expenses. When the fair value of a derivative instrument is positive, it is classified as a financial asset; when the fair value is negative, it is classified as a financial liability.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(Continued)

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(h) Investment in subsidiaries

Investments in subsidiaries are accounted for using the equity method. There is no difference between net income and comprehensive income in the Company' s financial statements and net income and comprehensive income attributable to stockholders of the parent. The equity in the Company' s financial statements and the equity attributable to stockholders of the parent in the Company' s consolidated financial statements are also the same. Changes in the Company' s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. When the Company loses control over its subsidiaries, the Company derecognizes the investment by the book value on the date of loss of control and remeasures the rest of the investments at fair value on the same date.

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of a self-constructed asset comprises material, labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately unless the useful life and the depreciation method of a significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized in profit or loss, under net other income and expenses.

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

The depreciable amount of an asset is determined after deducting its residual amount, and the depreciable amount shall be allocated on a systematic basis over the asset's useful life. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

(Continued)

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Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives, for the current and comparative years, of significant items of property, plant and equipment are as follows:

1) Buildings: 50 years

2) Accessory equipment of buildings: 8~10 years

3) Machinery and equipment: 3~8 years

4) Office and other equipment: 3~8 years

The depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from previous estimates, the change are accounted for as a change in accounting estimates.

(j) Research & development

During the research phase, activities are carried out to obtain and understand new scientific or technical knowledge. Expenditures during this phase are recognized in profit or loss as incurred.

Expenditures arising from the development phase shall be recognized as an intangible asset if all the conditions described below can be demonstrated; otherwise, they will be recognized in profit or loss as incurred.

(i) The technical feasibility of completing the intangible asset so that it will be available for use or sale.

(ii) The intention to complete the intangible asset and use or sell it.

(iii) The ability to use or sell the intangible asset.

(iv) How the intangible asset will generate probable future economic benefits.

(v) The availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset.

(vi) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

(k) Impairment – non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairement. If any such indication exists, the Company shall estimate the recoverable amount of the asset. If it is not possible to determine the recoverable amount for the individual asset, then the Company will have to determine the recoverable amount for the asset's cash-generating unit (CGU).

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The recoverable amount for an individual asset or a CGU is the higher of its fair value, less costs to sell, or its value in use. If the recoverable amount of an individual asset or a CGU is less than its carrying amount, the carrying amount of the individual asset or CGU shall be reduced to its recoverable amount; and that reduction is accounted for as an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

The Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset may no longer exist or may have decreased. An impairment loss recognized in prior periods for an individual asset or a CGU shall be reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount but should not exceed the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods.

(l) Treasury stock

Repurchased shares are recognized under treasury shares (a contra-equity account) based on their repurchase price (including all directly accountable costs), net of tax. Gains on disposal of treasury shares should be recognized under "capital reserve – treasury share transactions". Losses on disposal of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings. The carrying amount of treasury shares should be calculated using the weighted average of different types of repurchase.

During the cancellation of treasury shares, "capital reserve – share premiums" and "share capital" should be debited proportionately. Gains on cancellation of treasury shares should be recognized under existing capital reserves arising from similar types of treasury shares; losses on cancellation of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings.

(m) Revenue

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that a discount will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. For international shipments, transfer occurs upon loading the goods onto the relevant carrier at the client's designated location. Generally for such products, the customer has no right of return.

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(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(o) Share-based payment

The grant-date fair value of share-based payment awards granted to employees is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards whose related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

Regarding to non-vesting conditions, the measurement on the fair value of share-based payment on grant date has been considered to reflect such conditions, and there is no need for any adjustment for differences between expected and actual outcomes.

(p) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the following exceptions:

(i) Assets and liabilities that are initially recognized but are not related to a business combination and have no effect on net income or taxable gains (losses) at the time of the transaction.

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(ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

(iii) Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

(i) The entity has the legal right to settle tax assets and liabilities on a net basis; and

(ii) The taxing of deferred tax assets and liabilities fulfills one of the scenarios below:

1) levied by the same taxing authority; or

2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of the expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences, to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and they shall be adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(q) Earnings per share

The Company discloses the basic and diluted earnings per share attributable to ordinary shareholders of the Company. The calculation of basic earnings per share is the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. Dilutive potential ordinary shares comprise convertible bonds, employee stock options, and employee bonuses not yet resolved by the shareholders.

(r) Operating segments

Please refer to Company's consolidated financial statements for the years ended December 31, 2017 and 2016, for further details.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the financial statements in conformity with the Regulations requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

There are no critical judgment made in applying the accounting policies that have significant effects on amounts recognized in financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the financial year is as follows:

(a) Impairment assessment of accounts receivable

When there is objective evidence of impairment loss, the Company takes into consideration the estimation of future cash flows. 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 (excluding possible future credit losses) discounted at the financial asset's original effective interest rate. When the actual future cash flows are less than expected, a impairment loss may arise. Refer to note 6(b) for further description of the impairment of accounts receivable.

(b) Valuation of inventories of investments using equity method

As inventories are stated at the lower of cost or net realizable value, the Company' s certain subsidiaries estimate the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories.

The Company's accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss.

The Company' s financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation group also periodically adjusts valuation models, conducts back-testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value. The Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

(a) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.

(b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).

(c) Level 3: inputs for the assets or liability that are not based on observable market data.

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date. Please refer to note 6(p) for assumptions used in measured fair value.

(6) Explanation of significant accounts:

(a) Cash and cash Equivalents

	December 31, 2017	December 31, 2016
Cash and demand deposits	$ 446,941	76,151
Time deposits	267,840	30,000
Bond acquired under repurchase agreement	104,898	96,605
Cash and cash equivalents in the statement of cash flows	$ 819,679	202,756

Please refer to note 6(p) for the exchange rate risk, the interest rate risk, and the fair value sensitivity analysis of the financial assets and liabilities of the Company.

(b) Notes and trade receivable and other receivables

	December 31, 2017	December 31, 2016
Notes and accounts receivable	$ 145,074	68,982
Other receivables	2,800	2,419
Less：allowance for impairment	(10,805)	(9,002)
	$ 137,069	62,399

(i) The aging analysis of accounts receivable and other receivables which were past due but not impaired was as follows:

	December 31, 2017	December 31, 2016
Past due 0~120 days	$ 84,597	19,108
Past due 121~270 days	-	2,087
	$ 84,597	21,195

Based on the historical payment behavior, the Company believed that the overdue receivables, for which no allowances for uncollectible amounts were provided, are still collectible.

