

**KINPO ELECTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED
DECEMBER 31, 2017 AND 2016**

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The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

REPRESENTATION LETTER

The companies that are required to be included in the combined financial statements of Kinpo Electronics, Inc. as of and for the year ended December 31, 2017, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No. 10, “ Consolidated Financial Statements.”. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Kinpo Electronics, Inc. and Subsidiaries do not prepared a separate set of combined financial statements.

Very truly yours,

Kinpo Electronics, Inc.

By

HSU, SHENG-HSIUNG
Chairman

INDEPENDENT AUDITORS' REPORT

English Translation of a Report Originally Issued in Chinese

To: Kinpo Electronics, Inc.

Opinion

We have audited the accompanying consolidated balance sheets of Kinpo Electronics, Inc. (the "Company") and its subsidiaries as of December 31, 2017 and 2016, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and 2016, and notes to the consolidated financial statements including the summary of significant accounting policies (collectively referred to "the consolidated financial statements").

In our opinion, based on our audits and the reports of other auditors (please refer to the *Other Matter – Making Reference to the Audits of Component Auditors* section of our report), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2017 and 2016, and their consolidated financial performance and cash flows for the years ended December 31, 2017 and 2016, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2017 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

The operating revenue of the Company and its subsidiaries in 2017 was recognized at NTD 119,204,764 thousand. As the Company and its subsidiaries had a large number of customers and engaged in sales involving a variety of commercial terms, we have therefore considered the correctness and revenue recognition timing significant and is one of the key audit matters.

For the revenue recognition, we have conducted audit procedures including but not limited to evaluating and testing the internal controls with respect to the revenue cycle, selecting representative samples to test the operation of the designed controls and to examine supporting documents for actual sales transactions, and conducting analytical processes such as gross margin analysis and analysis of changes in the top-ten sales customers list. In addition, we reviewed credit notes the Company issued after the period end in confirmation of the timing and correctness of revenue recognition. We also considered the appropriateness of the disclosure in respect of operating revenue in Note 6 of the consolidated financial statement.

Impairment of Trade Receivables

As at December 31, 2017, the net trade receivables of the Company and its subsidiaries was NTD 25,732,509 thousand, accounted 29% of the consolidated total assets. To determine the allowance for doubtful accounts in respect of trade receivables on account, the management needed to make judgement upon aging profile of outstanding debts, past collection history and the financial condition of the clients. Therefore, we consider the reasonableness of the impairment assessment as one of the key audit matters.

We have conducted audit procedures including but not limited to understanding the internal control in respect of determining allowance for trade receivables through inquiring, assessing the rationality of the assumptions and basis applied by management in determining such allowance for doubtful accounts. In addition, we conducted analytical procedures on collection periods and debtors movements. We further selected samples from the aging analysis provided by the management to test the correctness of the account and to identify and analyze the reason for occurrence of overdue. To assess the possibility of collecting receivables, we sent out confirmations and tested the subsequent collection for selected samples. We also considered the appropriateness of the disclosure in respect of trade receivables and relevant risk in Note 5 and Note 6 of the consolidated financial statement.

Business Combination

According to IFRS 10, regardless of the nature of the investment, it is necessary for the investor to re-assess whether or not it controls an investee when deciding whether the investor is the parent company. Since the Group holds less than 50% of the shares of some consolidated entities, whether the Company has substantive control over the consolidated entities would directly affect the consolidated financial statements. Therefore, we consider business combination as one of the key audit matters.

We have conducted audit procedures including but not limited to obtaining the Company's latest organizational chart of the affiliates and review the related changes. In addition, we reviewed the overall shareholding percentage of each consolidated entity and analyzed the composition of the board of directors and management, the holding percentages of the top ten shareholders, the level of ownership dispersion, attendance rate in shareholders' meetings, and the related investment contracts to confirm the appropriateness of the Company's evaluation of the substantive control over its consolidated entities. We also considered the appropriateness of the disclosure in respect of business combination in Notes 4 and 5 of the consolidated financial statement.

Other Matter – Making Reference to the Audits of Component Auditors

We did not audit the financial statements of certain consolidated subsidiaries, which statements reflect total assets of NTD 5,679,625 thousand and NTD 4,917,615 thousand, constituting 6% and 6% of consolidated total assets as of December 31, 2017 and 2016, respectively, and total operating revenues of NTD 4,150,827 thousand and NTD 2,788,752 thousand, constituting 3% and 2% of consolidated operating revenues for the years ended December 31, 2017 and 2016, respectively. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the audit reports of the other auditors. We did not audit the financial statements of certain associates and joint ventures accounted for using equity method whose statements are based solely on the reports of other auditors. These associates and joint ventures for using equity method to NTD 3,296,385 thousand and NTD 3,468,495 thousand, representing 4% and 4% of consolidated total assets as of December 31, 2017 and 2016, respectively. The related shares of profits from the associates and joint ventures for using equity method amounted to NTD 103,068 thousand and NTD 309,571 thousand, representing 11% and 13% of the consolidated net income before tax for the years ended December 31, 2017 and 2016, respectively, and the related shares of other comprehensive income from the associates and joint ventures for using equity method amounted to NTD (94,526) thousand and NTD (174,231) thousand, representing (18)% and 10% of the consolidated other comprehensive income for the years ended December 31, 2017 and 2016, respectively.

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

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

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

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 consolidated financial statements.

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.
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 ability to continue as a going concern of the Company and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2017 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Others

We have audited and expressed an unqualified opinion on the parent company only financial statements of the Company as of and for the years ended December 31, 2017 and 2016.


Ernst & Young
March 20, 2018

Taipei, Taiwan
Republic of China

Notice to Readers

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with 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.

KINPO ELECTRONICS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	2017	%	2016	%	Liabilities and Equity	Notes	2017	%	2016	%
Current assets						Current liabilities					
Cash and cash equivalents	4,6	\$7,475,163	8	\$6,441,055	8	Short-term borrowings	4,6	\$21,379,200	24	\$14,285,990	17
Current financial assets at fair value through profit or loss	4,6	-	-	8,612	-	Short-term notes and bills payable	6	1,175,071	1	1,799,813	2
Current available-for-sale financial assets, net	4,6	262,272	-	245,352	-	Current financial liabilities at fair value through profit or loss	4,6	6,872	-	63,056	-
Current investments in debt instrument without active market	4,6	202,211	-	182,241	-	Notes payable		3,963	-	11,588	-
Notes receivable, net	4,6	86,048	-	22,960	-	Accounts payable		21,663,136	24	22,475,433	27
Accounts receivable, net	4,6	25,732,509	29	23,000,909	28	Accounts payable to related parties	7	54,947	-	104,051	-
Accounts receivable due from related parties, net	4,6,7	242,037	-	272,770	-	Other payables	6	2,684,471	3	3,456,869	4
Other receivables, net	4	1,854,796	2	987,128	1	Other payables to related parties	7	704	-	526	-
Other receivables due from related parties, net	4,7	258	-	9	-	Current tax liabilities	4,5	310,768	-	391,838	1
Current tax assets	4	4,893	-	4,474	-	Current provisions	4,6	30,911	-	63,570	-
Inventories	4,6	15,051,086	17	14,806,803	18	Long-term liabilities, current portion	4,6	476,436	1	2,396,310	3
Prepayments		473,278	1	499,498	1	Other current liabilities		502,249	1	708,021	1
Other current assets	4,6	736,443	1	967,486	1	Total current liabilities		48,288,728	54	45,757,065	55
Total current assets		52,120,994	58	47,439,297	57	Non-current liabilities					
Non-current assets						Long-term borrowings	4,6	10,284,859	12	8,476,965	10
Non-current available-for-sale financial assets, net	4,6	4,363,451	5	4,109,663	5	Deferred tax liabilities	4,6	1,805,903	2	1,725,104	2
Non-current financial assets at cost, net	4,6	549,998	1	488,995	1	Net defined benefit liability, non-current	4,6	771,443	1	709,206	1
Non-current investments in debt instrument without active market	4,6	150,000	-	300,000	-	Other non-current liabilities		418,426	-	2,399	0
Investments accounted for using equity method, net	4,6	3,296,385	4	3,468,495	4	Total non-current liabilities		13,280,631	15	10,913,674	13
Property, plant and equipment	4,6	23,831,631	27	23,261,744	28	Total liabilities		61,569,359	69	56,670,739	68
Investment property, net	4,6	187,976	-	160,386	-	Equity attributable to owners of parent					
Intangible assets	4,6	358,914	-	299,404	-	Share capital	4,6				
Deferred tax assets	4,6	2,351,332	3	2,321,471	3	Ordinary share		14,556,572	16	14,556,572	17
Other non-current assets	6	2,128,556	2	1,837,613	2	Capital surplus	6	668,917	1	600,097	1
Total non-current assets		37,218,243	42	36,247,771	43	Retained earnings	6				
						Legal reserve		251,551	-	133,902	-
						Special reserve		255,058	-	255,058	-
						Unappropriated retained earnings		1,741,483	2	1,932,699	2
						Total retained earnings		2,248,092	2	2,321,659	2
						Total other equity interest	6	533,051	1	118,933	-
						Treasury shares	4,6	(1,114,185)	(1)	(1,280,591)	(1)
						Total equity attributable to owners of the parent		16,892,447	19	16,316,670	19
						Non-controlling interest	6	10,877,431	12	10,699,659	13
						Total equity		27,769,878	31	27,016,329	32
Total asset		\$89,339,237	100	\$83,687,068	100	Total liabilities and equity		\$89,339,237	100	\$83,687,068	100

The accompanying notes are an integral part of financial statements.

KINPO ELECTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars except for earnings per share)

Item	Notes	2017	%	2016	%
Operating revenue	4,6,7	\$119,204,764	100	\$122,970,192	100
Operating costs	6,7	(111,767,255)	(94)	(115,314,278)	(94)
Gross profit from operations		<u>7,437,509</u>	6	<u>7,655,914</u>	6
Operating expenses	6,7				
Selling expenses		(1,143,195)	(1)	(1,180,492)	(1)
Administrative expenses		(2,418,015)	(2)	(2,856,027)	(2)
Research and development expenses		(2,646,432)	(2)	(2,484,058)	(2)
Total operating expenses		<u>(6,207,642)</u>	(5)	<u>(6,520,577)</u>	(5)
Net operating income		<u>1,229,867</u>	1	<u>1,135,337</u>	1
Non-operating income and expenses	6,7				
Other income		722,940	1	2,477,601	2
Other gains and losses, net		(355,797)	-	(903,309)	(1)
Finance costs, net		(778,172)	(1)	(665,378)	(1)
Share of profit (loss) of associates and joint ventures accounted for using equity method, net		103,068	-	309,571	-
Total non-operating income and expenses		<u>(307,961)</u>	-	<u>1,218,485</u>	-
Profit before tax		921,906	1	2,353,822	1
Total tax expense	4,6	(235,629)	-	(633,628)	-
Profit		<u>686,277</u>	1	<u>1,720,194</u>	1
Other comprehensive income, net	6				
Components of other comprehensive income that will not be reclassified to profit or loss:					
Gains (losses) on remeasurements of defined benefit plans		(34,817)	-	23,774	-
Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		(2,278)	-	(6,293)	-
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		4,717	-	(2,141)	-
Components of other comprehensive income that will be reclassified to profit or loss:					
Exchange differences on translation		266,323	-	(2,024,568)	(1)
Unrealised gains (losses) on valuation of available-for-sale financial assets		384,640	-	94,890	-
Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss		(92,248)	-	(167,938)	-
Other components of other comprehensive income that will be reclassified to profit or loss		(281)	-	9,905	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss		430	-	277,857	-
Other comprehensive income, net		<u>526,486</u>	-	<u>(1,794,514)</u>	(1)
Total comprehensive income		<u>\$1,212,763</u>	1	<u>\$(74,320)</u>	-
Profit, attributable to:					
Profit, attributable to owners of parent		\$382,629	1	\$1,176,494	1
Profit, attributable to non-controlling interests		303,648	-	543,700	-
Total		<u>\$686,277</u>	1	<u>\$1,720,194</u>	1
Comprehensive income attributable to:					
Comprehensive income, attributable to owners of parent		\$762,753	1	\$(137,827)	-
Comprehensive income, attributable to non-controlling interests		450,010	-	63,507	-
Total		<u>\$1,212,763</u>	1	<u>\$(74,320)</u>	-
Earnings per share	6				
Basic earnings per share		<u>\$0.28</u>		<u>\$0.87</u>	

The accompanying notes are an integral part of financial statements.

KINPO ELECTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars)

Item	Equity attributable to owners of the parent										Non-controlling interests	Total equity
	Share capital	Capital surplus	Retained earnings			Other equity			Treasury shares	Total equity attributable to owners of the parent		
			Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gain (loss) on available-for-sale financial assets	Others				
Balance on January 1, 2016	\$14,581,132	\$426,996	\$-	\$255,058	\$1,310,262	\$588,932	\$885,539	\$(37,003)	\$(1,312,714)	\$16,698,202	\$530,357	\$17,228,559
Appropriation and distribution of 2015 retained earnings												
Legal reserve appropriated	-	-	133,902	-	(133,902)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(424,369)	-	-	-	-	(424,369)	-	(424,369)
Other changes in capital surplus:												
Changes in equity of associates and joint ventures accounted for using equity method	-	(10,908)	-	-	-	-	-	-	-	(10,908)	-	(10,908)
Profit for the year ended December 31, 2016	-	-	-	-	1,176,494	-	-	-	-	1,176,494	543,700	1,720,194
Other comprehensive income for the year ended December 31, 2016	-	-	-	-	4,214	(1,294,087)	(40,660)	16,212	-	(1,314,321)	(480,193)	(1,794,514)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	1,180,708	(1,294,087)	(40,660)	16,212	-	(137,827)	63,507	(74,320)
Purchase of treasury share	-	-	-	-	-	-	-	-	(172,700)	(172,700)	-	(172,700)
Retirement of treasury share	(24,560)	6,911	-	-	-	-	-	-	17,649	-	-	-
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	18,883	-	-	-	-	-	-	-	18,883	-	18,883
Changes in ownership interests in subsidiaries	-	48,200	-	-	-	-	-	-	-	48,200	36,621	84,821
Share-based payments	-	110,015	-	-	-	-	-	-	187,174	297,189	12,932	310,121
Others	-	-	-	-	-	-	-	-	-	-	10,056,242	10,056,242
Balance on December 31, 2016	\$14,556,572	\$600,097	\$133,902	\$255,058	\$1,932,699	\$(705,155)	\$844,879	\$(20,791)	\$(1,280,591)	\$16,316,670	\$10,699,659	\$27,016,329
Balance on January 1, 2017	\$14,556,572	\$600,097	\$133,902	\$255,058	\$1,932,699	\$(705,155)	\$844,879	\$(20,791)	\$(1,280,591)	\$16,316,670	\$10,699,659	\$27,016,329
Appropriation and distribution of 2016 retained earnings												
Legal reserve appropriated	-	-	117,649	-	(117,649)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(430,369)	-	-	-	-	(430,369)	-	(430,369)
Other changes in capital surplus:												
Changes in equity of associates and joint ventures accounted for using equity method	-	(5,534)	-	-	-	-	-	-	-	(5,534)	-	(5,534)
Profit for the year ended December 31, 2017	-	-	-	-	382,629	-	-	-	-	382,629	303,648	686,277
Other comprehensive income for the year ended December 31, 2017	-	-	-	-	(25,827)	(35,220)	441,276	(105)	-	380,124	146,362	526,486
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	356,802	(35,220)	441,276	(105)	-	762,753	450,010	1,212,763
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	18,883	-	-	-	-	-	-	-	18,883	-	18,883
Changes in ownership interests in subsidiaries	-	(15,511)	-	-	-	-	-	-	-	(15,511)	33,751	18,240
Share-based payments	-	70,705	-	-	-	-	-	-	166,406	237,111	12,956	250,067
Others	-	277	-	-	-	-	-	8,167	-	8,444	(318,945)	(310,501)
Balance on December 31, 2017	\$14,556,572	\$668,917	\$251,551	\$255,058	\$1,741,483	\$(740,375)	\$1,286,155	\$(12,729)	\$(1,114,185)	\$16,892,447	\$10,877,431	\$27,769,878

The accompanying notes are an integral part of financial statements.

KINPO ELECTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars)

Item	2017	2016
Cash flows from operating activities:		
Profit before tax	\$921,906	\$2,353,822
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	2,790,942	2,875,668
Amortization expense	84,181	37,787
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(51,812)	119,652
Interest expense	616,485	511,510
Interest income	(54,933)	(101,819)
Dividend income	(196,813)	(200,290)
Share-based payments	92,016	176,681
Share of loss (profit) of associates and joint ventures accounted for using equity method	(103,068)	(309,571)
Loss (gain) on disposal of property, plant and equipment	7,796	(83,064)
Loss (gain) on disposal of investments	(12,004)	1,245
Loss (gain) on disposal of investments accounted for using equity method	-	866,972
Impairment loss on financial assets	511	24,095
Reversal of provision for loss on financial assets	-	(5,728)
Impairment loss on non-financial assets	23,153	258,925
Gain on bargain purchase	-	(1,929,831)
Changes in operating assets and liabilities:		
Decrease (increase) in notes receivable	(63,088)	7,228
Decrease (increase) in accounts receivable	(2,731,600)	7,354,672
Decrease (increase) in accounts receivable due from related parties	30,733	(2,001)
Decrease (increase) in other receivable	(858,053)	957,573
Decrease (increase) in other receivable due from related parties	(249)	383,802
Decrease (increase) in inventories	(244,283)	780,690
Decrease (increase) in prepayments	26,220	(322,745)
Decrease (increase) in other current assets	231,120	258,558
Decrease (increase) in other financial assets	(11)	53,091
Increase (decrease) in notes payable	(7,625)	8,549
Increase (decrease) in accounts payable	(812,297)	(2,250,059)
Increase (decrease) in accounts payable to related parties	(49,104)	(128,967)
Increase (decrease) in other payable	(781,048)	365,413
Increase (decrease) in other payable to related parties	178	(73,793)
Increase (decrease) in provisions	(32,659)	42,978
Increase (decrease) in other current liabilities	(205,772)	(424,315)
Increase (decrease) in net defined benefit liability	27,420	28,605
Cash inflow (outflow) generated from operations:	(1,351,758)	11,635,333
Interest received	44,263	94,615
Interest paid	(627,365)	(466,715)
Income taxes paid	(268,845)	(121,766)
Net cash flows from (used in) operating activities	(2,203,705)	11,141,467
Cash flows from (used in) investing activities:		
Proceeds from disposal of financial assets at fair value through profit or loss, designated as upon initial recognition	2,833	-
Proceeds from disposal of available-for-sale financial assets	127,836	116,618
Acquisition of investments in debt instrument without active market	(14,857)	(31,685)
Proceeds from repayments of investments in debt instrument without active market	150,000	150,000
Acquisition of financial assets at cost	(69,226)	-
Proceeds from capital reduction of financial assets at cost	5,312	2,034
Acquisition of investments accounted for using equity method	(38,305)	(263,026)
Proceeds from disposal of investments accounted for using equity method	-	2,283
Proceeds from capital reduction of investments accounted for using equity method	(10,000)	-
Acquisition of property, plant and equipment	(3,214,257)	(3,731,090)
Proceeds from disposal of property, plant and equipment	454,678	573,292
Acquisition of intangible assets	(147,916)	(71,423)
Net cash inflows from business combination	-	3,766,471
Acquisition of investment properties	(70,976)	-
Increase in other financial assets	-	(25,412)
Decrease in other financial assets	20,274	-
Increase in other non-current assets	(351,647)	-
Decrease in other non-current assets	-	27,295
Increase in prepayments for business facilities	(153,015)	(552,531)
Dividends received	430,198	410,500
Net cash flows from (used in) investing activities	(2,879,068)	373,326
Cash flows from (used in) financing activities:		
Increase in short-term loans	9,704,974	2,454,184
Decrease in short-term loans	(2,766,123)	(7,461,419)
Increase in short-term notes and bills payable	-	330,000
Decrease in short-term notes and bills payable	(625,500)	(44,000)
Proceeds from long-term debt	15,612,440	8,289,995
Repayments of long-term debt	(15,213,413)	(10,143,241)
Increase in other non-current liabilities	-	1,582
Decrease in other non-current liabilities	(7,479)	-
Cash dividends paid	(411,486)	(405,486)
Exercise of employee share options	7,675	-
Payments to acquire treasury shares	-	(172,700)
Treasury shares sold to employees	165,908	186,639
Change in non-controlling interests	(316,303)	(22,737)
Net cash flows from (used in) financing activities	6,150,693	(6,987,183)
Effect of exchange rate changes on cash and cash equivalents	(33,812)	(1,461,342)
Net increase (decrease) in cash and cash equivalents	1,034,108	3,066,268
Cash and cash equivalents at the beginning of period	6,441,055	3,374,787
Cash and cash equivalents at the end of period	\$7,475,163	\$6,441,055

The accompanying notes are an integral part of financial statements.