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(ii) The Company recognized impairment loss on notes and accounts receivable using collective assessment methods. The movement in the allowance for notes and accounts receivable and other receivables was as follows:

	December 31, 2017	December 31, 2016
Beginning Balance	$ 9,002	430
Recognized of impairment loss	2,113	8,572
Amounts written off	(310)	-
Ending Balance December 31, 2017	$ 10,805	9,002

(c) Inventories

	December 31, 2017	December 31, 2016
Raw materials	$ 3,571	3,236
Work in process	571	390
Finished goods	3,515	2,699
	$ 7,657	6,325

For the years ended December 31, 2017 and 2016, raw material, consumables, and changes in the finished goods and work in progress recognized as cost of sale amounted to $302,322 thousand and $309,440 thousand, respectively. For the years ended December 31, 2017 and 2016, the Company recognized the gains on inventory valuation and obsolescence as cost of goods sold amounting to $478 thousand and $547 thousand, respectively.

As of December 31, 2017 and 2016, the Company did not provide any inventories as collateral for its loans.

(d) Investment accounted for using equity method

The Company's investments accounted for using the equity method at the reporting dates comprise:

	December 31, 2017	December 31, 2016
Subsidiaries	$ 5,520,016	5,851,475

(i) Please refer to the Company's consolidated financial statements for the years ended December 31, 2017, for details of subsidiaries.

(ii) The Company did not provide investments accounted for using the equity method as collateral.

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(e) Property, plant and equipment

The cost, depreciation and impairment loss of the property, plant and equipment of the Company for the years ended December 31, 2017 and 2016, were as follows:

	Land	Building	Machinery and equipment	Office and other equipment	Total
Cost or deemed cost:					
Balance on January 1, 2017	$ 179,672	218,637	19,629	6,113	424,051
Additions	-	195	4,905	1,324	6,424
Disposals	-	-	(2,703)	(4,290)	(6,993)
Balance on December 31, 2017	$ 179,672	218,832	21,831	3,147	423,482
Balance on January 1, 2016	$ 179,672	218,637	31,504	7,293	437,106
Additions	-	-	207	187	394
Disposals	-	-	(12,082)	(1,367)	(13,449)
Balance on December 31, 2016	$ 179,672	218,637	19,629	6,113	424,051
Depreciation and impairments loss:					
Balance on January 1, 2017	$ -	61,683	13,317	5,269	80,269
Depreciation	-	11,036	2,305	760	14,101
Disposals	-	-	(2,570)	(4,290)	(6,860)
Balance on January 1, 2017	$ -	72,719	13,052	1,739	87,510
Balance on January 1, 2016	$ -	50,664	20,970	5,473	77,107
Depreciation	-	11,019	2,947	1,162	15,128
Disposals	-	-	(10,600)	(1,366)	(11,966)
Balance on December 31, 2016	$ -	61,683	13,317	5,269	80,269
Carrying amounts:					
Balance on December 31, 2017	$ 179,672	146,113	8,779	1,408	335,972
Balance on December 31, 2016	$ 179,672	156,954	6,312	844	343,782

As of December 31, 2017 and 2016, the property, plant and equipment of the Company had not been pledged as collateral.

(f) Short-term borrowings

The detail were as follows:

	December 31, 2017	December 31, 2016
Credit loans, no pledge	$ 200,000	150,000
Interest rate range	0.92%	1.20%

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(g) Short-term notes and bills payable

The short-term notes and bills payable were summarized as follows:

	December 31, 2017			
	Guarantee or acceptance institution	**Range of interest rates (%)**		**Amount**
Commercial paper payable	Mega Bills	0.662%	$	50,000
Less: Discount on short-term notes and bills payable				(18)
Total			$	49,982

(h) Long-term borrowings

The detail were as follows:

	December 31, 2017				
	Currency	**Interest rate range**	**Maturity year**		**Amount**
Unsecured loans	NTD	1.19%~1.41%	2018~2020	$	1,400,000
Less: current portion					(200,000)
Total				$	1,200,000

	December 31, 2016				
	Currency	**Interest rate range**	**Maturity year**		**Amount**
Unsecured loans	NTD	1.15%~1.435%	2017~2019	$	750,000
Less: current portion					(150,000)
Total				$	600,000

Please refer to note 6(p) for the exchange rate risk, the interest rate risk, and the fair value sensitivity analysis of the financial assets and liabilities of the Company.

(i) Employee benefits

The Company allocates 6% of each employee' s monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Labor Insurance amounted to $2,434 thousand and $2,300 thousand for the years ended December 31, 2017 and 2016, respectively.

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(j) Income tax

(i) The Company of income tax in years 2017 and 2016 were as follows:

		2017	2016
Current tax expense	$	92,364	25,590
Deferred tax expense (income)		(78,540)	82,977
	$	**13,824**	**108,567**

(ii) The amounts of income tax profit under other comprehensive income in years 2017 and 2016 were as follows:

		2017	2016
Foreign currency translation differences for foreign operations	$	**(29,362)**	**(63,493)**

(iii) Reconciliation of income tax and profit before tax for 2017 and 2016 were as follows:

		2017	2016
Profit excluding income tax	$	449,718	710,643
Income tax using the Company's domestic tax rate		76,452	120,809
Effect of exchange rate changes on overseas investment		(51,089)	(10,634)
10% surtax on unappropriated earnings		2,769	413
Others		(14,308)	(2,021)
	$	**13,824**	**108,567**

(iv) Deferred tax assets and liabilities

1) Recognized deferred tax liabilities

There is no unrecognized deferred tax assets and liabilities of the Company, and the changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2017 and 2016, were as of follows:

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		Investment income recognized under the equity method	Foreign currency translation differences for foreign operations	Other	Total
Deferred tax liabilities:					
Balance on January 1, 2017	$	678,344	606	11	678,961
Recognized in profit or loss		(72,867)	-	(11)	(72,878)
Recognized in other comprehensive income or loss		-	(606)	-	(606)
Balance on December 31, 2017	$	605,477	-	-	605,477
Balance on January 1, 2016	$	589,755	55,905	221	645,881
Recognized in profit or loss		88,589	-	(210)	88,379
Recognized in other comprehensive income or loss		-	(55,299)	-	(55,299)
Balance on December 31, 2016	$	678,344	606	11	678,961

2) Recognized deferred tax assets

The Company recognized deferred tax assets for 2017 and 2016 was as follows:

		Investment income recognized under the equity method	Loss on inventory valuation	Foreign currency translation differences for foreign operations	Bed debt in excess of tax limit and others	Total
Deferred tax assets:						
Balance on January 1, 2017	$	(25,573)	(530)	(8,194)	(1,701)	(35,998)
Recognized in profit or loss		(4,343)	81	-	(1,400)	(5,662)
Recognized in other comprehensive income or loss		-	-	(28,756)	-	(28,756)
Balance on December 31, 2017	$	(29,916)	(449)	(36,950)	(3,101)	(70,416)
Balance on January 1, 2016	$	(21,472)	(623)	-	(307)	(22,402)
Recognized in profit or loss		(4,101)	93	-	(1,394)	(5,402)
Other comprehensive income		-	-	(8,194)	-	(8,194)
Balance on December 31, 2016	$	(25,573)	(530)	(8,194)	(1,701)	(35,998)

(v) The Company income tax returns have been examined by the tax authority through the years up to 2015. However, the Company's 2013 income tax return is still reviewed by the tax authority.

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(vi) Information related to the unappropriated earnings and tax deduction ratio is summarized as follow:

	December 31, 2017	December 31, 2016
Unappropriated earnings of 1998 and after	$ 2,149,862	2,288,348
Balance of imputation credit account	$ 183,229	209,967

	2017 (estimated)	2016 (actual)
Creditable ratio for earnings distribution to ROC residents stockholders	10.24 %	10.03 %

The above stated information was prepared in accordance with information letter No. 10204562810 issued by the Ministry of Finance of the ROC on October 17, 2013.

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, effective January 1, 2018, companies will no longer be required to establish, record, calculate, and distribute their ICA due to the abolishment of the imputation tax system. The information presented above is for reference only.

(k) Capital and other equity

As of December 31, 2017 and 2016, the nominal common stock amounted to $1,500,000 thousand. Face value of each share is $10. The number of shares includes employee stock options for 20,000 thousand shares. There were all 79,303 thousand shares issued. All issued shares' capital was received.

(i) Ordinary shares

Reconciliation of shares outstanding for the years ended December 31, 2017 and 2016, were as follows (in thousands of shares):

	Ordinary shares	
	2017	2016
Balance on January 1	79,303	80,265
Retirement of treasury stock	-	(962)
Balance on December 31	79,303	79,303

The Company had canceled treasury stock $9,620 (962 thousand shares) in 2016. The related registration procedure were also completed.

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(ii) Capital surplus

The balances of capital surplus as of December 31, 2017 and 2016, were as follows:

	December 31, 2017	December 31, 2016
Additional paid-in capital	$ 1,205,337	1,363,943
Employee share options	1,817	-
	$ 1,207,154	1,363,943

According to the ROC Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring paid-in capital in excess of par value should not exceed 10% of the total common stock outstanding.

The change of the Company's capital surplus, except for retirement of treasure stock that in proportion to write off capital surplus $16,546; in addition, the Company's appropriations of capital surplus had been approved in the shareholders' meeting held on June 14, 2017 and June 7, 2016, respectively, were as follows:

	2016		2015	
	Amount per share	Total amount	Amount per share	Total amount
Capital surplus at cash dividends	$ 2.0	158,606	0.2	15,861

(iii) Retained earnings

According to the Company's article of incorporation stipulate that Company's net profit should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

Before the distribution of dividends, the Company shall first take into consideration its operating environment, industry developments, and the long-term interests of stockholders, as well as its programs to maintain operating efficiency and meet its capital expenditure budget and financial goals in determining the stock or cash dividends to be paid. After the above appropriations, current and prior-period earnings that remain undistributed will be proposed for distribution by the board of directors, and a meeting of shareholders will be held to decide on this matter. The cash dividends shall not be less than 10% of total dividends.

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1) Legal reserve

According to the amendment of the ROC Company Act in January 2012, the Company must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of total capital. When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be set aside as special earnings reserve during earnings distribution. The amount to beset aside should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be set aside as special earnings reserve (and can not be distributed) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

Earnings distribution for 2016 and 2015 were decided via the general meeting of shareholders held on June 14, 2017, and June 7, 2016, respectively. The relevant dividend distributions to shareholders were as follow:

	2016		2015	
	Payout per share	Amount	Payout per share	Amount
Dividend to shareholders				
Cash	$ 6.0	475,819	3.80	301,352

(i) Treasury shares

Be applying section 28(2) of the Securities and Exchange Act, the Company had been implemented treasury stock policy, the change of treasury stock were as follows:

	2016	
	Transfer shares to employees	Total (thousand shares)
Purchase shares at beginning	962	962
Retirement of treasury stock	(962)	(962)
Purchase shares at end	-	-

In accordance with Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.

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The Company had canceled the Company's shares that for the purpose of transfer to employees in 2013, was decided by the board of directors on July 4, 2016, and decided the canceled dated was on July 15, 2016.

(l) Share-based payment

(i) The Company issued 600 units of employee stock options, at 1,000 shares per unit, to its employees and its subsidiaries' who met certain requirements on July 28, 2017. The duration of the employee stock options is five years. 50%, 75%, and 25% of the stock options are exercisable 2 years, 4 years, and 3 years, respectively, after the grant date. Those qualified employees are entitled to purchase the shares at the closing price of ordinary shares of the Company on the same day. After the grant of the stock options, any changes in the ordinary shares of the Company, the exercise price of the share options will be adjusted according to the prescribed formula.

(ii) Details of the employee stock options are as follows:

	2017	
	Weighted average exercise price	**Stock options**
Outstanding at 1 January	-	-
Granted during the year	81.80	600
Forfeited during the year	-	-
Exercised during the year	-	-
Outstanding at December 31	81.80	600
Exercisable at December 31	-	-
The weighted average price of the stock options		$ 18.15

The informations of the share options of the Company as at 31 December 2017 were as follows:

	December 31, 2017
Weighted average of remaining contractual period (years)	4.57

(iii) The Company used the Black-Scholes pricing model in measuring the fair value of the share-based payment at the grant date. The measurement inputs were as follows:

	2017
Exercise price	81.80
Share price at grant date	81.80
Expected dividend	- %
Expected volatility (%)	26.78%~27.89%
Risk-free interest rate (%)	0.67%~0.73%
Expected life (years)	5

(Continued)

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(iv) For the years ended December 31, 2017, the expenses attributable to share-based payment amounted to $1,817 thousand.