KINPO ELECTRONICS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2017 and 2016

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

1. History and organization

Kinpo Electronics, Inc. (the “Company”), was established on April 24, 1973 under the Company Act of the Republic of China (“ROC”). On November 7, 1989, the Company’s shares were listed on the Taiwan Stock Exchange. The Company primarily engages in trading consuming electronic products, computer and peripheral computer equipment, network communication equipment and image products. The Company’s registered address and main operating site are located at 10F., No.99, Nanjing E. Rd., Sec. 5, Songshan Dist., Taipei City and No.147, Beishen Rd., Sec. 3, Shenkeng Dist., New Taipei City, respectively.

2. Date and procedures of authorization of financial statements for issue

The consolidated financial statements of Kinpo Electronics, Inc. and its subsidiaries (the Group) for the years ended December 31, 2017 and 2016 were authorized for issue by the Board of Directors on March 20, 2018.

3. Newly issued or revised standards and interpretations

- (1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are endorsed by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2017. The nature and the impact of each new standard and amendment have no material effect on the Group.

- (2) Standards or interpretations issued, revised or amended, which are endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below.

(a) *IFRS 15 “Revenue from Contracts with Customers”*

The core principle of the new Standard is for companies to recognize revenue to depict the transfer of promised goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The new Standard includes a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The Standard is effective for annual periods beginning on or after January 1, 2018.

(b) *IFRS 9 “Financial Instruments”*

The IASB has issued the final version of IFRS 9, which combines classification and measurement, the expected credit loss impairment model and hedge accounting. The standard will replace IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9 *Financial Instruments* (which include standards issued on classification and measurement of financial assets and liabilities and hedge accounting).

Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore there is requirement that 'own credit risk' adjustments are not recognized in profit or loss.

Impairment: Expected credit loss model is used to evaluate impairment. Entities are required to recognize either 12-month or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

Hedge accounting: Hedge accounting is more closely aligned with risk management activities and hedge effectiveness is measured based on the hedge ratio.

The new standard is effective for annual periods beginning on or after January 1, 2018. Consequential amendments on the related disclosures also become effective for annual periods beginning on or after January 1, 2018.

(c) *IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures*

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full. IFRS 10 was also amended so that the gains or loss resulting from the

sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture. The effective date of the amendments has been postponed indefinitely, but early adoption is allowed.

(d) *IAS 12 "Income Taxes" — Recognition of Deferred Tax Assets for Unrealized Losses*

The amendments clarify how to account for deferred tax assets for unrealized losses. The amendments are effective for annual periods beginning on or after January 1, 2017.

(e) *Disclosure Initiative — Amendment to IAS 7 "Statement of Cash Flows":*

The amendments relate to changes in liabilities arising from financing activities and to require a reconciliation of the carrying amount of liabilities at the beginning and end of the period. The amendments are effective for annual periods beginning on or after January 1, 2017.

(f) *IFRS 15 "Revenue from Contracts with Customers" — Clarifications to IFRS 15*

The amendments clarify how to identify a performance obligation in a contract, determine whether an entity is a principal or an agent, and determine whether the revenue from granting a licence should be recognized at a point in time or over time. The amendments are effective for annual periods beginning on or after January 1, 2018.

(g) *IFRS 2 "Share-Based Payment" — Amendments to IFRS 2*

The amendments contain (1) clarifying that vesting conditions (service and non-market performance conditions), upon which satisfaction of a cash-settled share-based payment transaction is conditional, are not taken into account when estimating the fair value of the cash-settled share-based payment at the measurement date. Instead, these are taken into account by adjusting the number of awards included in the measurement of the liability arising from the transaction, (2) clarifying if tax laws or regulations require the employer to withhold a certain amount in order to meet the employee's tax obligation associated with the share-based payment, such transactions will be classified in their entirety as equity-settled share-based payment transactions if they would have been so classified in the absence of the net share settlement feature, and (3) clarifying that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The equity-settled share-based payment transaction is measured by reference to the fair value of the equity instruments granted at the modification date and is recognized in equity, on the modification date, to the extent to which goods or services have been received. The liability for the cash-settled share-based payment transaction as at the modification date is derecognized on that date. Any difference between the carrying amount of the liability derecognized and the amount recognized in equity on the modification date is recognized immediately in profit or loss. The amendments are effective for annual periods beginning on or after January 1, 2018.

(h) *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts — Amendments to IFRS 4*

The amendments help to resolve issues arising from the different effective dates for IFRS 9 “Financial Instruments” (January 1, 2018) and the new insurance contracts standard about to be issued by the IASB (still to be decided, but not before January 1, 2020). The amendments allow entities issuing insurance contracts within the scope of IFRS 4 to mitigate certain effects of applying IFRS 9 “Financial Instruments” before the IASB’s new insurance contracts standard becomes effective. The amendments introduce two approaches: an overlay approach and a temporary exemption. The overlay approach allows an entity applying IFRS 9 to remove from profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before the new insurance contracts standard is applied. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 until 2021 (these entities that defer the application of IFRS 9 will continue to apply IAS 39).

(i) *Transfers of Investment Property — Amendments to IAS 40*

The amendments relate to the transfers of investment property. The amendments clarify that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use, the entity should transfer property into and out of investment property accordingly. A mere change in management’s intentions for the use of a property does not provide evidence of a change in use. The amendments are effective for annual periods beginning on or after January 1, 2018.

(j) *Improvements to International Financial Reporting Standards (2014-2016 cycle):*

IFRS 1 “First-time Adoption of International Financial Reporting Standards”

The amendments revise and amend transition requirements relating to certain standards and delete short-term exemptions under Appendix E for first-time adopter. The amendments are effective for annual periods beginning on or after January 1, 2018.

IFRS 12 “Disclosure of Interests in Other Entities”

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity’s interests that are classified as held for sale or discontinued operations. The amendments are effective for annual periods beginning on or after January 1, 2017.

IAS 28 “Investments in Associates and Joint Ventures”

The amendments clarify that when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and other qualifying entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with IFRS 9 “Financial Instruments” on an investment-by-investment basis. Besides, if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries on an investment-by-investment basis. The amendments are effective for annual periods beginning on or after January 1, 2018.

(k) IFRIC 22 “*Foreign Currency Transactions and Advance Consideration*”

The interpretation clarifies that when applying paragraphs 21 and 22 of IAS 21 “The Effects of Changes in Foreign Exchange Rates”, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation is effective for annual periods beginning on or after January 1, 2018.

The abovementioned standards and interpretations issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2018. Apart from the potential impact of the standards and interpretations listed under (a)~(b) and (e)~(f) which is described below, all other standards and interpretations have no material impact on the Group:

(a) IFRS 15 “Revenue from Contracts with Customers” (including Amendments to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”)

The Group elected to recognize the cumulative effect of initially applying IFRS 15 at the date of initial application (January 1, 2018). The Group also elected to apply this standard retrospectively only to contracts that are not completed contracts at the date of initial application.

The Group’s principal activities consist of the sale of goods and rendering of services. The impacts arising from the adoption of IFRS 15 on the Group are summarized as follows:

- A. Revenue from sale of goods is currently recognized when goods have been delivered to the buyer. Starting from the date of initial application, in accordance with IFRS 15, the Group shall recognize revenue when (or as) the Group satisfies a performance obligation by transferring a promised good to a customer. IFRS 15 has no material impact on the Group's revenue recognition from sale of goods. However, for some contracts, the Group is obligated to transfer the goods to customers because partial consideration is received prior to transferring goods. The Group recognized the consideration received in advance from customers as payment received in advance under other current liabilities. Starting from the date of initial application, in accordance with IFRS 15, it shall be recognized as contract liabilities. The amount reclassified from other current liabilities to contract liabilities of the Group as at the date of initial application was \$79,030 thousand.
- B. Revenue from service is currently recognized based on the percentage of completion. Starting from the date of initial application, in accordance with IFRS 15, the Group shall recognize revenue when (or as) the Group satisfies a performance obligation by transferring a promised service to a customer and also based on the percentage of completion. IFRS 15 has no material impact on the Group's revenue recognition from rendering services.
- C. For group accounting policies consistency, the Group assessed that there was no material impact on investments accounted for using equity method as at the date of initial application.
- D. In accordance with the requirements of IFRS 15, more extensive disclosure would have to be made.

(b) IFRS 9 "Financial Instruments"

The Group elected not to restate prior periods in accordance with the requirements of IFRS 9 at the date of initial application (January 1, 2018). The adoption of IFRS 9 has the following impacts on the Group:

A. Classification and measurement of financial assets

Available-for-sale financial assets – equity instrument investments

The assessment of the cash flow characteristics will be based on the facts and circumstances that existed as at the date of initial application. As these equity instrument investments are not held-for-trading, the Group elected to designate them as financial assets measured at fair value through other comprehensive income. On the date of initial application, the Group will reclassify available-for-sale financial assets (including financial assets at cost in the amount of \$549,998 thousand) to financial assets measured at fair value through other comprehensive income in the amount of \$5,175,721 thousand. Other related adjustments are described as follows:

- (a) The stocks of unlisted companies currently measured at cost amounted to \$549,998 thousand in accordance with IAS 39, which had an original cost of \$585,669 thousand, and \$35,671 thousand of which was impaired. However, in accordance with IFRS 9, stocks of unlisted companies must be measured at fair value but are not required to be assessed for impairment. The estimated fair value of the stocks of unlisted companies was \$495,840 thousand as at the date of initial application. The Group will reclassify the stocks of unlisted companies which had an original cost of \$585,669 thousand to financial assets measured at fair value through other comprehensive income and will reduce the book value to \$495,840 thousand. Considering the tax effect, the adjustment will also increase deferred tax assets, retained earnings, other equity and non-controlling interests by \$4,326 thousand, \$23,183 thousand, \$(44,306) thousand and \$(28,709) thousand, respectively.
- (b) The stocks of listed and unlisted companies are currently measured at fair value of \$4,625,723 thousand. As at the date of initial application, except for the reclassification to financial assets measured at fair value through other comprehensive income and other equity accounts, no other difference will incur.

Available-for-sale financial assets – de-recognition of equity investments measured at fair value

Upon de-recognition of equity investments currently classified as available-for-sale measured at fair value, the accumulated gains or losses previously recognized in other comprehensive income was recycled to profit or loss from equity. However, under IFRS 9, subsequent fair value changes of the aforementioned equity investments are recognized in other comprehensive income and cannot be recycled to profit or loss. Upon de-recognition, the accumulated amounts in other component of equity is reclassified to retained earnings (reclassification to profit or loss is not allowed). The de-recognition has no material impact as at the date of initial application on the Group.

Impairment of financial assets

This is applicable to financial assets not measured at fair value through profit or loss. In accordance with IFRS 9, a loss allowance for debt instruments is measured using the expected credit loss model, whereas trade receivables or contract assets that result from transactions that are within the scope of IFRS 15 is measured using the simplified approach (provision matrix). The aforementioned requirements on impairment is different from the current incurred loss model and have no material impact on the Group.

Besides, under IFRS 9, impairment assessment is not required for equity instruments. Therefore, as the Group elects to classify certain equity investments as financial assets measured at fair value through other comprehensive income, the Group will reclassify an accumulated impairment loss of \$3,822 thousand from retained earnings to other component of equity after considering the effect of tax.

B. For group accounting policies consistency, the Group assess there is no material impact on investments accounted for using equity method as at the date of initial application.

C. Consequential amendments on the related disclosures in IFRS 7 were also made as a result of the application of IFRS 9, which include the disclosure requirements related to the initial application of IFRS 9. Therefore more extensive disclosure would have to be made.

(c) Disclosure Initiative — Amendment to IAS 7 “Statement of Cash Flows”

Additional disclosure of a reconciliation of the carrying amount of liabilities arising from financing activities at the beginning and end of the period would be required.

(3) Standards or interpretations issued, revised or amended, by IASB but not yet endorsed by FSC at the date of issuance of the Group’s financial statements are listed below.

(a) *IFRS 16 “Leases”*

The new standard requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions). Lessor accounting still uses the dual classification approach: operating lease and finance lease. The Standard is effective for annual periods beginning on or after January 1, 2019.

(b) *IFRIC 23 “Uncertainty Over Income Tax Treatments”*

The Interpretation clarifies application of recognition and measurement requirements in IAS 12 “Income Taxes” when there is uncertainty over income tax treatments. The Interpretation is effective for annual periods beginning on or after January 1, 2019.

(c) *IFRS 17 “Insurance Contracts”*

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

- (1) estimates of future cash flows;
- (2) Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
- (3) a risk adjustment for non-financial risk.

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts. IFRS 17 is effective for annual periods beginning on or after January 1, 2021.

(d) *IAS 28 “Investment in Associates and Joint Ventures” — Amendments to IAS 28*

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture before it applies IAS 28, and in applying IFRS 9, does not take account of any adjustments that arise from applying IAS 28. The amendment is effective for annual reporting periods beginning on or after January 1, 2019.

(e) *Prepayment Features with Negative Compensation (Amendments to IFRS 9)*

The amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract, to be measured at amortized cost or at fair value through other comprehensive income. The amendment is effective for annual reporting periods beginning on or after January 1, 2019.

(f) *Improvements to International Financial Reporting Standards (2015-2017 cycle):*

IFRS 3 “Business Combinations”

The amendments clarify that an entity that has joint control of a joint operation shall remeasure its previously held interest in a joint operation when it obtains control of the business. The amendments are effective for annual periods beginning on or after January 1, 2019.

IFRS 11 “Joint Arrangements”

The amendments clarify that an entity that participates in, but does not have joint control of, a joint operation does not remeasure its previously held interest in a joint operation when it obtains joint control of the business. The amendments are effective for annual periods beginning on or after January 1, 2019.

IAS 12 “Income Taxes”

The amendments clarify that an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events. The amendments are effective for annual periods beginning on or after January 1, 2019.

IAS 23 “Borrowing Costs”

The amendments clarify that an entity should treat as part of general borrowings any borrowing made specifically to obtain an asset when the asset is ready for its intended use or sale. The amendments are effective for annual periods beginning on or after January 1, 2019.

(g) Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

The amendments clarify that when a change in a defined benefit plan is made (such as amendment, curtailment or settlement, etc.), the entity should use the updated assumptions to remeasure its net defined benefit liability or asset. The amendments are effective for annual periods beginning on or after January 1, 2019.

The abovementioned standards and interpretations issued by IASB have not yet been endorsed by FSC at the date when the Group’s financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Group is still currently determining the potential impact of the standards and interpretations listed under (a)~(b) and (d)~(g), it is not practicable to estimate their impact on the Group at this point in time. All other standards and interpretations have no material impact on the Group.

4. Summary of Significant Accounting Policies

(1) Statement of compliance

The consolidated financial statements of the Group for the years ended December 31, 2017 and 2016 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the FSC.

(2) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars (“NTD”) unless otherwise stated.