(m) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share for the years ended December 31, 2017 and 2016, was based on the profit attributable to ordinary shareholders of the Company and the weighted-average number of ordinary shares outstanding, calculated as follows:

	2017	2016
Profit attributable to ordinary shareholders of the Company	$ 435,894	602,076
Weighted-average number of ordinary shares (thousand shares)	79,303	79,303
Basic earnings per share (NT dollars)	$ 5.50	7.59

(ii) Diluted earnings per share

The calculation of diluted earnings per share for the year ended December 31, 2017 and 2016, was based on the profit attributable to the ordinary shareholders of the Company and the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

	2017	2016
Profit attributable to ordinary shareholders of the Company (diluted)	$ 435,894	602,076

Weighted-average number of ordinary shares (diluted) (thousand shares)

	2017	2016
Weighted-average number of ordinary shares (basic)	79,303	79,303
Effect of employee stock bonuses	380	574
Weighted-average number of ordinary shares (diluted)	79,683	79,877
Diluted earning per share (NT dollars)	$ 5.47	7.54

(n) Empoyee, board of directors', and supervisors' compensation

In accordance with the articles of incorporation, the Company should contribute no less than 1% of the profit as employee compensation and not exceed 5% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The amount of remuneration of each director and supervisor and of compensation for employees entitled to receive the abovementioned employee compensation is approved by the board of directors. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

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For the year ended December 31, 2017 and 2016, the Company estimated its employee remuneration amounting to $23,620 thousand and $32,710 thousand, and directors' and supervisors' remuneration amounting to $7,000 thousand and $8,720 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses. Related information would be available at the Market Observation Post System website. The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2017 and 2016.

(o) Non-operating income and expense

(i) Other revenue

The other revenue for the years ended December 31, 2017 and 2016, were as follows:

		2017	2016
Interest income	$	3,413	1,602
Others		931	791
	$	4,344	2,393

(ii) Other gains and losses

The other gains and losses for the years ended December 31, 2017 and 2016, were as follows:

		2017	2016
Foreign currency exchange loss, net	$	(18,379)	(1,599)
Gain on valuation of financial assets		-	3,465
Gain on disposal of property, plant and equipment and other		(3)	414
	$	(18,382)	2,280

(p) Financial Instruments

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, which arises from the Company's accounts receivable and investments.

1) Accounts receivable and others receivables

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and in some cases bank references. These criterias are reviewed periodically.

2) Investment

The credit risk exposure in bank deposits, fixed-income investment, and other financial instruments is measured and monitored by the Company' s finance department. As the Company deals with banks and other external parties with good credit standing and with financial institutions, corporate organizations, and government agencies which are graded above investment level, the management believes that the Company does not have any compliance issues, and therefore, there is no significant credit risk.

3) Credit risk exposure

As of December 31, 2017 and 2016, the Company's maximum exposure to credit risk was mainly from the carrying amount of financial assets recognized in the statements of financial position and amounted to $958,314 thousand and $265,155 thousand, respectively. The Company had deposited these bank deposits in different financial institutions, and the management believes their counterparts do not have significant default risk, therefore, the credit risk is insignificant.

4) Disclosures of concentration of credit risk

Sales to individual customers constituting over 10% of net revenue for the years ended December 31, 2017 and 2016, totaled 66% and 45%, respectively. As of December 31, 2017 and 2016, 84% and 44%, respectively, of the Company' s accounts receivable arose from the top 10 customers. Although there is a potential for concentration of credit risk, the Company routinely assesses the collectability of the accounts receivable and provides a corresponding allowance for doubtful accounts.

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	with in 1 year	1-2 years	2-5 years
December 31, 2017					
Non-derivative financial liabilities					
Short-term borrowings	$ 200,000	200,151	200,151	-	-
Short-term notes and bills payable	49,982	50,000	50,000	-	-
Long-term liabilities, current portion	200,000	202,408	202,408	-	-
Long-term borrowings	1,200,000	1,229,350	15,060	760,806	453,484
Notes and accounts payable (including relataed parties)	111,325	111,325	111,325	-	-
Other financial liabilities	8,296	8,296	8,296	-	-
	$ 1,769,603	1,801,530	587,240	760,806	453,484

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	Carrying amount	Contractual cash flows	with in 1 year	1-2 years	2-5 years
December 31, 2016					
Non-derivative financial liabilities					
Short-term borrowings	$ 150,000	150,210	150,210	-	-
Long-term liabilities, current portion	150,000	150,927	150,927	-	-
Long-term borrowings	600,000	616,376	7,780	407,203	201,393
Notes and accounts payable (including relataed parties)	36,673	36,673	36,673	-	-
Other financial liabilities	7,646	7,646	7,646	-	-
	$ 944,319	961,832	353,236	407,203	201,393

The Company does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exchange rate risk

The Company significant exposure to foreign currency risk on financial assets and liabilities was as follows:

	December 31, 2017			December 31, 2016		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets						
Monetary Items						
USD	$ 30,893	29.760	920,122	5,706	32.250	183,880
CNY	455	4.565	2,079	421	4.617	1,933
Financial liabilities						
Monetary Items						
USD	3,286	29.760	97,785	522	32.250	16,818

The Company' s exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, and trade and other payables that are denominated in foreign currency.

A weakening (strengthening) of 1% of the NTD against the USD and CNY at December 31, 2017 and 2016, would have increased or decreased the net profit before tax by $8,244 thousand and $1,690 thousand, respectively. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for both periods.

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Since the Company transactions in different functional currencies, the information on foreign exchange gain (loss) on monetary items is disclosed by using the total amount. For the years ended December 31, 2017 and 2016, foreign exchange loss (including realized and unrealized portions) amounted to $18,379 thousand and 1,599 thousand, respectively.

2) Interest rate analysis

The details of financial assets and liabilities exposed to interest rate risk were as follows:

	Carrying amount	
	December 31, 2017	**December 31, 2016**
Fixed-rate instruments:		
Financial assets	$ 372,738	126,605
Financial liabilities	(249,982)	(150,000)
	$ 122,756	(23,395)
Variable-rate instruments:		
Financial assets	$ 446,841	76,051
Financial liabilities	(1,400,000)	(750,000)
	$ (953,159)	(673,949)

The following sensitivity analysis is based on the exposure to interest rate risk of the derivative and non-derivative financial instruments on the reporting date. If the interest rate had increased or decreased by 0.25%, the net profit before tax would have decreased or increased by $2,383 thousand and $1,685 thousand for the years ended December 31, 2017 and 2016, respectively, assuming all other variable factors were constant. This mainly resulted from borrowings and bank deposits at variable interest rates.

(iv) Fair value of financial instruments

1) Fair value of financial instruments

The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

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	December 31, 2017				
		Fair Value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
Loans and receivables					
Cash and cash equivalents	$ 819,679				
Notes and accounts receivable, net	134,269				
Other receivables	4,366				
	$ 958,314				
Financial liabilities carried at amortized cost					
Long and short term borrowings	$ 1,600,000				
Short-term notes and bills payable	49,982				
Notes and accounts payable (including related parties)	111,325				
Other payables	100,797				
	$ 1,862,104				

	December 31, 2016				
		Fair Value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
Loans and receivables					
Cash and cash equivalents	$ 202,756				
Accounts receivable, net	59,980				
Other receivables	2,419				
	$ 265,155				
Financial liabilities carried at amortized cost					
Long and short term borrowings	$ 900,000				
Notes and accounts payable (including related parties)	36,673				
Other payables	122,209				
	$ 1,058,882				

2) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm' s-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

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Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

b) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants. Fair value of forward currency is usually determined by the forward currency exchange rate.

Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the consolidated balance sheet date.

3) Reconciliation of Level 3 fair values

The following table shows a reconciliation of the beginning balances to the ending balances for the fair value measurements in Level 3 of the fair value hierarchy:

	At fair value through profit or loss
	Foreign exchange
Balance on January 1, 2016	$ -
Recognized in profit or loss	$ 2,871
Purchase	94,026
Disposal	(96,897)
Balance on December 31, 2016	$ -

The aforementioned total gains and losses were recognized in "other gains and losses".

4) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company' s financial instruments that use Level 3 inputs to measure fair value include "financial assets measured at fair value through profit or loss–debt investments".

(q) Financial risk management

(i) Structure of risk management

The Company' s risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect any changes in market conditions and the Company' s activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The board of directors monitors the management to ensure compliance with the Company' s risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The board of directors is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the board of directors.

(ii) Overview

The Company is exposed to the following risks arising from financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

Note 6(p) presents detailed information on exposure to each of the above risks and on the objectives, policies, and processes for measuring and managing risk.

(r) Capital management

The Company manages capital to safeguard the capacity to continue to operate and to safeguard the certainly and stability of its financial resources. The management uses the asset-liability ratio to manage capital. As of December 31, 2017 and 2016, the Company's asset-liability ratios were 64% and 73%, respectively.

As of December 31, 2017, there were no changes in the Company's approach to capital management.

(s) Investing and financing activities not affecting current cash flow

The Company's investing and financing activities, which do not affect the current cash flow, in the years ended December 31, 2016 was as follows:

(i) For retirement of treasury stock, please refer to note 6(k).

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(7) Related-party transactions:

(a) Names and relationship with related parties

The following are entities that have had transaction with related party during the periods covered in the financial statements.

Name of related party	Relationship with the Company
NISHOKU BOUEKI CO., LTD.	The Company's subsidiaries
NISHOKU TECHNOLOGY VIETNAM CO.,LTD.	〃
SUN NICE LIMITED (SAMOA)	〃
SAME START LIMITED (Anguilla)	〃
NISHOKU HONG KONG HOLDING LIMITED (Note 1)	〃
SUN NICE LIMITED (BVI)	〃
NISHOKU PLASTIC MOLD (SHENZHEN) CO., LTD.	〃
KUNSHAN NISHOKU PLASTIC ELECTRONIC CO., LTD.	〃

Note 1: Original name was SUPERIOR GOLDEN BRIGHT HOLDING LIMITED have been renamed to NISHOKU HONG KONG HOLDING LIMITED by the board of directors in September, 2016.

(b)

(i) Sales

The amounts of sales by the Company to related parties and the outstanding balance were as follows:

	Sales		Accounts receivable-related parties	
	2017	2016	December 31, 2017	December 31, 2016
Subsidiaries	$ 13	180	10	111

The credit terms were 90 days for related parties. The general credit terms were 45 to 120 days for non-related parties. The product sale to related parties was different from other clients, the sales prices can not be compared to other clients.

(Continued)

NISHOKU TECHNOLOGY INC.
Notes to the Financial Statements

(ii) Purchases

The amounts of purchase by the Company to related parties and the outstanding balance were as follows:

	Purchases		Accounts payable-related parties	
	2017	2016	December 31, 2017	December 31, 2016
Same Start (Anguilla)	$ 239,149	240,789	97,503	16,818

The payment terms were 90 days for related parties. The general credit terms for vendors other than related parties are 60 to 120 days. The Company do not purchase the same product from other vendors, the purchase prices can not be compared to other vendors.

(iii) Guarantees and endorsements

The amounts of guarantees notes issued as collateral for bank loans were as follows:

	December 31, 2017	December 31, 2016
Guarantees notes issued	$ 2,186,648	1,945,000
Actual usage amount	$ 237,560	193,500

(iv) Other

The Company paid for operating expenses on behalf of same Same Start (Anguilla) amounted to $30,513 thousand and $28,270 thousand for the years ended December 2017 and 2016, respectively; besides that, there are some receivables not recovery (under the other current financial assets.) as follows:

	December 31, 2017	December 31, 2016
SAME START (Anguilla)	$ 2,800	2,419

(c) Key management personnel compensation

Key management personnel compensation comprised:

	2017	2016
Short-term employee benefits	$ 31,124	36,296
Post-employment benefits	216	216
Termination benefits	-	-
Other long-term benefits	-	-
Share-based payments	-	-
	$ 31,340	36,512

Please refer to note (1) for further explanations related to share-based payment transactions.