(3) Basis of consolidation

Preparation principle of consolidated financial statement

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- A. power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- B. exposure, or rights, to variable returns from its involvement with the investee, and
- C. the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- A. the contractual arrangement with the other vote holders of the investee
- B. rights arising from other contractual arrangements
- C. the Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Company loses control of a subsidiary, it:

- A. derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- B. derecognizes the carrying amount of any non-controlling interest;
- C. recognizes the fair value of the consideration received;
- D. recognizes the fair value of any investment retained;
- E. recognizes any surplus or deficit in profit or loss; and
- F. reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows:

Investor	Subsidiary	Main businesses	Percentage of ownership (%)	
			December 31, 2017	December 31, 2016
The Company	Kinpo International (Singapore) Pte. Ltd.	Reinvestment on domestic and overseas business	100.00%	100.00%

Investor	Subsidiary	Main businesses	Percentage of ownership (%)	
			December 31, 2017	December 31, 2016
The Company	Kinpo International Ltd.	Reinvestment on domestic and overseas business	100.00%	100.00%
The Company	Forward International Ltd.	Reinvestment on domestic and overseas business; purchases and sales of marketable securities; manufacturing and sales of calculators	100.00%	100.00%
The Company	Jipo Investment Co., Ltd.	General investment	100.00%	100.00%
The Company	Cal-Comp Biotech Co., Ltd.	Cultivation and retail of agricultural products	100.00%	100.00%
The Company	Kinpo Electronics (Philippines), Inc. (Note 6)	Manufacturing and sales products of other companies' electronic products	-	100.00%
The Company	Lipo Holding Co., Ltd.	Reinvestment on domestic and overseas business	51.00%	51.00%
The Company	Crownpo Technology Inc.	Manufacturing and sales of chip diodes, etc.	51.61%	51.61%
The Company	XYZprinting, Inc. (Note 1)	Trading 3D printer	46.40%	44.74%
The Company	Cal-Comp Electronics (Thailand) Public Company Limited (Note 2)	Manufacturing of computers and peripheral devices, telecommunication products and automatic equipment	40.39%	40.41%
The Company	CastleNet Technology Inc. (Note 3)	Development, manufacturing and sales of products including cable modem, powerline communication and digital home applications	31.89%	21.05%
The Company	Cal-Comp Big Data, Inc.	Medical equipment, data processing and provision service	50.00%	50.00%
The Company	New Era AI Robotic Limited (Note 8)	Reinvestment on domestic and overseas business	50.00%	-
Kinpo International (Singapore) Pte. Ltd.	Cal-Comp Electronics (Thailand) Public Company Limited (Note 2)	Manufacturing of computers and peripheral devices, telecommunication products and automatic equipment	6.60%	6.61%
Kinpo International (Singapore) Pte. Ltd.	Kinpo Electronics (Philippines), Inc. (Note 6)	Manufacturing and sales products of other companies' electronic products	100.00%	-
Kinpo International Ltd.	Kinpo Electronics (China) Co., Ltd.	Manufacturing and sales products of other companies' electronic products	100.00%	100.00%

Investor	Subsidiary	Main businesses	Percentage of ownership (%)	
			December 31, 2017	December 31, 2016
Kinpo International Ltd.	Dongguan Kaipo Electronics Co., Ltd.	Manufacturing and sales products of other companies' products	100.00%	100.00%
Lipo Holding Co., Ltd.	LIZ Electronics (Kunshan) Co., Ltd.	Production and marketing chip resistor & chip diodes	88.13%	88.13%
Lipo Holding Co., Ltd.	LIZ Electronics (Nantong) Co., Ltd.	R&D, manufacturing chip components; sales of products and provide after-sales service; wholesaling, importing and exporting electronic components, semiconductors special materials and spare parts	16.60%	28.55%
LIZ Electronics (Kunshan) Co., Ltd.	LIZ Electronics (Nantong) Co., Ltd.	R&D, manufacturing chip components; sales of products and provide after-sales service; wholesaling, importing and exporting electronic components, semiconductors special materials and spare parts	83.40%	71.45%
Crownpo Technology Inc.	Ranashe International Ltd.	Reinvestment on domestic and overseas business	100.00%	100.00%
Ranashe International Ltd.	LIZ Electronics (Kunshan) Co., Ltd.	Production and marketing chip resistor & chip diodes	11.87%	11.87%
XYZprinting, Inc.	XYZprinting, Inc. (SAMOA)	Reinvestment on business in China	100.00%	100.00%
XYZprinting, Inc.	XYZprinting, Inc. (USA)	Trading 3D printer	100.00%	100.00%
XYZprinting, Inc.	XYZprinting Japan, Inc.	Trading 3D printer	100.00%	100.00%
XYZprinting, Inc.	XYZprinting Netherlands, B.V.	Trading 3D printer	100.00%	100.00%
XYZprinting, Inc.	XYZprinting (Thailand) Co., Ltd.	Trading 3D printer	100.00%	100.00%
XYZprinting, Inc. (SAMOA)	XYZprinting (Suzhou) Co., Ltd.	Trading 3D printer	100.00%	100.00%
XYZprinting, Inc. (SAMOA)	XYZprinting (Shanghai) Cloud Technology Co., Ltd. (Note 4)	Internet technology development	100.00%	100.00%
Cal-Comp Electronics (Thailand) Public Company Limited	XYZprinting, Inc. (Note 1)	Trading 3D printer	46.40%	44.74%
Cal-Comp Electronics (Thailand) Public Company Limited	Cal-Comp Optical Electronics (Suzhou) Co., Ltd.	Manufacturing	100.00%	100.00%

Investor	Subsidiary	Main businesses	Percentage of ownership (%)	
			December 31, 2017	December 31, 2016
Cal-Comp Electronics (Thailand) Public Company Limited	Cal-Comp Electronics and Communications (Suzhou) Co., Ltd.	Manufacturing	100.00%	100.00%
Cal-Comp Electronics (Thailand) Public Company Limited	Cal-Comp Technology (Suzhou) Co., Ltd.	Manufacturing	100.00%	100.00%
Cal-Comp Electronics (Thailand) Public Company Limited	Logistar International Holding Co., Ltd.	Dealer	100.00%	100.00%
Cal-Comp Electronics (Thailand) Public Company Limited	Cal Comp (Malaysia) SDN. BHD.	Manufacturing	100.00%	100.00%
Cal-Comp Electronics (Thailand) Public Company Limited	Cal-Comp Electronics & Communications Co., Ltd.	Purchase of raw material, research and development	100.00%	100.00%
Cal-Comp Electronics (Thailand) Public Company Limited	Cal-Comp Electronics (USA) Co., Ltd.	Manufacturing	100.00%	100.00%
Cal-Comp Electronics (Thailand) Public Company Limited	Cal-Comp Precision (Singapore) Limited	Manufacturing and distribution	100.00%	100.00%
Cal-Comp Electronics (Thailand) Public Company Limited	Cal-Comp Precision (Thailand) Limited	Plastic Molding	100.00%	100.00%
Cal-Comp Electronics (Thailand) Public Company Limited	Cal-Comp Technology (Philippines), Inc.	Manufacturing	100.00%	100.00%
Cal-Comp Electronics (Thailand) Public Company Limited	Cal-Comp Electronics de Mexico Co., S.A. de C.V.	Manufacturing	100.00%	100.00%
Cal-Comp Electronics (Thailand) Public Company Limited	Cal-Comp Holding (Brasil) S.A.	Holding company	99.99%	99.99%
Cal-Comp Electronics (Thailand) Public Company Limited	Cal-Comp Industria e Comercio de Eletronicos e Informatica Ltda.	Manufacturing	0.82%	0.82%
Cal-Comp Electronics (Thailand) Public Company Limited	QBit Semiconductor Ltd. (Note 7)	Design semiconductors	-	100.00%
Cal-Comp Electronics (Thailand) Public Company Limited	Cal-Comp Big Data Inc.	Medical equipment, data processing and provision service	50.00%	50.00%

Investor	Subsidiary	Main businesses	Percentage of ownership (%)	
			December 31, 2017	December 31, 2016
Cal-Comp Electronics (Thailand) Public Company Limited	QBit Semiconductor Holding Ltd.	Holding company	100.00%	100.00%
Cal-Comp Electronics (Thailand) Public Company Limited	Cal-Comp (India) Private Limited (Note 5)	Operating and designing electronic products	100.00%	-
Cal-Comp Electronics (Thailand) Public Company Limited	New Era AI Robotic Limited (Note 8)	Reinvestment on domestic and overseas business	50.00%	-
Cal-Comp Electronics (USA) Co., Ltd.	Cal-Comp USA (San Diego), Inc.	Manufacturing	100.00%	100.00%
Cal-Comp Electronics (USA) Co., Ltd.	Cal-Comp USA (Indiana), Inc.	Manufacturing	100.00%	100.00%
Cal-Comp Precision (Thailand) Limited	Avaplas Precision Plastic (Shanghai) Co., Ltd.	Plastic Molding	100.00%	100.00%
Cal-Comp Precision (Thailand) Limited	Cal-Comp Precision (Malaysia) SDN. BHD.	Plastic Molding	100.00%	100.00%
Cal-Comp Precision (Thailand) Limited	Cal-Comp Precision (Wujiang) Co., Ltd.	Plastic Molding	100.00%	100.00%
Cal-Comp Precision (Thailand) Limited	Cal-Comp Precision (Dongguan) Limited	Plastic Molding	100.00%	100.00%
Cal-Comp Precision (Thailand) Limited	Cal-Comp Precision (Philippines), Inc.	Plastic Molding	100.00%	100.00%
Cal-Comp Holding (Brasil) S.A.	Cal-Comp Industria de Semicondutores S.A.	Manufacturing	58.03%	58.03%
Cal-Comp Holding (Brasil) S.A.	Cal-Comp Industria e Comercio de Eletronicos e Informatica Ltda.	Manufacturing	99.18%	99.18%
QBit Semiconductor Holding Ltd.	QBit Semiconductor Ltd. (Note 7)	Design semiconductors	100.00%	-
CastleNet Technology Inc.	CastleNet Technology (BVI) Inc.	Investment holding company	100.00%	100.00%
CastleNet Technology (BVI) Inc.	CastleNet Technology Inc.	Design and manufacture of modem, sale of self-production	100.00%	100.00%
Cal-Comp Big Data, Inc.	Cal-Comp Big Data International Ltd.	Reinvestment on domestic and overseas business	100.00%	100.00%
New Era AI Robotic Limited	New Era AI Robotic Inc. (Note 9)	Trading robot and applications development	100.00%	-

Note 1: The Company determined that it has control over XYZprinting, Inc. due to the Company and its subsidiary Cal-Comp Electronics (Thailand) Public Company Limited have obtained over 50% of ownership interests. The company included it in the consolidated financial statements.

- Note 2: Although the ownership interests in Cal-Comp Electronics (Thailand) Public Company Limited is less than 50%, the Company determined that it has control over Cal-Comp Electronics (Thailand) Public Company Limited. This is due to the fact that the Company has obtained control over half of the board of Cal-Comp Electronics (Thailand) Public Company Limited and the remaining ownership is dispersed. The Company could obtain proxies to achieve relative majority in the absence of a contractual arrangement. The Company is able to appoint or approve the key management personnel of Cal-Comp Electronics (Thailand) Public Company Limited who are capable of directing the related activities. The Company therefore incorporated Cal-Comp Electronics (Thailand) Public Company Limited and its subsidiaries into the consolidated financial statements.
- Note 3: Although the ownership interests in CastleNet Technology Inc. is less than 50%, the Company determined that it has control over CastleNet Technology Inc. This is due to the fact that the Company has obtained control over half of the board of CastleNet Technology Inc. and the remaining ownership is dispersed. The Company could obtain proxies to achieve relative majority in the absence of a contractual arrangement. The Company is able to appoint or approve the key management personnel of CastleNet Technology Inc. who are capable of directing the related activities. The Company therefore incorporated CastleNet Technology Inc. and its subsidiaries into the consolidated financial statements.
- Note 4: XYZprinting, Inc. (SAMOA) set up XYZprinting (Shanghai) Cloud Technology Co., Ltd. in the fourth quarter of 2016 due to operation expansion and included it in the consolidated financial statements since then.
- Note 5: Cal-Comp Electronics (Thailand) Public Company Limited set up Cal-Comp (India) Private Limited in the first quarter of 2017 and included it in the consolidated financial statements since then.
- Note 6: To work in line with the Group's long-term development, the Group adjusted its investment structure. Kinpo Electronics (Philippines), Inc., a wholly-owned subsidiary, had been directly invested by Kinpo International (Singapore) Pte. Ltd. in the second quarter of 2017.
- Note 7: To work in line with the Group's long-term development, the Group adjusted its investment structure. QBit Semiconductor Ltd., a wholly-owned subsidiary by Cal-Comp Electronics (Thailand) Public Company Limited, had been directly invested by QBit Semiconductor Holding Ltd. in the second quarter of 2017.
- Note 8: The Company and its subsidiary, Cal-Comp Electronics (Thailand) Public Company Limited, set up a joint venture New Era AI Robotic Limited, and each acquired 50% shares of the joint venture. New Era AI Robotic Limited completed its establishment registration in the third quarter of 2017. The Company was incorporated into the consolidated financial statements since then.

Note 9: New Era AI Robotic Limited invested to set up New Era AI Robotic Inc. in the third quarter of 2017 and included it in the consolidated financial statements since then.

(4) Foreign currencies

The Group's consolidated financial statements are presented in NTD, which is also the Group's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded at functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- B. Foreign currency items within the scope of IAS 39 Financial Instruments: Recognition and Measurement are accounted for based on the accounting policy for financial instruments.
- C. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5) Current and non-current distinction

An asset is classified as current when:

- A. The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- B. The Group holds the asset primarily for the purpose of trading
- C. The Group expects to realize the asset within twelve months after the reporting period
- D. The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- A. The Group expects to settle the liability in its normal operating cycle
- B. The Group holds the liability primarily for the purpose of trading
- C. The liability is due to be settled within twelve months after the reporting period
- D. The Group 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 the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(6) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 12 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(7) Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial assets

The Group accounts for regular way purchase or sales of financial assets on the trade date.

Financial assets of the Group are classified as financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The Group determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

A financial asset is classified as held for trading if:

- (a) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- (b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- (c) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial asset at fair value through profit or loss; or a financial asset may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- (a) it eliminates or significantly reduces a measurement or recognition inconsistency; or
- (b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss (including those received during the period of initial investment).

If financial assets do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets that are designated as available-for-sale or those not classified as financial assets at fair value through profit or loss, held-to-maturity financial assets, or loans and receivables.

Foreign exchange gains and losses and interest calculated using the effective interest method relating to monetary available-for-sale financial assets, or dividends on an available-for-sale equity instrument, are recognized in profit or loss. Subsequent measurement of available-for-sale financial assets at fair value is recognized in equity until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss.

If equity instrument investments do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group upon initial recognition designates as available for sale, classified as at fair value through profit or loss, or those for which the holder may not recover substantially all of its initial investment.

Loans and receivables are separately presented on the balance sheet as receivables or debt instrument investments for which no active market exists. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset other than the financial assets at fair value through profit or loss is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset. The carrying amount of the financial asset impaired, other than receivables impaired which are reduced through the use of an allowance account, is reduced directly and the amount of the loss is recognized in profit or loss.

A significant or prolonged decline in the fair value of an available-for-sale equity instrument below its cost is considered a loss event.

Other loss events include:

- (a) significant financial difficulty of the issuer or obligor; or
- (b) a breach of contract, such as a default or delinquency in interest or principal payments;
or
- (c) it becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- (d) the disappearance of an active market for that financial asset because of financial difficulties.

For loans and receivables measured at amortized cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial asset that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If there is objective evidence that an impairment loss has been

incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. Interest income is accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

In the case of equity investments classified as available-for-sale, where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss – is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recognized in profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

Derecognition of financial assets

A financial asset is derecognized when:

- (a) The rights to receive cash flows from the asset have expired
- (b) The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- (c) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

B. Financial liabilities and equity

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Compound instruments

The Group evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Group assesses if the economic characteristics and risks of the put and call options contained in the convertible bonds are closely related to the economic characteristics and risk of the host contract before separating the equity element.

For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled.

For the embedded derivative that is not closely related to the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal on each exercise date to the amortized cost of the host debt instrument), it is classified as a liability component and subsequently measured at fair value through profit or loss unless it qualifies for an equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Its carrying amount is not remeasured in the subsequent accounting periods. If the convertible bond issued does not have an equity component, it is accounted for as a hybrid instrument in accordance with the requirements under IAS 39 Financial Instruments: Recognition and Measurement.

Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

On conversion of a convertible bond before maturity, the carrying amount of the liability component being the amortized cost at the date of conversion is transferred to equity.

Financial liabilities

Financial liabilities within the scope of IAS 39 Financial Instruments: Recognition and Measurement are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

A financial liability is classified as held for trading if:

- (a) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- (b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- (c) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- (a) it eliminates or significantly reduces a measurement or recognition inconsistency; or
- (b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

If the financial liabilities at fair value through profit or loss do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial liabilities measured at cost on balance sheet and carried at cost as of the reporting date.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

C. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(8) Derivative financial instrument

The Group uses derivative financial instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as financial assets or liabilities at fair value through profit or loss (not held for trading) except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognized in equity.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss.

(9) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- A. In the principal market for the asset or liability, or
- B. In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(10) Inventories

Inventories are recorded at costs when purchased, following the perpetual inventory system. The inventories are recorded at standard cost, while various differences generated in the same period will be allocated to inventories and cost of goods sold at the end of the period. The costs of finished goods and work in process includes the cost of raw material, direct labor, other direct costs and manufacturing overhead related to production (allocated subject to normal productivity), exclusive of the borrowing cost. Inventories are stated at the lower of cost or net realizable value at the end of the period. The cost and net realizable value should be compared on an item-by-item basis. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and necessary selling expense.

(11) Investments accounted for using the equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the Group's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Group's percentage of ownership interests in the associate or joint venture, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a pro-rata basis.

When the associate or joint venture issues new stock, and the Group's interest in an associate or a joint venture is reduced or increased as the Group fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Group disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 *Impairment of Assets*. In determining the value in use of the investment, the Group estimates:

- A. Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- B. The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 *Impairment of Assets*.

Upon loss of significant influence over the associate or joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(12) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. 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 is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *Property, plant and equipment*. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	3~60 years
Machinery and equipment	1~20 years
Other equipment	1~20 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

(13) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are measured using the cost model in accordance with the requirements of IAS 16 for that model, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	11~41 years
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Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

Assets are transferred to or from investment properties when there is a change in use.

(14) Leases

Group as a lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

(15) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

A summary of the policies applied to the Group's intangible assets is as follows:

	Patents	Know-how	Licenses	Computer software
Useful lives	Finite(5~8years)	Finite(3~10 years)	Finite(10 years)	Finite(1~10 years)
Amortization method used	Amortized on a straight-line basis over the shorter of the period of the patent or estimated useful life	Amortized on a straight-line basis over the estimated useful life	Amortized on a straight-line basis over the shorter of legal life period or estimated useful life	Amortized on a straight-line basis over the estimated useful life
Internally generated or acquired	Acquired	Acquired	Acquired	Acquired

(16) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(17) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time.

Employee benefit – paid leave

This provision is recognized for the Group's expected additional cash payment of employee's unused entitlement on accumulated paid leaves as of the end of the reporting period.

Maintenance warranties

A provision is recognized for expected warranty claims on products sold, based on past experience, management's judgment and other known factors.

(18) Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. Any difference between the carrying amount and the consideration is recognized in equity.

(19) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods

Revenue from the sale of goods is recognized when all the following conditions have been satisfied:

- A. the significant risks and rewards of ownership of the goods have passed to the buyer;
- B. neither continuing managerial involvement nor effective control over the goods sold have been retained;
- C. the amount of revenue can be measured reliably;
- D. it is probable that the economic benefits associated with the transaction will flow to the entity; and
- E. the costs incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from engineering service is recognized by reference to the actual service costs. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered.

Interest income

For all financial assets measured at amortized cost (including loans and receivables) and available-for-sale financial assets, interest income is recorded using the effective interest rate method and recognized in profit or loss.

Dividends

Revenue is recognized when the Group's right to receive the payment is established.

(20) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(21) Post-employment benefits

All regular employees of the Group and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Group and its domestic subsidiaries. Therefore fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Group and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Group recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- A. the date of the plan amendment or curtailment, and
- B. the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(22) Share-based payment transactions

The cost of equity-settled transactions between the Group and its subsidiaries is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The cost of restricted stocks issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Group recognized unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period.

(23) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The 10% surtax on undistributed retained earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- A. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- B. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- A. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- B. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(1) Judgment

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

A. Investment properties

Certain properties of the Group comprise a portion that is held to earn rentals or for capital appreciation and another portion that is owner-occupied. If these portions could be sold separately, the Group accounts for the portions separately as investment properties and property, plant and equipment. If the portions could not be sold separately, the property is classified as investment property in its entirety only if the portion that is owner-occupied is under 10% of the total property.

B. Operating lease commitment – Group as the lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

C. De facto control without a majority of the voting rights in subsidiaries

The Group does not have majority of the voting rights in certain subsidiaries. However, after taking into consideration factors such as absolute size of the Group's holding, relative size of the other shareholdings, how widely spread is the remaining shareholding, contractual arrangements between shareholders, potential voting rights, etc., the Group reached the conclusion that it has de facto control over these subsidiaries. Please refer to Note 4 for further details.

(2) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

A. Impairment of accounts receivable

The Group makes judgement and estimates the amount that is not recoverable based upon aging profile of outstanding debts, past collection history and the financial condition of the clients to determine the allowance for doubtful accounts. The unrecoverable amount is the difference between the book value and the present value of the estimated future cash flow (excluding the future credit losses) discounted at the effective rate.

B. Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flows model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

C. Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less incremental costs that would be directly attributable to the disposal of the asset or cash generating unit. The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

D. Valuation of inventory

Inventories are stated at the lower of cost or net realizable value, and the Group uses judgment and estimate to determine the net realizable value of inventory at the end of each reporting period. Due to the rapid technological changes, the Group estimates the net realizable value of inventory for obsolescence and unmarketable items at the end of 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 assumption of future demand within a specific time horizon.

E. Post-employment benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Please refer to Note 6 for more details.

F. Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 6.

G. Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies. Please refer to Note 6 for disclosure on unrecognized deferred tax asset of the Group as of December 31, 2017.

6. Contents of significant accounts

(1) Cash and cash equivalents

	As of December 31	
	2017	2016
Petty cash / revolving funds	\$5,032	\$3,457
Cash in banks	5,831,343	5,020,685
Time deposit	1,529,758	1,333,908
Cash equivalents	109,030	83,005
Total	<u>\$7,475,163</u>	<u>\$6,441,055</u>

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

	As of December 31	
	2017	2016
Held for trading:		
Derivatives not designated as hedging instruments		
Financial assets		
Forward foreign exchange contracts	\$-	\$4,372
Equity securities	-	4,240
Total	<u>\$-</u>	<u>\$8,612</u>
Financial liabilities		
Forward foreign exchange contracts	<u>\$6,872</u>	<u>\$63,056</u>

A. Financial assets held for trading were not pledged.

B. Please refer to Note 12 for derivative investments held by the group.

(3) Available-for-sale financial assets

	As of December 31	
	2017	2016
Stocks	<u>\$4,625,723</u>	<u>\$4,355,015</u>

	As of December 31	
	2017	2016
Current	\$262,272	\$245,352
Non-current	4,363,451	4,109,663
Total	<u>\$4,625,723</u>	<u>\$4,355,015</u>

Available-for-sale financial assets were not pledged.

(4) Non-current financial assets at cost

	As of December 31	
	2017	2016
Available-for-sale financial assets		
Stocks	<u>\$549,998</u>	<u>\$488,995</u>

A. The above investments in the equity instruments of unlisted entities are measured at cost as the fair value of these investments are not reliably measurable due to the fact that the variability in the range of reasonable fair value measurements is significant for these investment and that the probabilities of the various estimates within the range cannot be reasonably assessed and used when measuring fair value.

B. Financial assets at cost were not pledged.

(5) Investments in debt instrument without active market

	As of December 31	
	2017	2016
Bonds	<u>\$352,211</u>	<u>\$482,241</u>

	As of December 31	
	2017	2016
Current	\$202,211	\$182,241
Non-current	150,000	300,000
Total	<u>\$352,211</u>	<u>\$482,241</u>

A. The Group acquired five-year privately-placed ordinary bond of Taiwan Star at par for \$750,000 thousand. The coupon rate is 2% and the interest is paid on June 6 and December 6 annually. The maturity date of the bond is June 6, 2019 and the principal is repayable from June 2015 in 5 installments. As of December 31, 2017, \$450,000 thousand of the principal had been repaid.

B. The subsidiaries of the Group acquired convertible corporate bonds of Mojoose Inc. at par in a total of \$52,211 thousand in 2017 and 2016. The coupon rate was 4%, and the interest was paid annually. The maturity date of the bond was December 31, 2017. The subsidiaries of the Group currently hold the bonds to earn interest and have no intention to convert the bonds into equity.

C. For the private placement of convertible corporate bonds invested by the Group, it is expected that the trading counterparts are not likely to breach contract. The maximum credit risk exposure on the reporting date is the carrying amount of the debt investments without active market.

D. Investments in debt instrument without active market were not pledged.

(6) Notes receivable

	As of December 31	
	2017	2016
Notes receivable arising from operating activities	\$86,048	\$22,960
Less: allowance for uncollectible accounts	-	-
Total	<u>\$86,048</u>	<u>\$22,960</u>

Notes receivable were not pledged.

(7) Accounts receivable and accounts receivable due from related parties

	As of December 31	
	2017	2016
Accounts receivable	\$25,775,188	\$23,133,319
Less: allowance for uncollectible accounts	(42,679)	(132,410)
Subtotal	<u>25,732,509</u>	<u>23,000,909</u>
Accounts receivable due from related parties	242,037	272,770
Less: allowance for uncollectible accounts	-	-
Subtotal	<u>242,037</u>	<u>272,770</u>
Total	<u>\$25,974,546</u>	<u>\$23,273,679</u>

A. Accounts receivable were not pledged.

B. Accounts receivable are generally on 5-180 day terms. The movements in the provision for impairment of accounts receivable and accounts receivable due from related parties were as follow (please refer to Note 12 for disclosure of credit risk) :

	Individually impaired	Collectively impaired	Total
As of January 1, 2017	\$120,920	\$11,490	\$132,410
Charge/(reversal) for the current period	(31,782)	(8,058)	(39,840)
Write off	(47,354)	(25)	(47,379)
Effect of exchange rate change and others	(2,219)	(293)	(2,512)
As of December 31, 2017	<u>\$39,565</u>	<u>\$3,114</u>	<u>\$42,679</u>
As of January 1, 2016	\$8,956	\$36	\$8,992
Charge/(reversal) for the current period	8,379	10,867	19,246
Acquisition through business merging	91,715	16,273	107,988
Write off	(1,822)	-	(1,822)
Effect of exchange rate change and others	13,692	(15,686)	(1,994)
As of December 31, 2016	<u>\$120,920</u>	<u>\$11,490</u>	<u>\$132,410</u>

The impairment losses assessed individually primarily resulted due from the fact that the counterparties did not follow the term agreed. The amount of impairment loss recognized was the difference between the carrying amount of the accounts receivable and the present value of its expected recoverable amount.

- C. Aging analysis of accounts receivable and accounts receivable due from related parties that were past due as at the end of the reporting period but not impaired was as follows:

As of	Neither past due nor impaired	Past due but not impaired				Total
		<=30 days	31~60 days	61~90 days	>=91 days	
December 31, 2017	\$22,690,496	\$1,742,862	\$806,534	\$343,497	\$391,157	\$25,974,546
December 31, 2016	20,391,689	1,654,164	946,794	122,742	158,290	23,273,679

- D. In addition to the above mentioned past due but not impaired or impaired notes receivable, accounts receivable and accounts receivable due from related parties, for which adequate allowance for uncollectible accounts has been provided, the others are identified as undue and unimpaired. Based on the historical rate of breach of contract, the Group considers that it should not be necessary to record allowance for doubtful accounts with respect to the receivable accounts undue or overdue within 90 days and with good credit. Further, aging analysis, historical experience and customers' current financial position are taken into consideration to estimate the receivable accounts which might not be collectible and to provide an allowance for uncollectible accounts therefore. Meanwhile, before accepting a new customer, the Group will evaluate the potential customer's credit quality and set the credit line for the customer through the credit rating system. Customer's credit line and rating shall be reviewed according to the type of customer on a periodical basis.

E. Transferred financial assets that are not derecognised in their entirety

The Group entered into account receivables factoring agreements (with recourse) with a financial institute. Under the agreements, the Group has transferred the contractual rights to receive the cash flows of the financial asset. However, such agreements shall bear default risk. Therefore the transferred assets did not meet the requirement of derecognition. The related terms were as follows:

As of December 31, 2017 :

(In thousands)				
The Factor (Transferee)	Interest rate	Account receivables derecognized	Cash withdrawn (Note 1)	Unutilized Credit Line (Note 2)
BNP Paribas	1.397%~1.623%	USD 2,083	(USD 2,083)	- USD 40,000

Note 1: As mentioned above, the Group received the consideration in the amount of \$61,987 thousand and recognized the consideration under other payables.

Note 2: The credit line is share with the factoring agreements that were derecognized in their entirety.

As of December 31, 2016: No such circumstances.

F. Transferred financial assets that are derecognised in their entirety

The Group entered into accounts receivable factoring agreements (without recourse) with financial institutes. Under the agreements, the Group has transferred the contractual rights to receive the cash flows of the financial asset. Pursuant to the factoring agreements, the Group does not bear the credit risk that the accounts receivables are not paid when due. Therefore the related financial assets were derecognized in their entirety as they met the requirement of derecognition. The related terms were as follows:

As of December 31, 2017:

(In thousands)				
The Factor (Transferee)	Account receivables Transferred	Account receivables derecognized	Interest rate	Credit Line
BNP Paribas	USD 18,746	(USD 18,746)	1.397%~1.623%	USD 40,000 (Note1)
Citibank	USD 180,352	(USD180,352)	2.300%~2.640%	(Note2)
HSBC	USD 81,726	(USD 81,726)	2.460%~2.690%	(Note2)
Bank of America	USD 20,067	(USD 20,067)	2.770%	(Note2)

Note 1: The credit line is share with the factoring agreements of the transferred financial assets that were not derecognized in their entirety.

Note 2: Under the factoring agreement entered into by the Group, customers and financial institutions, the financial institutions will buy the account receivables of the Group within the line of credit negotiated by the customers and the financial institutions.

As of December 31, 2016:

(In thousands)				
The Factor (Transferee)	Account receivables Transferred	Account receivables derecognized	Interest rate	Credit Line
Citibank	USD 157,099	(USD157,099)	1.510%~1.810%	(Note)
HSBC	USD 63,282	(USD 63,282)	1.680%~2.440%	(Note)
Standard Chartered	USD 64,704	(USD 64,704)	1.730%~1.950%	USD 90,000

Note: Under the factoring agreement entered into by the Group, customers and financial institutions, the financial institutions will buy the account receivables of the Group within the line of credit negotiated by the customers and the financial institutions.

(8) Inventories

	As of December 31	
	2017	2016
Raw materials	\$9,998,194	\$10,219,931
Work in process	755,221	584,031
Finished goods	3,191,573	2,892,681
Merchandise inventory	652,106	750,113
Goods in transit	453,992	360,047
Total	<u>\$15,051,086</u>	<u>\$14,806,803</u>

A. Expense and loss incurred on inventories for the years ended December 31, 2017 and 2016 were as follows:

	For the years ended December 31	
	2017	2016
Cost of inventories sold	\$110,414,008	\$114,254,424
Expense reversal from inventory write-down to net realizable value	51,551	73,882
Total	<u>\$110,465,559</u>	<u>\$114,328,306</u>

B. Inventories were not pledged.

(9) Other current assets

	As of December 31	
	2017	2016
Time deposit (Note)	\$16,273	\$16,261
Temporary debits	391,016	418,325
Others	329,154	532,900
Total	<u>\$736,443</u>	<u>\$967,486</u>

Note: Time deposit due over 3 months.

A. Please refer to Note 8 for other current assets pledged as collateral.

(10) Investments accounted for using equity method

A. Investments accounted for using equity method consisted of the following:

Investee companies	As of December 31			
	2017	% of	2016	% of
	Carrying amount	ownership	Carrying amount	ownership
<u>Associates</u>				
AcBel Polytech Inc.	\$1,862,240	24.07%	\$1,975,781	24.00%
Ascendant Private Equity Investment Ltd.	986,927	34.72%	1,089,920	34.72%
Teleport Access Services, Inc.	258,183	23.70%	261,189	23.83%
Daviscomms (S) Pte Ltd.	125,229	20.00%	111,426	20.00%
Others (Note)	63,806		30,179	
Total	<u>\$3,296,385</u>		<u>\$3,468,495</u>	

Note: Individual investment amount not exceeded \$100,000 thousand are aggregated as others.

B. Investments in associates

Information on the material associate of the Group:

(a) Company name: AcBel Polytech Inc.

Nature of the relationship with the associate: AcBel Polytech Inc. is in the business of manufacturing and selling related products in the Group's industry chain. The Group invested in AcBel Polytech Inc. for the purpose of upstream/downstream integration.

Principal place of business (country of incorporation): Taiwan

Fair value of the investment in the associate when there is a quoted market price for the investment: AcBel Polytech Inc. is a listed entity on the Taiwan Stock Exchange (TWSE). The fair value of the investment in AcBel Polytech Inc. was \$2,776,553 thousand and \$3,001,173 thousand as of December 31, 2017 and 2016, respectively.

Reconciliation of the associate's summarized financial information presented to the carrying amount of the Group's interest in the associate:

	As of December 31	
	2017	2016
Current assets	\$10,802,933	\$11,279,014
Non-current assets	4,493,336	4,399,883
Current liabilities	(6,542,931)	(6,290,521)
Non-current liabilities	(703,497)	(873,022)
Equity	8,049,841	8,515,354
Non-controlling interest	(313,075)	(282,932)
Shareholders of the parent	7,736,766	8,232,422
Proportion of the Group's ownership	24.07%	24.00%
Carrying amount of the investment	\$1,862,240	\$1,975,781

	For the years ended December 31	
	2017	2016
Operating revenue	\$17,801,690	\$19,749,532
Profit from continuing operations	357,807	549,735
Other comprehensive income, net	(73,662)	(202,740)
Total comprehensive income	284,145	346,995

- (b) The Group's investments in other companies were not individually material. The aggregate carrying amount of the Group's interests in other companies were \$1,434,145 thousand and \$1,492,714 thousand as of December 31, 2017 and 2016 respectively. The aggregate financial information based on the Group's share of other companies were as follows:

	For the years ended December 31	
	2017	2016
Profit from continuing operations	\$27,650	\$183,600
Other comprehensive income, net	(77,576)	(140,969)
Total comprehensive income	(49,926)	42,631

C. As of December 31, 2017 and 2016, the difference (Goodwill) between the costs of investment and net equity were both \$115,377 thousand.

D. The associates had no contingent liabilities or capital commitments as of December 31, 2017 and 2016.

(11)Property, plant and equipment

A. Movement of property, plant and equipment of the Group for the years ended December 31, 2017 and 2016 were as follow:

	Land	Buildings and Structures	Machinery and molding equipment	Miscellaneous Equipment	Construction in progress and equipment awaiting examination	Total
Cost:						
As of January 1, 2017	\$1,784,337	\$12,951,677	\$19,965,365	\$2,900,137	\$1,915,059	\$39,516,575
Additions	-	533,087	2,021,750	413,448	731,355	3,699,640
Disposals	-	(17,715)	(1,291,270)	(144,757)	-	(1,453,742)
Reclassification, effect of exchange rate changes and other changes	9,239	199,241	210,748	319,387	(1,015,981)	(277,366)
As of December 31, 2017	<u>\$1,793,576</u>	<u>\$13,666,290</u>	<u>\$20,906,593</u>	<u>\$3,488,215</u>	<u>\$1,630,433</u>	<u>\$41,485,107</u>
As of January 1, 2016	\$841,707	\$4,378,356	\$5,433,485	\$849,403	\$280,682	\$11,783,633
Additions	28,078	1,301,706	1,739,266	375,682	286,358	3,731,090
Acquisitions through business combinations	930,554	7,858,398	14,229,111	2,048,656	1,612,217	26,678,936
Disposals	(2,677)	(15,283)	(1,068,531)	(201,595)	(18,404)	(1,306,490)
Reclassification, effect of exchange rate changes and other changes	(13,325)	(571,500)	(367,966)	(172,009)	(245,794)	(1,370,594)
As of December 31, 2016	<u>\$1,784,337</u>	<u>\$12,951,677</u>	<u>\$19,965,365</u>	<u>\$2,900,137</u>	<u>\$1,915,059</u>	<u>\$39,516,575</u>
Accumulated depreciation and impairment:						
As of January 1, 2017	\$-	\$3,391,319	\$10,944,086	\$1,919,426	\$-	\$16,254,831
Depreciation	-	509,630	1,914,784	359,713	-	2,784,127
Disposals	-	(17,138)	(980,621)	(134,740)	-	(1,132,499)
Reclassification, effect of exchange rate changes and other changes	-	(27,433)	(232,484)	6,934	-	(252,983)
As of December 31, 2017	<u>\$-</u>	<u>\$3,856,378</u>	<u>\$11,645,765</u>	<u>\$2,151,333</u>	<u>\$-</u>	<u>\$17,653,476</u>
As of January 1, 2016	\$-	\$1,470,155	\$2,733,809	\$558,243	\$-	\$4,762,207
Depreciation	-	536,983	1,939,961	396,190	-	2,873,134
Acquisitions through business combinations	-	1,635,377	7,083,639	1,198,614	-	9,917,630
Impairment losses	-	-	247,561	11,364	-	258,925
Disposals	-	(15,469)	(667,315)	(133,478)	-	(816,262)
Reclassification, effect of exchange rate changes and other changes	-	(235,727)	(393,569)	(111,507)	-	(740,803)
As of December 31, 2016	<u>\$-</u>	<u>\$3,391,319</u>	<u>\$10,944,086</u>	<u>\$1,919,426</u>	<u>\$-</u>	<u>\$16,254,831</u>
Net carrying amount as of						
December 31, 2017	<u>\$1,793,576</u>	<u>\$9,809,912</u>	<u>\$9,260,828</u>	<u>\$1,336,882</u>	<u>\$1,630,433</u>	<u>\$23,831,631</u>
December 31, 2016	<u>\$1,784,337</u>	<u>\$9,560,358</u>	<u>\$9,021,279</u>	<u>\$980,711</u>	<u>\$1,915,059</u>	<u>\$23,261,744</u>

B. The significant part and useful life of the Group 's buildings included the following:

Primary buildings	25~60 years
Construction and renovation	6~31 years
Water & electric, air conditioning and fire extinguisher engineering	7~31 years

C. Please refer to Note 8 for more details on property, plant and equipment under pledge.

(12) Investment property

A. Movements of investment property of the Group for the years ended December 31, 2017 and 2016 were as follows:

	<u>Buildings and Structures</u>
Cost:	
As of January 1, 2017	\$175,965
Additions	70,976
Reclassification, effect of exchange rate changes and other changes	(38,531)
As of December 31, 2017	<u>\$208,410</u>
As of January 1, 2016	\$-
Additions	-
Reclassification, effect of exchange rate changes and other changes	175,965
As of December 31, 2016	<u>\$175,965</u>
Accumulated depreciation and impairment:	
As of January 1, 2017	\$15,579
Depreciation	6,815
Reclassification, effect of exchange rate changes and other changes	(1,960)
As of December 31, 2017	<u>\$20,434</u>
As of January 1, 2016	\$-
Depreciation	2,534
Reclassification, effect of exchange rate changes and other changes	13,045
As of December 31, 2016	<u>\$15,579</u>
Net carrying amount as of	
December 31, 2017	<u>\$187,976</u>
December 31, 2016	<u>\$160,386</u>

B. The rental revenue and direct operating expenses of the investment property were stated as follows:

	<u>For the years ended December 31</u>	
	<u>2017</u>	<u>2016</u>
Rental income from investment property	<u>\$534</u>	<u>\$15,772</u>
Direct operating expenses derived from investment property with rental revenue in current period	<u>\$12</u>	<u>\$6,956</u>

C. Investment properties held by the Group are not measured at fair value but for which the fair value is disclosed. The fair value measurements of the investment properties were categorized at Level 3. The fair value of investment properties was \$234,311 thousand and \$153,151 thousand as of December 31, 2017 and 2016, respectively. The aforementioned fair value was determined based on valuations performed by an independent valuer (using replacement cost method).

D. Investment properties were not pledged.

(13) Intangible assets

A. Movements of the intangible assets of the Group for the years ended December 31, 2017 and 2016 were as follows:

	<u>Patents</u>	<u>Computer software</u>	<u>Know-how and others</u>	<u>Total</u>
Cost				
As of January 1, 2017	\$807,229	\$123,326	\$442,754	\$1,373,309
Additions	89,622	58,294	-	147,916
Disposals	(768,948)	(79,195)	(36,068)	(884,211)
Reclassification, effect of exchange rate changes and other changes	3,468	1,460	19,736	24,664
As of December 31, 2017	<u>\$131,371</u>	<u>\$103,885</u>	<u>\$426,422</u>	<u>\$661,678</u>
As of January 1, 2016	\$27,073	\$90,625	\$88,910	\$206,608
Additions	19,587	51,836	-	71,423
Disposals	-	(5,324)	-	(5,324)
Acquisitions through business combinations	791,442	-	337,547	1,128,989
Reclassification, effect of exchange rate changes and other changes	(30,873)	(13,811)	16,297	(28,387)
As of December 31, 2016	<u>\$807,229</u>	<u>\$123,326</u>	<u>\$442,754</u>	<u>\$1,373,309</u>

	Patents	Computer software	Know-how and others	Total
Amortization and impairment:				
As of January 1, 2017	\$778,701	\$80,508	\$214,696	\$1,073,905
Amortization	12,626	35,690	35,865	84,181
Disposals	(768,948)	(79,195)	(36,068)	(884,211)
Impairment losses	-	-	23,153	23,153
Reclassification, effect of exchange rate changes and other changes	(9,137)	7,254	7,619	5,736
As of December 31, 2017	<u>\$13,242</u>	<u>\$44,257</u>	<u>\$245,265</u>	<u>\$302,764</u>
As of January 1, 2016	\$403	\$74,923	\$88,910	\$164,236
Amortization	1,322	13,693	22,772	37,787
Disposals	-	(5,324)	-	(5,324)
Acquisitions through business combinations	791,442	-	113,628	905,070
Reclassification, effect of exchange rate changes and other changes	(14,466)	(2,784)	(10,614)	(27,864)
As of December 31, 2016	<u>\$778,701</u>	<u>\$80,508</u>	<u>\$214,696</u>	<u>\$1,073,905</u>
Net carrying amount as of:				
December 31, 2017	<u>\$118,129</u>	<u>\$59,628</u>	<u>\$181,157</u>	<u>\$358,914</u>
December 31, 2016	<u>\$28,528</u>	<u>\$42,818</u>	<u>\$228,058</u>	<u>\$299,404</u>

B. Amortization expense of intangible assets were stated as follows:

	For the years ended December 31	
	2017	2016
Operating cost	\$17,678	\$5,900
Operating expenses	66,503	31,887
Total	<u>\$84,181</u>	<u>\$37,787</u>

(14) Other non-current assets

	As of December 31	
	2017	2016
Long-term prepaid rent	\$1,382,756	\$1,364,663
Prepayment for business facilities	313,842	309,070
Others	431,958	163,880
Total	<u>\$2,128,556</u>	<u>\$1,837,613</u>

A. Long-term prepaid rent is the land use right of the subsidiaries, and the contract period is 50-75 years.

B. Please refer to Note 8 for more details on other non-current assets under pledge.

(15) Short-term borrowings

	As of December 31	
	2017	2016
Unsecured bank loans	\$21,328,417	\$14,218,587
Secured bank loans	50,783	67,403
Total	\$21,379,200	\$14,285,990
Unused amount	\$16,388,117	\$27,274,538
Interest rate	0.77%~5.98%	0.90%~5.28%

Please refer to Note 8 for more details on financial assets pledged as security for short-term borrowings.

(16) Short-term notes and bills payable

	As of December 31	
	2017	2016
Short-term notes	\$1,176,000	\$1,801,500
Discount of short-term notes	(929)	(1,687)
Total	\$1,175,071	\$1,799,813
Interest rate	1.038%~1.60%	1.078%~1.74%

(17) Current provisions

	Employee benefit – paid leave	Sales returns and discounts	Others	Total
As of January 1, 2017	\$27,432	\$33,797	\$2,341	\$63,570
Arising during the period	1,639	-	-	1,639
Reversed during the period	-	(33,797)	(180)	(33,977)
Effect of exchange rate changes	(321)	-	-	(321)
As of December 31, 2017	\$28,750	\$-	\$2,161	\$30,911

	Employee benefit – paid leave	Sales returns and discounts	Others	Total
As of December 31, 2016	\$27,432	\$33,797	\$2,341	\$63,570

Employee benefit – paid leave

This provision is recognized for the Group's expected additional cash payment of employee's unused entitlement on accumulated paid leaves as of the end of the reporting period.

Sales returns and discounts

A provision has been recognized for sales returns and allowances based on historical experience and other known factors. The provision is recognized and the corresponding entry is made against operating revenue at the time of sales.

Others

A provision is recognized for the expected warranty claims based on historical experience, management judgement and other known factors.

(18) Long-term borrowings

A. Details of long-term borrowings as of December 31, 2017 and 2016 were as follows:

Creditor	As of December 31, 2017	Payment of principal
E.Sun Bank– Syndication unsecured loan	\$3,222,114 (USD 108,000)	The period of the loan is from December 26, 2017 to December 25, 2022. After December 25, 2020, the principal should be repaid semi-annually in 5 installments.
Mega Bank – Syndication unsecured loan	2,232,001 (USD 75,000)	The period of the loan is from April 28, 2017 to June 17, 2021. After receiving the loan 3 years later, the principal should be repaid semi-annually in 5 installments.
KGI Bank (formerly China Development Industrial Bank) – Unsecured loan	1,200,000	The period of the loan is from December 8, 2017 to December 8, 2019. The repayment of principal will be due in a lump-sum payment on the expiration of the term. Interest is payable monthly.
Bank SinoPac – Unsecured loan	650,000	The period of the loan is from November 30, 2017 to November 29, 2019. The repayment of principal will be due in a lump-sum payment on the expiration of the term. Interest is payable monthly.

Creditor	As of December 31, 2017	Payment of principal
O-Bank (formerly Industrial Bank of Taiwan) – Unsecured loan	\$400,000	The period of the loan is from November 14, 2017 to November 13, 2020. The repayment of principal will be due in a lump-sum payment on the expiration of the term. Interest is payable monthly.
O-Bank (formerly Industrial Bank of Taiwan) – Unsecured loan	200,000	The period of the loan is from January 14, 2016 to January 14, 2019. The repayment of principal will be due in a lump-sum payment on the expiration of the term. Interest is payable monthly.
E. Sun Bank – Unsecured loan	400,000	The period of the loan is from May 26, 2017 to May 24, 2019. After receiving the loan 2 years later, the principal should be repaid quarterly in 5 installments. Interest is payable quarterly.
Chang Hwa Bank – Unsecured loan	300,000	The period of the loan is from November 28, 2017 to November 27, 2020. After receiving the loan 27 months later, the principal should be repaid quarterly in 4 installments. Interest is payable monthly.
Jih Sun International Commercial Bank – Unsecured loan	500,000	The period of the loan is from November 9, 2017 to November 8, 2019. The repayment of principal will be due in a lump-sum payment on the expiration of the term. Interest is payable monthly.
Mega Bank – Unsecured loan	300,000	The period of the loan is from December 11, 2017 to December 11, 2020. The repayment of principal will be due in a lump-sum payment on the expiration of the term. Interest is payable monthly.

Creditor	As of	
	December 31, 2017	Payment of principal
Export-Import Bank of the Republic of China – Unsecured loan	\$525,000	The period of the loan is from February 26, 2016 to February 26, 2021. After receiving the loan 18 months later, the principal should be repaid semi-annually in 8 installments. Interest is payable monthly.
Far Eastern International Bank – Unsecured loan	500,000	The period of the loan is from December 6, 2016 to December 6, 2019. The repayment of principal will be due in a lump-sum payment on the expiration of the term. Interest is payable monthly.
Shanghai Commercial & Savings Bank – Unsecured loan	100,000	The period of the loan is from November 20, 2017 to May 20, 2019. The repayment of principal will be due in a lump-sum payment on the expiration of the term. Interest is payable monthly.
Ta Chong Bank – Unsecured loan	50,000	The period of the loan is from December 11, 2015 to December 26, 2018. The repayment of principal will be due in a lump-sum payment on the expiration of the term. Interest is payable monthly.
SCSB Leasing (China) Co., Ltd.– Secured loan	45,545 (CNY 10,000)	The period of the loan is from June 9, 2017 to June 9, 2022. The principal should be repaid in 5 installments and interest is payable monthly.
SCSB Leasing (China) Co., Ltd.– Secured loan	91,090 (CNY 20,000)	The period of the loan is from July 17, 2017 to July 17, 2022. The principal should be repaid in 5 installments and interest is payable monthly.
SCSB Leasing (China) Co., Ltd.– Secured loan	45,545 (CNY 10,000)	The period of the loan is from August 29, 2017 to August 29, 2022. The principal should be repaid in 5 installments and interest is payable monthly.
Subtotal	10,761,295	
Less: current portion	(476,436)	
Total	\$10,284,859	
Interest rate	1.224%~7.99%	

Creditor	As of December 31, 2016	Payment of principal
E.Sun Bank– Syndication unsecured loan	\$5,803,275 (USD180,000)	The period of the loan is from March 12, 2014 to May 27, 2019. After May 27, 2017, the principal should be repaid semi-annually in 5 installments.
Mega Bank – Syndication unsecured loan	270,000	The period of the loan is from June 17, 2016 to June 17, 2021. After receiving the loan 3 years later, the principal should be repaid semi-annually in 5 installments.
KGI Bank (formerly China Development Industrial Bank) – Unsecured loan	1,200,000	The period of the loan is from December 22, 2016 to December 22, 2018. The repayment of principal will be due in a lump-sum payment on the expiration of the term. Interest is payable monthly.
Bank SinoPac – Unsecured loan	650,000	The period of the loan is from December 30, 2015 to December 28, 2018. After receiving the loan 2 years later, the principal should be repaid quarterly in 4 installments. Interest is payable quarterly.
O-Bank (formerly Industrial Bank of Taiwan) – Unsecured loan	400,000	The period of the loan is from December 30, 2015 to December 28, 2018. The repayment of principal will be due in a lump-sum payment on the expiration of the term. Interest is payable monthly.
O-Bank (formerly Industrial Bank of Taiwan) – Unsecured loan	200,000	The period of the loan is from January 14, 2016 to January 14, 2019. The repayment of principal will be due in a lump-sum payment on the expiration of the term. Interest is payable monthly.
E.Sun Bank– Unsecured loan	400,000	The period of the loan is from May 26, 2016 to May 24, 2019. After receiving the loan 2 years later, the principal should be repaid quarterly in 5 installments. Interest is payable quarterly.
Chang Hwa Bank – Unsecured loan	300,000	The period of the loan is from December 30, 2015 to December 28, 2018. After receiving the loan 27 months later, the principal should be repaid quarterly in 4 installments. Interest is payable monthly.

Creditor	As of December 31, 2016	Payment of principal
Jih Sun International Commercial Bank – Unsecured loan	\$100,000	The period of the loan is from December 6, 2016 to November 9, 2018. The repayment of principal will be due in a lump-sum payment on the expiration of the term. Interest is payable monthly.
Jih Sun International Commercial Bank– Unsecured loan	300,000	The period of the loan is from November 11, 2016 to November 9, 2018. The repayment of principal will be due in a lump-sum payment on the expiration of the term. Interest is payable monthly.
Export-Import Bank of the Republic of China– Unsecured loan	600,000	The period of the loan is from February 26, 2016 to February 26, 2021. After receiving the loan 18 months later, the principal should be repaid semi-annually in 8 installments. Interest is payable monthly.
Far Eastern International Bank– Unsecured loan	500,000	The period of the loan is from December 6, 2016 to December 6, 2019. The repayment of principal will be due in a lump-sum payment on the expiration of the term. Interest is payable monthly.
Shanghai Commercial & Savings Bank– Unsecured loan	100,000	The period of the loan is from December 13, 2016 to June 13, 2018. The repayment of principal will be due in a lump-sum payment on the expiration of the term. Interest is payable monthly.
Ta Chong Bank– Unsecured loan	50,000	The period of the loan is from February 11, 2015 to December 26, 2018. The repayment of principal will be due in a lump-sum payment on the expiration of the term. Interest is payable monthly.
Subtotal	<u>10,873,275</u>	
Less: current portion	<u>(2,396,310)</u>	
Total	<u>\$8,476,965</u>	
Interest rate	<u>1.223%~2.43%</u>	

B. Please refer to Note 8 for more details on financial assets pledged as security for long-term borrowings.

(19) Post-employment benefits

Defined contribution plan

The Company and its domestic subsidiaries adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company and its domestic subsidiaries will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company and its domestic subsidiaries have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Subsidiaries located in the People's Republic of China will contribute social welfare benefits based on a certain percentage of employees' salaries or wages to the employees' individual pension accounts.

Pension benefits for employees of overseas subsidiaries and branches are provided in accordance with the local regulations.

Pension expenses under the defined contribution plan for the years ended December 31, 2017 and 2016 were \$357,980 thousand and \$366,069 thousand, respectively.

Defined benefits plan

The Company and its domestic subsidiaries adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company and its domestic subsidiaries contributes an amount equivalent to 15% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company and its domestic subsidiaries assesses the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandating, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Group does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute \$54,739 thousand to its defined benefit plan during the 12 months beginning after December 31, 2017.

The duration of the defined benefits plan obligation as of December 31, 2017 and 2016 were 2027~2042 and 2026~2045, respectively.

Pension costs recognized in profit or loss for the years ended December 31, 2017 and 2016 were as follows:

	<u>For the years ended December 31</u>	
	<u>2017</u>	<u>2016</u>
Current service cost	\$40,166	\$41,655
Net interest on the net defined benefit liabilities (assets)	14,834	11,223
Total	<u>\$55,000</u>	<u>\$52,878</u>

Changes in the defined benefit obligation and fair value of plan assets were as follows:

	<u>As of</u>		
	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>January 1, 2016</u>
Defined benefit obligation	\$1,205,457	\$1,147,943	\$719,998
Plan assets at fair value	<u>(453,769)</u>	<u>(456,380)</u>	<u>(147,011)</u>
Other non-current liabilities - accrued pension liabilities recognized on the balance sheets	<u>\$751,688</u>	<u>\$691,563</u>	<u>\$572,987</u>
	<u>As of December 31,</u>		
	<u>2017</u>	<u>2016</u>	
Net defined benefit assets – non-current (Note)	\$(19,755)	\$(17,643)	
Net defined benefit liabilities – non-current	<u>771,443</u>	<u>709,206</u>	
Total	<u>\$751,688</u>	<u>\$691,563</u>	

Note: Included in other non-current assets.

Reconciliations of liabilities (assets) of the defined benefit plan was as follows:

	Defined benefit obligation	Plan assets at fair value	Benefit liabilities (assets)
As of January 1, 2016	\$719,998	\$(147,011)	\$572,987
Acquisitions through business combinations	449,254	(318,886)	130,368
Current period service cost	41,655	-	41,655
Interest expense (income)	17,429	(6,206)	11,223
Subtotal	1,228,336	(472,103)	756,233
Remeasurements of the defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in demographic assumptions	(135)	-	(135)
Actuarial gains and losses arising from changes in financial assumptions	(1,053)	1,925	872
Experience adjustments	(25,771)	-	(25,771)
Remeasurements of the defined benefit assets	-	1,260	1,260
Subtotal	(26,959)	3,185	(23,774)
Payments from the plan	(47,701)	47,701	-
Contribution by employer	-	(35,124)	(35,124)
Exchange differences	(5,733)	(39)	(5,772)
As of December 31, 2016	1,147,943	(456,380)	691,563
Current period service cost	40,166	-	40,166
Interest expense (income)	16,922	(2,088)	14,834
Subtotal	1,205,031	(458,468)	746,563
Remeasurements of the defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in demographic assumptions	\$4,112	\$-	\$4,112
Actuarial gains and losses arising from changes in financial assumptions	43,639	856	44,495
Experience adjustments	(10,415)	-	(10,415)
Remeasurements of the defined benefit assets	-	(3,375)	(3,375)
Subtotal	37,336	(2,519)	34,817
Payments from the plan	(39,867)	39,867	-
Contribution by employer	-	(32,030)	(32,030)
Exchange differences	2,957	(619)	2,338
As of December 31, 2017	<u>\$1,205,457</u>	<u>\$(453,769)</u>	<u>\$751,688</u>

The following significant actuarial assumptions were used to determine the present value of the defined benefit obligation:

	As of December 31	
	2017	2016
Discount rate	1.00%~6.80%	1.25~7.50%
Expected rate of salary increases	3.00%~6.00%	3.00~6.00%

A sensitivity analysis for significant assumption was shown below:

	For the years ended December 31			
	2017		2016	
	Defined benefit obligation increase	Defined benefit obligation decrease	Defined benefit obligation increase	Defined benefit obligation decrease
Discount rate increase by 0.25%	\$-	\$26,693	\$-	\$34,059
Discount rate decrease by 0.25%	28,161	-	36,189	-
Future salary increase by 0.25%	27,614	-	35,797	-
Future salary decrease by 0.25%	-	26,045	-	33,565

The sensitivity analysis above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analysis compared to the previous period.

(20)Equity

A. Ordinary share

As of December 31, 2017 and 2016, the Company's authorized capital was both \$20,000,000 thousand, and the paid-in capital were both \$14,556,572 thousand. The outstanding shares were both 1,455,657 thousand shares, each at a par value of \$10. Each share has one voting right and right to receive dividends.

B. Capital surplus

	As of December 31	
	2017	2016
Treasury shares transactions	\$472,282	\$412,165
Changes in ownership interests in subsidiaries	28,380	43,891
Changes in equity of associates and joint ventures accounted for using equity method	24,299	29,833
Employee stock options	138,456	108,985
Others	5,500	5,223
Total	\$668,917	\$600,097

According to the Company Act, the capital surplus shall not be used except for offsetting the deficit of the Company. When a company incurs no loss, it may distribute the capital surplus generated from the excess of the issuance price over the par value of share capital (including the shares issued for mergers and the surplus from treasury shares transactions) and donations. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

C. Treasury shares

As of December 31, 2017 and 2016, the treasury shares held by the Group was \$1,114,185 thousand and \$1,280,591 thousand, respectively, and the number of treasury shares held by the Group was 70,706 thousand shares and 88,223 thousand shares respectively. The shares held by the Company's subsidiaries were as follows:

- (a) As of December 31, 2017 and 2016, the Company's subsidiary, Jipo Investment Co., Ltd., both held investment amount \$781,975 thousand, and 46,197 thousand shares of the Company's stock. These shares held by Jipo Investment Co., Ltd. were acquired for the purpose of shareholder's interests.
- (b) As of December 31, 2017 and 2016, the Company's subsidiary, Forward International Ltd., both held investment amount \$298,078 thousand, and 20,933 thousand shares of the Company's stock. These shares held by Forward International Ltd. were acquired for the purpose that beneficiary certificates of investment in parent company were treated as treasury shares.