(Continued)

NISHOKU TECHNOLOGY INC.
Notes to the Financial Statements

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged asstes	Object	December 31, 2017	December 31, 2016
Demand deposits (classified under other current financial assets)	Guarantee for Project	$ 1,566	-

(9) Commitments and contingencies: Please refer note 7 for gurantees and endorsements provide to subsidiaries.

(10) Losses Due to Major Disasters: None

(11) Subsequent Events:

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing FY 2018. This increase does not affect the amounts of the current or deferred income taxes recognized on December 31, 2017. However, it will increase the Company's current tax charge accordingly in the future. On the other hand, if the new tax rate is applied in calculating the taxable temporary differences and tax losses recognized on December 31, 2017, the deferred tax assets and deferred tax liabilities would increase by $12,426 thousand and $106,849 thousand, respectively.

(12) Other:

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

	2017			2016		
By function / By item	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefit expenses						
Salaries	16,607	59,159	75,766	19,983	80,709	100,692
Labor and health insurance	1,686	3,506	5,192	1,662	2,996	4,658
Pension	878	1,556	2,434	918	1,382	2,300
Others	1,123	7,209	8,332	1,004	8,044	9,048
Depreciation	9,417	4,684	14,101	10,147	4,981	15,128
Amortization	192	1,384	1,576	294	2,258	2,552

The number of the Company's employees for the years ended December 31, 2017 and 2016, was 78 and 70, respectively.

(Continued)

NISHOKU TECHNOLOGY INC.
Notes to the Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 2)	Ending balance (Note 2)	Actual usage amount during the period	Interest rate	Nature of financing	Transaction amounts	Reason for short-term financing	Allowance for bad debt	Collateral		Financing limit for each borrowing company	Maximum financing limit for the lender
													Item	Value		
1	SAME START (Anguilla)	NISHOKU VIETNAM	Other accounts receivable	Yes	156,725	148,800	89,280	2.12%	Necessary to loan other parties	-	Operating capital	-	-	-	1,325,674 (Note 1)	1,325,674 (Note 1)

Note 1: The individual amount and the total amount for lending to a company shall not exceed 10% and 40% of the lending company's net worth in the latest financial statement, respectively. The Company for lending to the Company directly or indirectly holds 100% of their shares, with the loan amount not limited and the total amounts not exceeding the lending company's net worth in the last financial statement.

Note 2: Amount actually draw in foreign currencies were translated based on the exchange rate at the reporting date.

(ii) Guarantees and endorsements for other parties:

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period (Note 3)	Balance of guarantees and endorsements as of reporting date (Note 3)	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 2)										
0	The Company	SAME START (Anquilla)	3	1,332,989 (Note 1)	950,150	922,560	-	-	20.76 %	4,443,298	Y	N	N
〃	〃	NISHOKU VIETNAM	2	〃	1,185,681	1,169,568	178,560	-	26.32 %	〃	〃	〃	〃
〃	〃	NISHOKU BOUEKI	2	〃	95,340	94,520	59,000	-	2.13 %	〃	〃	〃	〃
1	NISHOKU KUNSHAN PLASTIC	SAME START (Anquilla)	1	759,108	15,673	14,880	14,880	-	0.59 %	2,530,359	N	〃	〃

Note 1: The amount and the total amount of the guarantee to a company shall not exceed 30% and 100%, respectively, of the Company net worth in the latest financial statements. The total amount of the guarantee that the Company and its subsidiaries to a company shall not exceed 100%, of the Company's net worth in the latest financial statement. The Company directly or indirectly holds 100% of their shares, the guarantee amounts not limited by the Company's net worth in the latest financial statement.

Note 2: The relationship of guarantor and endorsements to related parties were as follows:

1) Business relationship between the Company

2) The Company directly or indirectly holds over 50% of subsidiaries' shares;

3) The parent company and its subsidiaries holds over 50% of investees' shares

4) A subsidiary jointed owned over 50% by the Company and the Company's directly-owned subsidiary.

Note 3: Amount actually draw in foreign currencies were translated based on the exchange rate at the reporting date.

NISHOKU TECHNOLOGY INC.
Notes to the Financial Statements

(iii) Securities held as of December 31, 2017 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Nature and name of securities	Relationship with the securities issuer	Account name	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
SAME START (Anguilla)	Bond of oversea	None	Financial assets at fair value through profit or loss	-	6,022	- %	6,022	
〃	Principal guranteed financial product	〃	〃	-	89,280	- %	89,280	
NISHOKU SHENZHEN	〃	〃	〃	-	296,737	- %	296,737	
NISHOKU KUNSHAN PLASTIC	〃	〃	〃	-	228,259	- %	228,259	

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock:

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
NISHOKU KUNSHAN PLASTIC	Principal guranteed financial product	Financial assets at fair value through profit or loss	China Citic Bank	None	-	-	-	913,037	-	691,155	684,778	6,377	-	228,259
〃	〃	〃	Agricltural Bank of China	〃	-	-	-	365,215	-	367,294	365,215	2,079	-	-
NISHOKU SHENZHEN	Money market fund	〃	CR Yuanta Fund	〃	-	184,728	-	45,652	-	233,540	230,380	3,160	-	-
〃	Principal guaranteed financial product	〃	GF Asset Management (Guangdong) Co., Ltd	〃	-	161,637	-	593,474	-	473,225	458,374	14,851	-	296,737