D. Retained earnings and dividend policy

According to the Company Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- (a) Payment of all taxes and dues;
- (b) Offset prior years' operation losses;
- (c) Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
- (d) Set aside or reverse special reserve in accordance with law and regulations; and
- (e) The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting. The proportion of stock dividends maybe within 0% to 90% of the total dividends, and the cash dividends may be within 10% to 100% of the total dividends.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

Following the adoption of TIFRS, the FSC on April 6, 2012 issued Order No. Financial-Supervisory-Securities-Corporate-1010012865, which sets out the following provisions for compliance:

On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

Details of the 2017 and 2016 earnings distribution and dividends per share as approved by the Board of Directors' meeting and the shareholders' meeting held on March 20, 2018 and June 23, 2017 were as follows:

	<u>Appropriation of earnings</u>		<u>Dividend per share (NTD\$)</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Legal reserve	\$38,263	\$117,649		
Cash dividends of ordinary share	435,625	430,369	\$0.3	\$0.3

Please refer to Note 6(24) for further details on employees' compensation and remuneration to directors and supervisors.

E. Non-controlling interests

	<u>For the years ended December 31</u>	
	<u>2017</u>	<u>2016</u>
Beginning balance	\$10,699,659	\$530,357
Profit, attributable to non-controlling interest	303,648	543,700
Other comprehensive income, attributable to non-controlling interest:		
Remeasurement of defined benefit plans	(6,551)	11,126
Exchange differences on translation	195,390	(526,419)
Unrealized gains (losses) on valuation of available-for-sale financial assets	(42,323)	34,984
Other components of other comprehensive income that will be reclassified to profit or loss	(154)	116
Changes in ownership interests in subsidiaries	33,751	36,621
Share-based payment	12,956	12,932
Others	(318,945)	10,056,242 (Note)
Ending balance	<u>\$10,877,431</u>	<u>\$10,699,659</u>

Note: The Company incorporated Cal-Comp Electronics (Thailand) Public Company Limited and CastleNet Technology Inc. into the consolidated financial statements since January 1, 2016 and May 11, 2016, respectively and recognized non-controlling interests. Please refer to Note 4(3) and 6(29) for more details

(21) Share-based payment

Certain employees of the Group are entitled to share-based payment as part of their remunerations. Services are provided by the employees in return for the equity instruments granted. These plans are accounted for as equity-settled share-based payment transactions.

A. Share-based payment plan for employees of the parent entity

On December 15, 2014, the Company was authorized by the Securities and Futures Bureau of the FSC to issue employee share options with a total number of 40,000 units, respectively. Each unit entitles an optioned to subscribe for 1,000 shares of the subsidiary's common shares. Settlement upon the exercise of the options will be made through the issuance of new shares by the subsidiary. The optioned may exercise the options in accordance with certain schedules as prescribed by the plan starting 2 years from the grant date.

The fair value of the share options is estimated at the grant date using a binomial option pricing-model, taking into account the terms and conditions upon which the share options were granted.

The exercise price of the option was set at the closing price of the subsidiary's common share on the grant date. The contractual term of each option granted is 7 years. There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these employee share options.

The relevant details of the aforementioned share-based payment plan were as follows:

Date of grant	Total number of share options granted (in thousands)	Exercise price of share options (\$) (Note)
May 18, 2015	40	\$11.71

Note: After the share options are granted, if the capital shares changes (issuance of common stock, retained earnings transferred to common stock, business combination, share split or raising capital by participating in depository receipt, etc.), decreases for reasons other than decrease in treasury stocks or issues cash dividends per share amounting more than 1.5% of the stock price at that time, it would be adjusted following the Group's order of share-based payment plan for employees.

The following table lists the inputs to the model used for the plan granted on May 18, 2015:

Dividend yield (%)	-
Expected volatility (%)	32.20%
Risk-free interest rate (%)	1.2476%
Expected option life (year)	7 years
Weighted average share price (\$)	12.35
Option pricing model	Binomial option pricing model

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

The further details on the aforementioned share-based payment plan were as follows:

	For the year ended December 31			
	2017		2016	
	Number of share options outstanding	Weighted average exercise price of share options (\$)	Number of share options outstanding	Weighted average exercise price of share options (\$)
Outstanding at beginning of period	38,140	\$12.04	40,000	\$12.35
Granted	-	-	-	-
Forfeited	(438)	11.71	(1,860)	12.04
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at end of period	37,702	\$11.71	38,140	\$12.04
Exercisable at end of period	18,805	-	-	-
For share options granted during the period, weighted average fair value of those options at the measurement date		\$-		\$-

The information on the outstanding share options as of December 31, 2017 and 2016 were as follows:

	Range of exercise price (\$)	Weighted average remaining contractual life (years)
As of December 31, 2017		
Share options outstanding at the end of the period	\$11.71	4.38
As of December 31, 2016		
Share options outstanding at the end of the period	\$12.04	5.38

B. Share-based payment plan for employees of the subsidiaries

- (a) On July 2, 2015, the Company's subsidiary, Cal-Comp Electronics (Thailand) Public Company Limited, issued employee share options with a total number of 200,000 thousand units. Each unit entitles an optioned to subscribe for 1 shares of the subsidiary's common shares. Settlement upon the exercise of the options will be made through the issuance of new shares by the subsidiary. The optioned may exercise the options in accordance with certain schedules as prescribed by the plan starting 2 years from the grant date.

The fair value of the share options is estimated at the grant date using a binomial option pricing-model, taking into account the terms and conditions upon which the share options were granted.

The exercise price of the option was set at the closing price of the subsidiary's common share on the grant date. The contractual term of each option granted is 3 years. There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these employee share options.

The relevant details of the aforementioned share-based payment plan were as follows:

Date of grant	Total number of share options granted (in thousands)	Exercise price of share options (THB)
July 2, 2015	200,000	\$3.38

The following table lists the inputs to the model used for the plan granted on July 2, 2015:

Dividend yield (%)	4.25%
Expected volatility (%)	29.75%-30.00%
Risk-free interest rate (%)	1.55%
Expected option life (year)	3 years
Weighted average share price (\$)	\$3.18
Option pricing model	Binomial option pricing model

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

The further details on the aforementioned share-based payment plan were as follows:

	For the year ended December 31			
	2017		2016	
	Number of share options outstanding (in thousands)	Weighted average exercise price of share options (THB)	Number of share options outstanding (in thousands)	Weighted average exercise price of share options (THB)
Outstanding at beginning of period	135,039	\$3.38	140,000	\$3.38
Granted	-	-	-	-
Forfeited	(8,778)	3.38	(4,961)	3.38
Exercised	(2,550)	3.38	-	-
Expired	-	-	-	-
Outstanding at end of period	123,711	\$3.38	135,039	\$3.38
Exercisable at end of period	123,711	-	70,000	-
For share options granted during the period, weighted average fair value of those options at the measurement date (THB)		\$-		\$-

The information on the outstanding share options as of December 31, 2017 and 2016 were as follows:

	Range of exercise price (THB)	Weighted average remaining contractual life (years)
As of December 31, 2017		
Share options outstanding at the end of the period	\$3.38	0.5
As of December 31, 2016		
Share options outstanding at the end of the period	\$3.38	1.5

- (b) On September 23, 2016, the Company's subsidiary, Qbit Semiconductor Holding, Ltd., issued employee share options with a total number of 983 thousand units. Each unit entitles an optioned to subscribe for 1 shares of the subsidiary's common shares. Settlement upon the exercise of the options will be made through the issuance of new shares by the subsidiary. The optioned may exercise the options in accordance with certain schedules as prescribed by the plan starting 3~4 years from the grant date.

The fair value of the share options is estimated at the grant date using Black-Scholes option pricing-model, taking into account the terms and conditions upon which the share options were granted.

The exercise price of the option was set at the closing price of the subsidiary's common share on the grant date. The contractual term of each option granted is 3 years. There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these employee share options.

The relevant details of the aforementioned share-based payment plan were as follows:

Date of grant	Total number of share options granted (in thousands)	Exercise price of share options (USD)
September 23, 2016	983	\$0.1

The following table lists the inputs to the model used for the plan granted on September 23, 2016:

Dividend yield (%)	-%
Expected volatility (%)	36.69%~36.77%
Risk-free interest rate (%)	0.49%~0.52%
Expected option life (year)	3.5~4 years
Weighted average share price (\$)	\$0.08
Option pricing model	Black-Scholes option pricing model

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

The further details on the aforementioned share-based payment plan were as follows:

	For the year ended December 31			
	2017		2016	
	Number of share options outstanding (in thousands)	Weighted average price of share options (USD)	Number of share options outstanding (in thousands)	Weighted average exercise price of share options (USD)
Outstanding at beginning of period	983	\$0.1	-	\$-
Granted	-	-	983	0.1
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at end of period	983	\$0.1	983	\$0.1
Exercisable at end of period	-	-	-	-
For share options granted during the period, weighted average fair value of those options at the measurement date (USD)		\$-		\$0.1

The information on the outstanding share options as of December 31, 2017 and 2016 were as follows:

	Range of exercise price (USD)	Weighted average remaining contractual life (years)
As of December 31, 2017		
Share options outstanding at the end of the period	\$0.1	2.73
As of December 31, 2016		
Share options outstanding at the end of the period	\$0.1	3.73

C. Treasury shares transferred to Company's employees

Type of agreement	Grant date	Quantity granted (in thousands)	Contract period	Vesting conditions	Payment date
Treasury shares transferred to employees	2016.8.16	20,000	-	Vested immediately	2016.9.26
Treasury shares transferred to employees	2016.8.16	21,093 (Note)	-	Vested immediately	2017.9.11

Note: The Group transferred 17,517 thousand shares to employees on September 11, 2017.

The fair value of the treasury shares transferred to employees were as follows:

Type of agreement	Grant date	Stock price	Exercise price	Fair value per share (Note)
Treasury shares transferred to employees	2016.8.16	\$12.10	\$9.36~\$9.64	\$2.46~\$2.74

Note: The fair value is the difference between the stock price and the exercise price.

D. Expenses incurred on share-based payment transactions were shown as follows:

	For the years ended December 31	
	2017	2016
	Equity-settled	\$92,016

(22) Operating revenue

	For the years ended December 31	
	2017	2016
	Sale revenue	\$117,453,465
Service revenue	1,710,857	1,261,771
Others	40,442	42,385
Total	\$119,204,764	\$122,970,192

(23) Operating costs

	For the years ended December 31	
	2017	2016
	Costs of sales	\$110,465,559
Cost of services	1,046,894	880,831
Others	254,802	105,141
Total	\$111,767,255	\$115,314,278

(24) Additional information of expenses by function

A. Summary statement of employee benefits, depreciation and amortization expenses by function were as follows:

By feature \ By function	For the years ended December 31					
	2017			2016		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Wages and salaries	\$6,271,883	\$2,353,487	\$8,625,370	\$5,515,047	\$3,714,396	\$9,229,443
Labor and health insurance	279,709	168,233	447,942	208,710	222,394	431,104
Pension	291,718	121,262	412,980	260,328	158,619	418,947
Others	187,911	94,288	282,199	130,859	101,749	232,608
Depreciation	2,528,036	262,906	2,790,942	2,500,230	375,438	2,875,668
Amortization	17,678	66,503	84,181	5,900	31,887	37,787

B. According to the Articles of Incorporation of the Company, no lower than 2% of profit of the current year is distributable as employees' compensation and no higher than 2% of profit of the current year is distributable as remuneration to directors and supervisors. However, the Company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on the Company's Article of Incorporation and profit of current year, the management of the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2017 to be \$43,329 thousand and \$8,666 thousand respectively. As such, employees' compensation and remuneration to directors were recognized as employee benefits expense. A resolution was approved through the Board of Directors meeting held on March 20, 2018 to distribute \$43,329 thousand and \$8,666 thousand in cash as employees' compensation and remuneration to directors and supervisors of 2017, respectively.

A resolution was approved through the Board of Directors meeting held on March 24, 2017 to distribute \$127,715 thousand and \$25,543 thousand in cash as employees' compensation and remuneration to directors and supervisors of 2016, respectively. There was no significant differences between the estimated amount recognized through 2016 and actual distribution amount of 2017.

(25) Non-operating income and expenses

A. Other income

	<u>For the years ended December 31</u>	
	<u>2017</u>	<u>2016</u>
Gain recognized in bargain purchase transaction	\$-	\$1,929,831
Dividend income	196,813	200,290
Interest income	54,933	101,819
Others	471,194	245,661
Total	<u>\$722,940</u>	<u>\$2,477,601</u>

B. Other gains and losses

	For the years ended December 31	
	2017	2016
Losses on financial assets / liabilities at fair value through profit or loss	\$(93,524)	\$(703,575)
Gains (losses) on disposal of investments	12,004	(1,245)
Losses on disposals of investments accounted for using equity method	-	(866,972) (Note)
Foreign exchange gains (losses), net	(235,214)	899,805
Impairment gain (loss) on financial assets	(511)	18,367
Gains (losses) on disposals of property, plant and equipment	(7,796)	83,064
Impairment losses on non-financial assets	(23,153)	(258,925)
Others	(7,603)	(73,828)
Total	\$(355,797)	\$(903,309)

Note : For losses recognized from business combination, please refer to Note 6(29).

C. Finance costs

	For the years ended December 31	
	2017	2016
Interest expense	\$616,485	\$511,510
Others	161,687	153,868
Total	\$778,172	\$665,378

(26) Components of other comprehensive income

	For the year ended December 31, 2017				
	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Will not be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$(34,817)	\$-	\$(34,817)	\$4,717	\$(30,100)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(2,278)	-	(2,278)	-	(2,278)
Will be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation	266,323	-	266,323	(12,707)	253,616
Unrealized gains (losses) on valuation of available-for-sale financial assets	384,640	-	384,640	16	384,656
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(92,248)	-	(92,248)	13,100	(79,148)
Other components of other comprehensive income that will be reclassified to profit or loss	(281)	-	(281)	21	(260)
Total of other comprehensive income	\$521,339	\$-	\$521,339	\$5,147	\$526,486

For the year ended December 31, 2016

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Will not be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$23,774	\$-	\$23,774	\$(2,141)	\$21,633
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(6,293)	-	(6,293)	-	(6,293)
Will be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation	(2,024,568)	-	(2,024,568)	253,311	(1,771,257)
Unrealized gains (losses) on valuation of available-for-sale financial assets	94,890	-	94,890	2,166	97,056
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(167,938)	-	(167,938)	23,956	(143,982)
Other components of other comprehensive income that will be reclassified to profit or loss	9,905	-	9,905	(1,576)	8,329
Total of other comprehensive income	\$(2,070,230)	\$-	\$(2,070,230)	\$275,716	\$(1,794,514)

(27) Income Tax

A. The major components of income tax expense (income) were as follows:

Income tax expense (income) recognized in profit or loss

	For the years ended December 31	
	2017	2016
Current tax expense (income):		
Current income tax charge	\$185,788	\$582,637
Adjustments in respect of current income tax of prior periods	4,576	(3,419)
Others	2,648	1,867
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	30,910	(20,509)
Tax expense (income) recognized in the period for previously unrecognized tax loss, tax credit or temporary difference of prior periods	(5,838)	-
Deferred tax expense arising from write-down of deferred tax asset	17,545	73,052
Total income tax expense	\$235,629	\$633,628

Income tax relating to components of other comprehensive income

	<u>For the years ended December 31</u>	
	<u>2017</u>	<u>2016</u>
Deferred tax expense (income):		
Remeasurements of defined benefit plans	\$(4,717)	\$2,141
Exchange differences on translation	12,707	(253,311)
Unrealized gains (losses) from available-for-sale financial assets	(16)	(2,166)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(13,100)	(23,956)
Other components of other comprehensive income that will be reclassified to profit or loss	(21)	1,576
Income tax relating to components of other comprehensive income	<u>\$(5,147)</u>	<u>\$(275,716)</u>

B. A reconciliation of income before income tax and income tax expense recognized in profit or loss were as follows:

	<u>For the years ended December 31</u>	
	<u>2017</u>	<u>2016</u>
Accounting profit before tax from continuing operations	<u>\$921,906</u>	<u>\$2,353,822</u>
Tax at the domestic rates (17%) applicable to profits in the country concerned	\$156,724	\$400,150
Tax effect of revenues exempt from taxation	(417,721)	(506,100)
Tax effect of expenses not deductible for tax purposes	44,400	10,317
Tax effect of deferred tax assets/liabilities	74,624	97,462
10% tax on undistributed earnings	63,269	77,180
Tax effect of statutory rate difference in foreign jurisdiction	105,204	291,352
Income tax adjustments on prior years	4,576	(3,419)
Others	204,553	266,686
Total income tax expense	<u>\$235,629</u>	<u>\$633,628</u>

C. Significant components of deferred income tax assets and liabilities were as follows:

For the year ended December 31, 2017:

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Exchange difference	Ending balance
Temporary differences					
<u>Deferred tax assets</u>					
Investments accounted for using the equity method	\$192,145	\$61,992	\$-	\$-	\$254,137
Non-current liability – defined benefit liability, net	96,498	-	3,668	-	100,166
Impairment on financial assets measured at cost	8,025	(4,443)	-	-	3,582
Impairment on available-for-sale financial assets	1,542	(759)	-	-	783
Exchange difference on translation	101,441	-	(17,313)	-	84,128
Investment accounted for using equity method-revaluations of available-for-sale investments to fair value	22,911	-	(2,912)	2	20,001
Unrealized loss on inventory valuation	2,604	3,711	-	(4)	6,311
Unused tax losses	1,625,067	(21,250)	-	-	1,603,817
Others	271,238	19,903	232	(12,966)	278,407
<u>Deferred tax liabilities</u>					
Investments accounted for using the equity method	(1,035,564)	(86,021)	-	-	(1,121,585)
Exchange difference on translation	(87,510)	-	20,634	-	(66,876)
Revaluation on land	(209,505)	-	-	-	(209,505)
Capital surplus of foreign operations transferred to retained earnings	(56,745)	-	-	-	(56,745)
Gains recognized in bargain purchase transaction	(285,232)	-	-	-	(285,232)
Others	(50,548)	(15,750)	838	(500)	(65,960)
Deferred income tax benefit (expense)		<u>\$ (42,617)</u>	<u>\$ 5,147</u>	<u>\$ (13,468)</u>	
Net offset balance of deferred tax assets (liabilities)	<u>\$596,367</u>				<u>\$545,429</u>
Reported in balance sheets:					
Deferred tax assets	<u>\$2,321,471</u>				<u>\$2,351,332</u>
Deferred tax liabilities	<u>\$ (1,725,104)</u>				<u>\$ (1,805,903)</u>

For the year ended December 31, 2016

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Acquired in business combinations	Exchange difference	Ending balance
Temporary differences						
<u>Deferred tax assets</u>						
Investments accounted for using the equity method	\$137,262	\$54,883	\$-	\$-	\$-	\$192,145
Non-current liability – defined benefit liability, net	97,041	-	(543)	-	-	96,498
Impairment on financial assets measured at cost	18,342	(10,317)	-	-	-	8,025
Impairment on available-for-sale financial assets	3,656	(2,114)	-	-	-	1,542
Exchange difference on translation	-	-	101,824	(383)	-	101,441
Investment accounted for using equity method-revaluations of available-for-sale investments to fair value	-	-	22,133	50	728	22,911
Unrealized loss on inventory valuation	7,936	(5,332)	-	-	-	2,604
Unused tax losses	2,024,032	(398,965)	-	-	-	1,625,067
Others	33,281	144,312	(1,510)	98,570	(3,415)	271,238
<u>Deferred tax liabilities</u>						
Investments accounted for using the equity method	(1,320,644)	285,080	-	-	-	(1,035,564)
Exchange difference on translation	(243,106)	-	154,400	1,196	-	(87,510)
Revaluation on land	(209,505)	-	-	-	-	(209,505)
Capital surplus of foreign operations transferred to retained earnings	(56,745)	-	-	-	-	(56,745)
Investments accounted for using equity method - revaluations of available-for-sale investments to fair value	(1,076)	-	1,076	-	-	-
Gains recognized in bargain purchase transaction	-	(285,232)	-	-	-	(285,232)
Others	(162,156)	165,142	(1,664)	(56,659)	4,789	(50,548)
Deferred income tax benefit (expense)		<u>\$(52,543)</u>	<u>\$275,716</u>	<u>\$42,774</u>	<u>\$2,102</u>	
Net offset balance of deferred tax assets (liabilities)	<u>\$328,318</u>					<u>\$596,367</u>
Reported in balance sheets:						
Deferred tax assets	<u>\$2,321,550</u>					<u>\$2,321,471</u>
Deferred tax liabilities	<u>\$(1,993,232)</u>					<u>\$(1,725,104)</u>

D. The following table contains information of the unused tax losses of the Group:

Year	Unused tax losses as of December 31		Expiration year
	2017	2016	
2007	\$-	\$32,060	2017
2008	22,109	22,109	2018
2009	178,550	178,550	2019
2011	3,487,226	3,515,026	2021
2013	2,760,528	2,759,951	2023
2014	4,772,760	4,772,760	2024
2015	26,827	32,001	2025
2016	130,649	138,618	2026
2017	465,928	-	2027
	<u>\$11,844,577</u>	<u>\$11,451,075</u>	

E. Unrecognized deferred tax assets

As of December 31, 2017 and 2016, deferred tax assets that had not been recognized amounted to \$2,552,044 thousand and \$2,054,408 thousand, respectively.

F. Imputation credit information

	As of December 31	
	2017	2016
Balances of imputation credit amounts	<u>\$ - (Note 1)</u>	<u>\$649,840</u>
	<u>106.12.31(Expected)</u>	<u>105.12.31(Actual)</u>
Creditable Ratio	<u>- % (Note 1)</u>	<u>25.69%(Note 2)</u>

Note 1: The amendments of Income Tax Act had passed the third reading on January 18, 2018 and was announced on February 7, 2018. Effective on January 1, 2018, the imputation credit of the integrated income tax system was repealed according to the amendment.

Note 2: According to Article 66-6 of Income Tax Act, the deductible tax rate of net dividends received by the individual shareholders residing in the territory of the Republic of China is half of the deductible tax rate calculated with the tax creditable ratio.

The Company's earnings generated in the year ended December 31, 1997 and prior years have been fully appropriated.

G. The assessment of income tax returns

The assessment of the income tax returns of the Company and its subsidiaries were as follows:

	<u>The assessment of income tax returns</u>
The Company	Assessed and approved up to 2015
Crownpo Technology Inc.	Assessed and approved up to 2014
Cal-Comp Biotech Co., Ltd.	Assessed and approved up to 2015
XYZPriting, Inc.	Assessed and approved up to 2015
Jipo Investment Co., Ltd.	Assessed and approved up to 2015
Cal-Comp Electronics & Communications Co., Ltd.	Assessed and approved up to 2015
CastleNet Technology Inc.	Assessed and approved up to 2015

(28) Earnings per share

Basic earnings per share is calculated by dividing net profit for the year attributable to ordinary equity owners of the Group by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary equity owners of the Group by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	<u>For the years ended December 31</u>	
	<u>2017</u>	<u>2016</u>
Basic earnings per share		
Profit (in thousands of NTD)	<u>\$382,629</u>	<u>\$1,176,494</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	<u>1,374,489</u>	<u>1,354,975</u>
Basic earnings per share (NTD)	<u>\$0.28</u>	<u>\$0.87</u>

Note: Considering that the potential ordinary shares, if converted to ordinary shares will not result in a significant dilution effect and the diluted earnings per share would equal to basic earnings per share, the Company disclosed basic earnings per share only for the year ended December 31, 2017 and 2016.

There have been no other transactions involving ordinary shares or potential ordinary shares between the financial report date and the date the financial statements were authorized for issue.

(29) Business combinations

A. Acquisition of Cal-Comp Electronics (Thailand) Public Company Limited

The Group entered into an agreement with an outside investor on January 1, 2016. The counter-party agreed to transfer all its voting rights in Cal-Comp Electronics (Thailand) Public Company Limited to the Company for five years until December 31, 2020. The Group acquired substantive control over Cal-Comp Electronics (Thailand) Public Company Limited and incorporated the entity into the consolidated financial statements from January 1, 2016. In compliance with TIFRS, the Group treated the transaction as business combination and recognized the difference between the fair value and the book value of the ownership acquired on the acquisition date as loss (gain) on disposal of investments.

Cal-Comp Electronics (Thailand) Public Company Limited is based in Thailand, specializing in the manufacture of computers and peripheral devices, telecommunication products and automatic equipment. The Group acquired Cal-Comp Electronics (Thailand) Public Company Limited because the acquisition significantly expanded the range of products that the Group can offer to its clients.

The Group has elected to measure the non-controlling interest in Cal-Comp Electronics (Thailand) Public Company Limited at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The fair value of the identifiable assets and liabilities of Cal-Comp Electronics (Thailand) Public Company Limited as at the date of acquisition were:

	<u>Fair value recognized on the acquisition date</u>
Assets	
Cash and cash equivalents	\$3,570,771
Accounts receivable (including receivable from related parties)	25,707,686
Inventories	10,742,639
Property, plant and equipment	16,387,764
Long-term prepaid rents	466,235
Others	4,615,370
	<u>\$61,490,465</u>
Liabilities	
Short-term borrowings	\$(13,522,487)
Accounts payables	(20,875,912)
Long-term borrowings	(5,911,305)
Others	(3,439,491)
	<u>(43,749,195)</u>
Identifiable net assets	<u>\$17,741,270</u>

	<u>Fair value recognized on the acquisition date</u>
Gain recognised in bargain purchase transaction of Cal-Comp Electronics (Thailand) Public Company Limited was as follows:	
Purchase consideration	\$6,549,362
Add: non-controlling interests at fair value	9,399,325
Less: identifiable net assets at fair value	<u>(17,741,270)</u>
Gain recognised in bargain purchase transaction	<u><u>\$(1,792,583)</u></u>

The Company has acquired 47.02% of total equity of Cal-Comp Electronics (Thailand) Public Company Limited before combination. As at the acquisition date (combination date), the difference of fair value and carry amount of acquired equity, amounted to \$829,121 thousand, was recognized as losses on disposal of investments accounted for using equity method.

Acquisition consideration	
Cash payment	\$-
Fair value of equity obtained before the acquisition	6,553,372
Goodwill	<u>(4,010)</u>
Total consideration	<u><u>\$6,549,362</u></u>
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary	\$3,570,771
Transaction costs of the acquisition	<u>-</u>
Net cash flow on acquisition	<u><u>\$3,570,771</u></u>

B. Acquisition of CastleNet Technology Inc.

By obtaining control over half of the board of CastleNet Technology Inc. on May 11, 2016, the Group acquired substantive control over CastleNet Technology Inc. and included it in the consolidated financial statements since then. In compliance with TIFRS, the Group treated the transaction as business combination and recognized the difference between the book value and the fair value of the ownership acquired on the acquisition date as loss (gain) on disposal of investments.

CastleNet Technology Inc. is based in Taiwan, specializing in development, manufacturing and sales of products including cable modem, powerline communication and digital home applications. The Group acquired CastleNet Technology Inc. to achieve the goal of technology integration.

The Group has elected to measure the non-controlling interest in CastleNet Technology Inc. at fair value.

The fair value of the identifiable assets and liabilities of CastleNet Technology Inc. as at the date of acquisition were:

	<u>Fair value recognized on the acquisition date</u>
Assets	
Cash and cash equivalents	\$195,700
Accounts receivable (including receivable from related parties)	269,512
Inventories	162,398
Property, plant and equipment	373,542
Intangible assets	143,460
Others	341,040
	<u>1,485,652</u>
Liabilities	
Accounts payable	(220,784)
Others	(158,792)
	<u>(379,576)</u>
Identifiable net assets	<u><u>\$1,106,076</u></u>

Gain recognised in bargain purchase transaction of CastleNet Technology Inc. was as follows:

Purchase consideration	\$152,393
Add: non-controlling interests at fair value	816,435
Less: identifiable net assets at fair value	(1,106,076)
Gain recognized in bargain purchase transaction	<u><u>\$(137,248)</u></u>

The Company has acquired 15.73% of total equity of CastleNet Technology Inc. before combination. As at the acquisition date (combination date), the difference of fair value and carrying amount of acquired equity, amounted to \$37,912 thousand, was recognized as losses on disposal of investments accounted for using equity method.

Acquisition consideration

Cash payment	\$-
Fair value of equity obtained before the acquisition	152,393
Total consideration	<u><u>\$152,393</u></u>

Analysis of cash flows on acquisition:

Net cash acquired with the subsidiary	\$195,700
Transaction costs of the acquisition	-
Net cash flow on acquisition	<u><u>\$195,700</u></u>

(30)Subsidiaries that have material non-controlling interests

Proportion of equity interest held by non-controlling interests:

Name	Country of Incorporation and operation	As of December 31	
		2017	2016
Cal-Comp Electronics (Thailand) Public Company Limited	Thailand	53.01%	52.98%

A. Accumulated balances of material non-controlling interest:

	As of December 31	
	2017	2016
Cal-Comp Electronics (Thailand) Public Company Limited	\$9,737,969	\$9,504,422

B. Profit for the years ended December 31, 2017 and 2016 allocated to material non-controlling interest:

	For the years ended December 31	
	2017	2016
Cal-Comp Electronics (Thailand) Public Company Limited	\$454,286	\$526,125

C. The summarized financial information of Cal-Comp Electronics (Thailand) Public Company Limited and subsidiaries was provided below. This information was based on amounts before inter-company eliminations.

(a) Summarized information of profit or loss for the year ended December 31, 2017 and 2016:

	For the year ended December 31	
	2017	2016
Operating revenue	\$95,245,911	\$98,076,513
Profit from continuing operations for the period	802,559	1,027,812
Total comprehensive income for the period	\$1,175,728	\$312,385

(b) Summarized information of financial position as of December 31, 2017 and 2016:

	As of December 31	
	2017	2016
Current assets	\$38,557,975	\$33,399,847
Non-current assets	16,365,860	16,325,306
Current liabilities	(34,305,803)	(29,704,271)
Non-current liabilities	(3,457,823)	(3,671,440)

(c) Summarized cash flow information for the year ended December 31, 2017 and 2016:

	For the year ended December 31	
	2017	2016
Operating activities	\$(1,974,399)	\$9,994,521
Investing activities	(2,345,964)	(2,322,409)
Financing activities	3,837,880	(7,153,761)
Net increase (decrease) in cash and cash equivalents	64,323	(116,424)

7. Related party transactions

The following was a summary of transactions between the Company and related parties during the financial reporting periods:

Name and Relationship of Related Parties

Name of the related parties	Relationship with the Group
Kinpo Group Management Service Company	Associate
AcBel Polytech Inc.	Associate
AcBel Electronic (Wuhan) Co., Ltd.	Associate
Acbel Polytech Holdings Inc.	Associate
Teleport Access Services, Inc.	Associate
Daviscomms (s) Pte. Ltd.	Associate

Name of the related parties	Relationship with the Group
SaveCom International Inc.	Substantive related party
Compal Electronics, Inc.	Substantive related party
Compal Information (Kunshan) Co., Ltd.	Substantive related party
Compal Information Technology (Kunshan) Co., Ltd.	Substantive related party
Compal Electronics Technology (Kunshan) Co., Ltd.	Substantive related party
Compal Display Electronics (Kunshan) Co., Ltd.	Substantive related party
Compal Internet Information (Kunshan) Co., Ltd.	Substantive related party
Compal Electronics (ChongQing) Co., Ltd.	Substantive related party
Compal Electronics (ChengDu) Co., Ltd.	Substantive related party
LCFutureCenter Inc.	Substantive related party
Compal Smart Device (ChongQing) Co., Ltd.	Substantive related party
Metal Component Engineering Limited	Substantive related party
GEBO Limited	Substantive related party
Power Station Holding Ltd.	Substantive related party
Dawning Leading Technology Inc.	Substantive related party
Infinite Education Co., Ltd.	Substantive related party
Shyh-Yong, Shen	Key management personnel

Significant transactions with the related parties

Where the transaction amount or balance with any single related party reaches 10% or more of the Group's total transaction amount or balance of that type of transaction, the name of each such related party shall be individually disclosed. The remaining amounts not up to the above standards were aggregated as others.

(1) Sales

	For the years ended December 31	
	2017	2016
Associates		
Others	\$1,065	\$872
Substantive related parties		
Compal Information Technology (Kunshan) Co., Ltd.	379,756	379,214
Compal Information (Kunshan) Co., Ltd.	38,774	59,408
Others	152,501	122,249
Total	<u>\$572,096</u>	<u>\$561,743</u>

The terms of sales to related parties were not significantly different from those of sales to third parties. The collection period was about 90~120 days after sales.

(2) Purchases

	For the years ended December 31	
	2017	2016
Associates		
AcBel Polytech Inc.	\$400,709	\$499,156
Substantive related parties		
Others	12,702	18,883
Total	<u>\$413,411</u>	<u>\$518,039</u>

The purchase prices from related parties were close to the general trading price and payment term were about 30~90 days after purchase.

(3) Accounts receivable due from related parties

	As of December 31	
	2017	2016
Associates		
Others	\$822	\$932
Substantive related parties		
Compal Information Technology (Kunshan) Co., Ltd.	152,892	197,270
Compal Information (Kunshan) Co., Ltd.	14,655	33,149
Compal Electronics (ChengDu) Co., Ltd.	28,560	139
Others	45,108	41,280
Total	<u>\$242,037</u>	<u>\$272,770</u>

(4) Other receivables due from related parties

	As of December 31	
	2017	2016
Associates		
AcBel Electronic (Wuhan) Co., Ltd.	\$250	\$-
Others	8	9
Total	<u>\$258</u>	<u>\$9</u>

(5) Accounts payable to related parties

	As of December 31	
	2017	2016
Associates		
AcBel Polytech Inc.	\$51,580	\$97,749
Substantive related parties		
Others	3,367	6,302
Total	<u>\$54,947</u>	<u>\$104,051</u>

(6) Other accounts payable to related parties

	As of December 31	
	2017	2016
Associates		
Kinpo Group Management Service Company	\$392	\$195
Others	1	17
Substantive related parties		
SaveCom International Inc.	194	210
LCFutureCenter Inc.	63	68
Key management personnel		
Others	54	36
Total	<u>\$704</u>	<u>\$526</u>

(7) Property transactions

A. Purchase

	For the years ended December 31	
	2017	2016
Associates		
Others	\$367	\$-
Substantive related parties		
Dawning Leading Technology Inc.	5,346	9,916
Total	<u>\$5,713</u>	<u>\$9,916</u>

The purchase prices from related parties were close to the general trading price and payment term were about 30~90 days after purchase.

B. Sell

For the year ended December 31, 2017

Associates	Nature	Selling Price	Selling Cost	Gains (losses)
Acbel Electronics (Wuhan) Co., Ltd.	Miscellaneous equipment	\$214	\$-	\$214

For the year ended December 31, 2016: None.

(8) Operating lease

The details of rental revenues from related parties were as follows:

	Nature	For the years ended December 31	
		2017	2016
Associates			
Kinpo Group Management Service Company	Office building and network equipment	\$664	\$664
Others	Office building	28	28
Substantive related parties			
GEBO Limited	Office building	288	220
Others	Office building	29	29
Total		<u>\$1,009</u>	<u>\$941</u>

Rental revenue was based on the market price and is received on a monthly basis.

(9) Others

A. Service revenues

	For the years ended December 31	
	2017	2016
Associates		
Kinpo Group Management Service Company	\$240	\$240
Substantive related parties		
Others	-	2
Total	<u>\$240</u>	<u>\$242</u>

The above-mentioned service revenues were generated from providing information service.

B. Compensation of key management personnel

	For the years ended December 31	
	2017	2016
Short-term employee benefits	\$164,677	\$165,944
Post-employment benefits	2,288	2,861
Share-based payments	13,605	25,424
Total	<u>\$180,570</u>	<u>\$194,229</u>

8. Assets pledged as security

The following table lists assets of the Group pledged as security:

<u>Assets pledged for security</u>	<u>As of December 31</u>		<u>Secured liabilities</u>
	<u>2017</u>	<u>2016</u>	
Buildings and structures	\$123,955	\$140,398	Short-term borrowings
Long-term prepaid rent (presented in other non-current assets)	7,508	7,899	Short-term borrowings
Time deposit (presented in other current assets)	16,273	16,261	Short-term borrowings
Machinery & molding equipment	265,246	-	Short-term and long-term borrowings
Total	<u>\$412,982</u>	<u>\$164,558</u>	

9. Commitments and contingencies

- (1) As of December 31, 2017, the Group provided endorsement and guarantee to subsidiaries were amounted to USD 799,130 thousand, THB 2,575,000 thousand, EUR 500 thousand, and NTD 50,000 thousand.
- (2) As of December 31, 2017, the Company issued declaration statement to the lending bank related to comprehensive loan facilities amounting to NTD 30,000 thousand to Cal-Comp Big Data Co., Ltd. (hereinafter called "Cal-Comp Big Data"), the declaration was as follows:
 - A. The Company commits to hold directly or indirectly no less than 70% of total Cal-Comp Big Data outstanding shares.
 - B. The Company commits to maintain management and control over Cal-Comp Big Data
 - C. The Company commits to support Cal-Comp Big Data all the necessary resources (including but not limited to finance, personnel and technology), and ensure that Cal-Comp Big Data operates normally and complies with its obligations.
 - D. The Company commits that in case of default, the Company should take a necessary action to promote Cal-Comp Big Data to fulfill its repayment obligation.
- (3) As of December 31, 2017, the Company issued declaration statement to the lending bank related to comprehensive loan facilities amounting to NTD 380,000 thousand to XYZprinting, Inc. (hereinafter called "XYZprinting"), the declaration was as follows:
 - A. The Company commits to hold directly or indirectly no less than 70% of total XYZprinting's outstanding shares together with its associate Cal-Comp Electronics (Thailand) Public Company Limited.
 - B. The Company commits to maintain management and control over XYZprinting.
 - C. The Company commits to support XYZprinting all the necessary resources (including but not limited to finance, personnel and technology), and ensure that XYZprinting operates normally and complies with its obligations.
 - D. The Company commits that in case of default, the Company should take a necessary action to promote XYZprinting to fulfill its repayment obligation.