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock:None

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock:None

NISHOKU TECHNOLOGY INC.
Notes to the Financial Statements

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

Name of company	Related party	Nature of relationship	Transaction details: Purchase/ Sale	Amount	Percentage of total purchases/sales	Payment terms	Transactions with terms different from others: Unit price	Payment terms	Notes/Accounts receivable (payable): Ending balance (Note 1)	Percentage of total notes/accounts receivable (payable)	Note
The Company	SAME START (Anguilla)	The Company indirectly invest through SUN NICE (SAMOA)	Purchase	239,149	91 %	Note 1	Note 1	Note 1	(97,503)	(88)%	
SAME START (Anguilla)	The Company	〃	Sale	(239,149)	(23) %	Net 90 days	Note 2	Note 2	97,503	28%	
〃	NISHOKU SHENZHEN	Associate	Purchase	205,389	27 %	〃	〃	〃	(60,670)	(27)%	
〃	〃	〃	Sales	(105,764)	(10) %	〃	〃	〃	32,673	9%	
〃	NISHOKU KUNSHAN PLASTIC	〃	Purchase	100,958	13 %	〃	〃	〃	(58,881)	(26)%	
〃	〃	〃	Sales	(679,252)	(64) %	〃	〃	〃	185,223	53%	
〃	NISHOKU BOUEKI	〃	Purchase	116,042	15 %	〃	〃	〃	(30,897)	(14)%	
NISHOKU SHENZHEN	SAME START (Anguilla)	〃	Sales	(205,389)	(22) %	〃	〃	〃	60,670	16%	
〃	〃	〃	Purchase	105,764	26 %	〃	〃	〃	(32,673)	(18)%	
NISHOKU KUNSHAN PLASTIC	SAME START (Anguilla)	〃	Sales	(100,958)	(4) %	〃	〃	〃	58,881	7%	
〃	〃	〃	Purchase	679,252	52 %	〃	〃	〃	(185,223)	(33)%	
NISHOKU BOUEKI	SAME START (Anguilla)	〃	Sales	(116,042)	(82) %	〃	〃	〃	30,897	100%	

Note 1: Payment term given to related parties and third parties were 90 days and 60 to 120 days, respectively. In addition, the Company did not buy same product from third part, so the purchase price can not be compared.

Note 2: The subsidiaries did not purchase or sale same product from third parties, so the purchase (sale) price can not be compared. In addition, the receipt terms of related parties were not significant different to third parties.

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue: Amount	Overdue: Action taken	Amounts received in subsequent period (Note 1)	Allowance for bad debts
SAME START (Anguilla)	NISHOKU KUNSHAN PLASTIC	The Company indirectly invest through SUN NICE (SAMOA)	185,223	5.10	-		69,125	-

Note 1: Until February 23, 2018.

(ix) Trading in derivative instruments:Please refer to notes 6(p).

NISHOKU TECHNOLOGY INC.
Notes to the Financial Statements

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2017 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount December 31, 2017	Original investment amount December 31, 2016	Balance as of December 31, 2017 Shares (thousands)	Percentage of ownership	Carrying value	Net income (losses) of investee	Share of profits/losses of investee	Note
The Company	SUN NICE (SOMOA)	SAMOA	Holding	1,774,490	1,774,490	56,282	100.00 %	5,325,275	492,777	492,777	
〃	NISHOKU BOUEKI	Taiwan	Purchase and sale of plastic raws and parts	1,000	1,000	6,300	100.00 %	117,903	23,338	23,108	
〃	NISHOKU VIETNAM	Vietnam	Manufacture and sale of tooling and plastic products	267,314 USD 8,500 thousands)	267,314 (USD 8,500 thousands)	-	100.00 %	76,838	(38,003)	(38,003)	
SUN NICE (SAMOA)	SAME START (Anguilla)	Aquilla	Purchase and sale of mold and plastic products	634,278	634,278	21,814	100.00 %	1,325,674	261,801	261,801	
〃	NISHOKU HK	HK	Holding	1,800,361 USD 57,915 thousands)	1,800,361 (USD 57,915 thousands)	62,298	100.00 %	3,216,096	155,411	155,411	
〃	SUN NICE (BVI)	BVI	〃	585,292 USD 17,948 thousands)	585,292 (USD 17,948 thousands)	15,697	100.00 %	782,364	73,224	73,224	

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2016	Investment flows Outflow	Investment flows Inflow	Accumulated outflow of investment from Taiwan as of December 31, 2017	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumu-lated remittance of earnings in current period
NISHOKU SHENZHEN	Manufacture and sale of mold and plastic products	USD 23,288 thousands	Indirect investment through third eara	703,870 (USD 22,939 thousands)	-	-	703,870 (USD 22,939 thousands)	(28,550)	100.00%	(28,550)	1,234,293	475,841
NISHOKU KUNSHAN PLASTIC	Manufacture and sale of mold and plastic products	USD 53,310 thousands	〃	1,674,270 (USD 52,524 thousands)	-	-	1,674,270 (USD 52,524 thousands)	257,075	100.00%	257,075	2,535,548	270,217

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
2,378,140	2,378,140	(Note 2)

Note 1: The above investment income (loss) in mainland China were based on financial statements audited by the Company's auditors.

Note 2: The Company has received the certificate issue by the Industrial Development Bureau, Ministry of Economic Affairs, allowing it to start operating of its headquarters.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in " Information on significant transactions".

(14) Segment information:

Please refer to the Company's consolidated financial statements for the years ended December 31, 2017 and 2016, for details.

NISHOKU TECHNOLOGY INC.

Statement of cash and cash equivalents

December 31, 2017

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Cash on hand		$ 100
Cash in bank		
Demand deposit		37,693
Foreign currency demand deposits	USD13,740 thousands; Exchange rate 29.760	408,900
	HKD62 thousands; Exchange rate 3.807	237
	CNY 2 thousands; Exchange rate 4.565	11
Time deposits	USD9,000 thousands; Exchange rate 29.760	267,840
Bond acquired under repurchase agreement	USD3,500 thousands; Exchange rate 29.970	104,898
Total		$ 819,679

Statement of notes and accounts receivable

Item	Description	Amount
Client A	Operating revenue	$ 59,717
Client B	〃	46,289
Client C	〃	6,752
Other (individual amount not exceeding 5%)	〃	32,316
		145,074
Less: Allowance for doubtful accounts		(10,805)
Net accounts receivable		$ 134,269

NISHOKU TECHNOLOGY INC.

Statement of inventories

December 31, 2017

(Expressed in thousands of New Taiwan Dollars)

Item	Amount: Cost	Amount: Net realizable value
Raw materials	$ 5,556	5,538
Work in process	574	748
Finished goods	4,169	4,305
	10,299	**10,591**
Less: Provision for inventories	(2,642)	
	$ 7,657	

NISHOKU TECHNOLOGY INC.

Statement of changes in investment accounted for using equity method

For the year ended December 31, 2017

(Expressed in thousands of New Taiwan Dollars)

	Beginning Balance		Additions		Reduce (Note 1)		Other adjustments		Ending Balance				
Name of investee	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Percentage of holding shares	Amount	Market value or book value	Pledged or guaranteed
SUN NICE LIMITED (SAMOA)	56,282	$ 5,604,942	-	-	-	(608,428)	-	328,761 (Note 2)	56,282	100.00 %	5,325,275	5,325,275	None
NISHOKU BOUEKI	6,300	122,992	-	-	-	(28,197)	-	23,108 (Note 3)	6,300	100.00 %	117,903	121,390	〃
NISHOKU VIETNAM	(Note 5)	123,541	-	-	-	-	-	(46,703)(Note 4)	(Note 5)	100.00 %	76,838	76,838	〃
Total		$ 5,851,475		-		(636,625)		305,166			5,520,016	5,523,503	

(Note 1): Reduced this period was gained cash dividend (under the investments accounted for using equity method minus item).
(Note 2): Other adjustments are share of profit of subsidiaries accounted for using equity method $492,777 thousand, exchange difference on translation $(164,016) thousand.
(Note 3): Other adjustments are share of profit of subsidiaries accounted for using equity method $23,108 thousand.
(Note 4): Other adjustments are share of loss of subsidiaries accounted for using equity method $(38,003) thousand, and exchange difference on translation $(8,700) thousand.
(Note 5): No issue stock.

NISHOKU TECHNOLOGY INC.

Statements of changes in property, plant and equipment

For the year ended December 31, 2017

(Expressed in thousands of New Taiwan Dollars)

Please refer to note 6(e) for Property, plant and quipment.

Statement of other current assets

Item	Amount
Tax receivable	$ 19,882
Refundable deposits	4,200
Other (individual amount note exceeding 5%)	4,253
Total	$ **28,335**

NISHOKU TECHNOLOGY INC.

Statement of short-term borrowings

December 31, 2017

(Expressed in thousands of New Taiwan Dollars)

Creditor	Description	Amount	Term of contract	Interest rate	Credit lines	Pledged on guaranteed
Citi Bank	Unsecured loan	$ 200,000	within one year	0.92%	431,520	None
Fubon Bank	〃	-	-	-	219,040	〃
		$ 200,000			650,560	

NISHOKU TECHNOLOGY INC.

Short-term notes and bills payable

December 31, 2017

(Expressed in thousands of New Taiwan Dollars)

				Amount			
Items	Grantee insitution	Terms of contracts	Interest rate	Total amount	Unamortized premiums (Discounts)	Carrying value	Pledged on guaranteed
Commercial Paper Payable	Mega Bills	2017.12.04~2018.01.03	0.662%	$ 10,000	-	10,000	None
〃	〃	2017.12.27~2018.01.26	0.662%	40,000	18	39,982	〃
				$ 50,000	18	49,982	

NISHOKU TECHNOLOGY INC.

Statement of notes and accounts payables

December 31, 2017

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Otsuka Information Technology Corp.	Operating cost	$ 5,618
ACER INCORPORATED	〃	1,890
NAGASE WAH LEE PLASTICS CORP.	〃	1,756
Other (individual amount not exceeding 5%)		4,558
Total		$ 13,822

Statement of other current liabilities

Item	Amount
Income tax payable	$ 36,808
Employee and director remuneration	30,620
Salary payable	20,712
Advance sales receipts	9,102
Other expense payable	8,241
Other (individual amount not exceeding 5%)	7,928
Total	$ 113,411

NISHOKU TECHNOLOGY INC.

Statement of long-term borrowing

December 31, 2017

(Expressed in thousands of New Taiwan Dollars)

Creditor	Nature	Amount	Term of contract	Interest rate	Pledged on guaranteed
Mega International commercial Bank	Unsecured Loans	$ 300,000	Paid the principal at 2019.08.14	1.25%	None
〃	〃	100,000	Paid the principal at 2018.12.15	1.26%	〃
〃	〃	100,000	Paid the principal at 2018.12.15	1.26%	〃
CTBC Bank	〃	450,000	Paid the principal at 2020.08.14	1.25%	〃
First Bank	〃	150,000	Paid the principal at 2019.03.08	1.41%	〃
〃	〃	150,000	Paid the principal at 2019.09.07	1.19%	〃
〃	〃	150,000	Paid the principal at 2019.09.12	1.19%	〃
Less: Current portion		(200,000)			
Total		$ 1,200,000			

Statement of operating revenue

Item	Quantity	Amount
Sale of plastic injection mold	Note 1	$ 282,433
Sale of tooling mold	Note 1	122,465
Other (Note 2)		9,228
Net operating revenue		$ 414,126

Note 1: The product item are diversify, in order not to let the information users misunderstanding, the Company decided not to disclose.

Note 2: Individual amount not exceeding 5%.

NISHOKU TECHNOLOGY INC.

Statement of operating cost

For the year ended December 31, 2017

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Cost of self-produced goods	
Raw material on January 1, 2017	$ 5,852
Add: Purchases	20,247
Less: Raw material on December 31, 2017	(5,556)
Sale of raw material	(486)
Internal use and others	(355)
Raw material used	19,702
Direct lab our	9,161
Manufacturing overhead	31,895
Manufacturing cost	60,758
Add: Work-in-Precess on January 1, 2017	506
Less: Work-in-Process on December 31, 2017	(574)
Scrapped	(91)
Cost of Finished goods	60,599
Add: Finished goods on January 1, 2017	3,087
Purchases	3,785
Less: Finished goods on December 31, 2017	(4,169)
Scrapped	(33)
Cost of finish goods	63,269
Cost of Raw materials sold	486
Less: Revenue from sale of scraps and others	(104)
Gain on inventory valuation	(478)
Subtotal	63,173
Cost of purchases	239,149
Operating Cost	$ 302,322

NISHOKU TECHNOLOGY INC.

Statement of selling, administration, research and development expenses

For the year ended December 31, 2017

(Expressed in thousands of New Taiwan Dollars)

Item	Selling expenses	Administration expenses	Research and development expenses
Salaries	$ 3,202	53,333	2,624
Depreciation expense	508	3,574	602
Research and development consumptive material	-	-	348
Service expense	-	5,484	168
Various amortization	107	841	436
Miscellaneous purchases	70	813	1,269
Miscellaneous fees	120	14,858	163
Bad debt expense	2,113	-	-
Freight	443	54	13
Import and export expense	691	-	-
Other expense (note)	1,217	17,899	932
Total	$ 8,471	96,856	6,555

Note: Individual amount not exceeding 5%