- (4) As of December 31, 2017, the Company issued declaration statement to the lending bank related to comprehensive loan facilities amounting to USD 90,000 thousand and PHP 1,200,000 thousand to Kinpo Electronics (Philippines), Inc., the declaration was as follows:
- A. The Company commits to hold directly or indirectly no less than 90% of total Kinpo Electronics (Philippines), Inc.'s outstanding shares.
 - B. The Company commits to maintain management and control over Kinpo Electronics (Philippines), Inc.
 - C. The Company commits to support Kinpo Electronics (Philippines), Inc. all the necessary resources (including but not limited to finance, personnel and technology), and ensure that Kinpo Electronics (Philippines), Inc. operates normally and complies with its obligations.
 - D. The Company commits that in case of default, the Company should take a necessary action to promote Kinpo Electronics (Philippines), Inc. to fulfill its repayment obligation.
- (5) As of December 31, 2017 and 2016, the Group's subsidiaries had outstanding commitments in respect of purchase of the construction of factory building and acquisition of machinery were as follows:

	(In thousands)	
	As of December 31	
	2017	2016
THB	\$8,000	\$25,000
USD	38,300	13,000
JPY	78,000	61,000
PHP	19,000	-
CNY	2,000	-

(6) Operating lease commitment

Further minimum lease payments (within tax) required under non-cancellable operating lease contracts of the Group and its subsidiaries were as follows:

	As of December 31	
	2017	2016
Not exceed 1 year	\$195,489	\$198,856
Over 1 year but not exceed 5 years	367,899	\$456,199
Total	<u>\$563,388</u>	<u>\$655,055</u>

(7) Other commitment

As of December 31, 2017, the Group's subsidiary had outstanding commitments of NTD 30,000 thousand, PHP 2,000 thousand MYR 22,000 thousand and INR 104,000 thousand in respect of uncalled portion of investments.

(8) Agreements for hire of production of molds

As of December 31, 2017 and 2016, the Group's subsidiary had outstanding commitments with domestics and overseas suppliers in respect of agreements for hire of production of molds were as follows:

	(In thousands)	
	As of December 31	
	2017	2016
THB	\$2,000	\$40,000
USD	80,000	102,000
NTD	-	31,000
SGD	-	4,000

(9) Guarantees

As of December 31, 2017, there were outstanding bank guarantees of approximately THB 329,000 thousand, PHP 10,000 thousand and MYR 1,000 thousand issued by the banks on behalf of the Group's subsidiaries in respect of certain performance bonds as required in the normal course of business.

(10) Letters of credit

As of December 31, 2017, the Group's subsidiary had unused letters of credit of USD 111 thousand issued for purchase of materials.

10. Losses due to major disasters

None.

11. Significant subsequent events

- (1) The amendments of Income Tax Act had passed the third reading on January 18, 2018 and was announced on February 7, 2018, which was effective on January 1, 2018. According to the new amendments to the Income Tax Act, the tax rate of profit-seeking enterprise income tax will be raised from 17% to 20%. The change of the tax rate will not result in a significant net effect on the deferred tax assets and deferred tax liabilities.
- (2) To motivate the employees and retain the best talent, a resolution of repurchasing and transferring shares to the employees was approved at the board meeting held on March 20, 2018. The maximum amount of repurchase, the number of shares to be repurchased and the share price range of the repurchase were \$1,734,588 thousand, 40,000 thousand shares and \$7.3 to \$15.5 per share, respectively.

12. Others

(1) Financial instruments

Financial assets

	<u>As of December 31</u>	
	<u>2017</u>	<u>2016</u>
Financial assets at fair value through profit or loss:		
Held for trading	\$-	\$8,612
Available-for-sale financial assets (including financial assets at cost)	5,175,721	4,844,010
Loans and receivables:		
Cash and cash equivalents	7,475,163	6,441,055
Investments in debt without active market (including non-current)	352,211	482,241
Notes receivable	86,048	22,960
Accounts receivable	25,732,509	23,000,909
Accounts receivable due from related parties	242,037	272,770
Other receivable	1,854,796	987,128
Other receivable due from related party	258	9
Other current assets (Note)	16,273	16,261
Subtotal	<u>35,759,295</u>	<u>31,223,333</u>
Total	<u>\$40,935,016</u>	<u>\$36,075,955</u>

Note: Other current assets are time deposit due more than 3 months.

Financial liabilities

	<u>As of December 31</u>	
	<u>2017</u>	<u>2016</u>
Financial liabilities at amortized cost:		
Short-term borrowings	\$21,379,200	\$14,285,990
Short-term notes and bills payable	1,175,071	1,799,813
Notes payable	3,963	11,588
Accounts payable	21,663,136	22,475,433
Accounts payable to related party	54,947	104,051
Other payables	2,684,471	3,456,869
Other payable to related party	704	526
Long-term borrowings (including current portion)	10,761,295	10,873,275
Subtotal	<u>57,722,787</u>	<u>53,007,545</u>
Financial liabilities at fair value through profit or loss:		
Held for trading	6,872	63,056
Total	<u>\$57,729,659</u>	<u>\$53,070,601</u>

(2) Financial risk management objectives

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies measures and manages the aforementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables; there are usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group reviews its assets and liabilities denominated in foreign currency and enters into forward exchange contracts to hedge the exposure from exchange rate fluctuations. The level of hedging depends on the foreign currency requirements from each operating unit. As the purpose of holding forward exchange contracts are to hedge exchange rate fluctuation risk, the gain or loss made on the contracts from the fluctuation in exchange rates are expected to mostly offset gains or losses made on the hedged item. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates. The information of the sensitivity analysis, please refer to note 12(9):

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's loans and receivables at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable loans and borrowings and entering into interest rate swaps. Hedge accounting does not apply to these swaps as they do not qualify for it.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as of the end of the reporting period, including investments with variable interest rates. At the balance sheet date, an increase or a decrease of 5 basis points of interest rate could cause the profit for the years ended December 31, 2017 and 2016 to decrease or increase by \$16,658 thousand and \$13,480 thousand, respectively.

Equity price risk

The fair value of the Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's listed and unlisted equity securities are classified under held for trading financial assets or available-for-sale financial assets. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

An increase or a decrease of 1% in the price of the equity securities classified under held for trading could cause net income for the years ended December 31, 2017 and 2016 to increase or decrease by \$0 thousand and \$42 thousand, respectively.

An decrease of 1% in the price of the equity securities classified under available-for-sale could cause the other comprehensive income for the years ended December 31, 2017 and 2016 to decrease by \$46,257 thousand and \$43,550 thousand, respectively, and an increase of 1% in the price of the equity securities classified under available-for-sale would only affect the equity but not the profit and loss.

(4) Credit risk management

Credit risk is the risk that counter-party will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts receivable and notes receivable) and from its financing activities, including bank deposits and other financial instruments.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria, etc. Certain customer's credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment.

As of December 31, 2017, and 2016, receivables from top three customers represented 39.10% and 49.43% of the total accounts receivables of the Group, respectively. The credit concentration risk of other accounts receivables was insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counter parties.

(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments and bank borrowings. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial instruments

	Less than 1 year	1 to 2 years	2 to 5 years	Total
<u>As of December 31, 2017</u>				
Short-term borrowings (including interest to be paid)	\$21,824,134	\$-	\$-	\$21,824,134
Short-term notes and bills payable	1,176,000	-	-	1,176,000
Notes payable	3,963	-	-	3,963
Accounts payable	21,663,136	-	-	21,663,136
Accounts payable to related party	54,947	-	-	54,947
Other payables	2,684,471	-	-	2,684,471
Other payables to related party	704	-	-	704
Long-term borrowings (including interest to be paid)	557,491	4,550,849	5,965,490	11,073,830

	Less than 1 year	1 to 2 years	2 to 5 years	Total
<u>As of December 31, 2016</u>				
Short-term borrowings (including interest to be paid)	\$14,727,613	\$-	\$-	\$14,727,613
Short-term notes and bills payable	1,801,500	-	-	1,801,500
Notes payable	11,588	-	-	11,588
Accounts payable	22,475,433	-	-	22,475,433
Accounts payable to related party	104,051	-	-	104,051
Other payables	3,456,869	-	-	3,456,869
Other payable to related party	526	-	-	526
Long-term borrowings (including interest to be paid)	2,576,623	5,981,076	2,707,132	11,264,831

Derivative financial instruments

The derivative financial instruments of the Group as of December 31, 2017 and 2016 were due within one year.

(6) Fair values of financial instruments

A. The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

- (a) The carrying amount of cash and cash equivalents, accounts receivable, accounts payable and other current liabilities approximate their fair value due to their short maturities.
- (b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates and bonds etc.) at the reporting date.
- (c) Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

- (d) Fair value of debt instruments without market quotations, bank loans and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

B. Fair value of financial instruments measured at amortized cost

Among the Group's financial assets and financial liabilities measured at amortized cost, other than cash and cash equivalents, investments in debt instrument without active market, accounts receivables (including due from related parties), other receivables (including due from related parties), short-term borrowings, short-term notes and bills payable, accounts payable (including related parties), other payable (including related parties), other current liabilities, and long term loans, the carrying amount approximate their fair value.

C. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(8) for fair value measurement hierarchy for financial instruments of the Group.

(7) Derivatives financial instruments

The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as of December 31, 2017 and 2016 were as follows:

Forward currency contracts

The Group entered into forward currency contracts to manage its exposure to financial risk, but these contracts are not designated as hedging instruments. The table below lists the information related to forward currency contracts:

As of December 31, 2017

Items	Notional Amount	Exchange Currency	Contract Period
Forward currency contract	Buy USD 71,000 thousand	BRL	From January 19, 2018 to January 31, 2018

As of December 31, 2016

Items	Notional Amount	Exchange Currency	Contract Period
Forward currency contract	Buy USD 19,970 thousand	NTD	From January 9, 2017 to February 9, 2017
Forward currency contract	Buy JPY 24,484 thousand	USD	From January 6, 2017 to January 20, 2017
Forward currency contract	Buy USD 86,000 thousand	BRL	From January 3, 2017 to January 31, 2017
Forward currency contract	Sell USD 19,970 thousand	NTD	From January 5, 2017 to February 7, 2017

The counterparties for the aforementioned derivatives transactions are well known local or overseas banks, as they have sound credit ratings, the credit risk is insignificant.

With regard to the forward foreign exchange contracts, as they have been entered into to hedge the foreign currency risk of net assets or net liabilities, and there will be corresponding cash inflow or outflows upon maturity and the Group has sufficient operating funds, the cash flow risk is insignificant.

(8) Fair value measurement hierarchy

A. Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

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

Level 3 – Unobservable inputs for the asset or liability.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

B. Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group assets and liabilities measured at fair value on a recurring basis was as follows:

As of December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets:				
Available-for-sale financial assets				
Stocks	\$3,819,093	\$-	\$806,630	\$4,625,723
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	-	6,872	-	6,872

As of December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	\$-	\$4,372	\$-	\$4,372
Stocks	4,240	-	-	4,240
Available-for-sale financial assets				
Stocks	3,358,465	-	996,550	4,355,015
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	-	63,056	-	63,056

Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2017 and 2016, there were no transfers between Level 1 and Level 2 fair value measurements.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

	<u>Equity securities</u>
Beginning balances as of January 1, 2017	\$996,550
Total gains and losses recognized for the year ended December 31, 2017:	
Amount recognized in profit or loss (presented in “other profit or loss”)	-
Amount recognized in OCI (presented in “unrealized gains (losses) from available-for-sale financial assets”)	(182,880)
Acquisition/issues for the year ended December 31, 2017	<u>(7,040)</u>
Ending balances as of December 31, 2017	<u><u>\$806,630</u></u>
	<u>Equity securities</u>
Beginning balances as of January 1, 2016	\$1,002,113
Total gains and losses recognized for the year ended December 31, 2016:	
Amount recognized in profit or loss (presented in “other profit or loss”)	(38,646)
Amount recognized in OCI (presented in “unrealized gains (losses) from available-for-sale financial assets”)	-
Acquisition/issues for the year ended December 31, 2016	<u>33,083</u>
Ending balances as of December 31, 2016	<u><u>\$996,550</u></u>

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As of December 31, 2017

	<u>Valuation techniques</u>	<u>Significant unobservable inputs</u>	<u>Quantitative information</u>	<u>Relationship between inputs and fair value</u>	<u>Sensitivity of the input to fair value</u>
Financial assets:					
Available-for-sale stocks	Market approach	Discount for lack of marketability	1.98	The higher the discount for lack of marketability, the lower the fair value of the stocks	1% increase (decrease) in the discount for lack of marketability would result in decrease (increase) in the Group’s equity by \$8,066 thousand

As of December 31, 2016

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
Available-for-sale stocks	Market approach	Discount for lack of marketability	1.92	The higher the discount for lack of marketability, the lower the fair value of the stocks	1% increase (decrease) in the discount for lack of marketability would result in decrease (increase) in the Group's equity by \$9,966 thousand

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Group's finance department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies at each reporting date.

C. Fair value measurement hierarchy of the Group's assets and liabilities not measured at fair value but for which the fair value was disclosed

As of December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets did not measured at fair value but for which the fair value was disclosed:				
Investments in debt instruments without active markets	\$-	\$-	\$352,211	\$352,211
Investments accounted for using equity method (Note 1)	2,776,553	-	-	2,776,553
Investment property (Note 2)	-	-	234,311	234,311
Financial liabilities did not measured at fair value but for which the fair value was disclosed:				
Long-term borrowings (including current portion)	-	10,761,295	-	10,761,295

As of December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets did not measured at fair value but for which the fair value was disclosed:				
Investments in debt instruments without active markets	\$-	\$-	\$482,241	\$482,241
Investments accounted for using equity method (Note 1)	3,001,173	-	-	3,001,173
Investment property (Note 2)	-	-	153,151	153,151
Financial liabilities did not measured at fair value but for which the fair value was disclosed:				
Long-term borrowings (including current portion)	-	10,873,275	-	10,873,275

Note 1: Please refer to Note 6(10) for more detailed information for the investments in associates.

Note 2: Please refer to Note 6(12) for more detailed information for the investment properties.

(9) Significant assets and liabilities denominated in foreign currencies

(In thousands)

	As of December 31, 2017				
	Foreign currencies	Exchange rate	Carrying amount (NTD)	Sensitivity analysis Fluctuation	Effect on income
<u>Financial assets Monetary items</u>					
USD	\$778,623	29.7600	\$23,171,835	0.5%	\$115,859
CNY	258,848	4.5545	1,178,922	0.5%	5,895
JPY	283,915	0.2642	75,010	0.5%	375
EUR	2,972	35.5721	105,704	0.5%	529
<u>Financial liabilities Monetary items</u>					
USD	803,694	29.7600	23,917,930	0.5%	119,590
CNY	442,916	4.5545	2,017,261	0.5%	10,086
JPY	11,594	0.2642	3,063	0.5%	15

(In thousands)

As of December 31, 2016

	Foreign currencies	Exchange rate	Carrying amount (NTD)	Sensitivity analysis	
				Fluctuation	Effect on income
<u>Financial assets Monetary items</u>					
USD	\$602,107	32.2500	\$19,417,953	0.5%	\$97,090
CNY	367,025	4.6490	1,706,299	0.5%	8,531
JPY	138,464	0.2757	38,175	0.5%	191
EUR	3,762	33.9302	127,653	0.5%	638
<u>Financial liabilities Monetary items</u>					
USD	656,276	32.2500	21,164,913	0.5%	105,825
CNY	318,889	4.6490	1,482,513	0.5%	7,413
JPY	553,115	0.2757	152,494	0.5%	762

The Group's foreign currency transactions were denominated in multiple currency; therefore, the information of the foreign exchange gains (losses) of monetary assets and liabilities denominated by each currency is not applicable for disclosure. For the years ended December 31, 2017 and 2016, the Group's significant monetary financial assets and liabilities denominated in foreign currencies incurred foreign exchange gains (losses) (including realized and unrealized) of \$(235,214) thousand and \$899,805 thousand, respectively.

The above information was disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

(10) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholders' value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Other disclosure

(1) Information at significant transactions (portion of transactions were eliminated upon consolidation)

A. Financings provided to others, please refer to table 1 for more details.

B. Endorsements/guarantees provided to others, please refer to table 2 for more details.

C. Marketable securities held (not including subsidiaries, associates and joint ventures), please refer to table 3 for more details.

D. Individual securities acquired or disposed of with accumulated amount exceeding NTD 300 million or 20 percent of the capital stock, please refer to table 4 for more details.

E. Acquisition of individual real estate properties at costs of at least NTD 300 million or 20% of the paid-in capital, no such circumstances.

F. Disposal of individual real estate properties at costs of at least NTD 300 million or 20% of the paid-in capital, no such circumstances.

G. Total purchases from or sales to related parties of at least NTD 100 million or 20% of the paid-in capital, please refer to table 6 for more details.

H. Receivables due from related parties amounting to at least NTD 100 million or 20% of the paid-in capital, please refer to table 7 for more details.

I. Derivative instruments transactions, please refer to Note 6. and Note 12. for more details.

J. Significant intercompany transactions between consolidated entities, please refer to table 8.

(2) Information on investees (portion of investees information were eliminated upon consolidation)

A. Financings provided to others, please refer to table 1 for more details.

B. Endorsements/guarantees provided to others, please refer to table 2 for more details.

C. Marketable securities held (not including subsidiaries, associates and joint ventures), please refer to table 3 for more details.

D. Individual securities acquired or disposed of with accumulated amount exceeding NTD 300 million or 20 percent of the capital stock, please refer to table 4 for more details.

E. Acquisition of individual real estate properties at costs of at least NTD 300 million or 20% of the paid-in capital, please refer to table 5 for more details.

F. Disposal of individual real estate properties at costs of at least NTD 300 million or 20% of the paid-in capital, no such circumstances.

G. Total purchases from or sales to related parties of at least NTD 100 million or 20% of the paid-in capital, please refer to table 6 for more details.

H. Receivables due from related parties amounting to at least NTD 100 million or 20% of the paid-in capital, please refer to table 7 for more details.

I. Derivative instruments transactions, please refer to Note 6. and Note 12. for more details.

J. Names, locations and related information of investees over which the company exercises significant influence (not including information on investments in Mainland China), please refer to table 9 for more details.

(3) Information on investments in Mainland China (Eliminated upon consolidation)

A. Names, main business, paid-in capital, method of investment, investment flows, percentage of ownership, share of profits (losses), carrying amount at the end of the period, accumulated inward remittance of earnings and the upper limit of investment, please refer to table 10 for more details.

B. Significant transactions with investee in Mainland China

Directly or indirectly significant transactions through third regions with the investees in Mainland China, including price, payment terms, unrealized gain or loss, and other events with significant effects on the operating results and financial condition: Please refer to table 6 to 8.

14. Segment information

(1) Segment information

	For the year ended December 31, 2017			
	Consuming electronic products	Other operating segments	Adjustment and elimination	Consolidated
External customer	\$116,481,126	\$2,723,638	\$-	\$119,204,764
Segment profit	\$899,579	\$(213,302)	\$-	\$686,277

	For the year ended December 31, 2016			
	Consuming electronic products	Other operating segments	Adjustment and elimination	Consolidated
External customer	\$120,803,122	\$2,167,070	\$-	\$122,970,192
Segment profit	\$644,986	\$1,075,208	\$-	\$1,720,194

The Group's only reportable segment was the Consuming electronics products segment. The segment mainly engages in design and manufacturing of calculator/computer, web-based communications, computer peripherals and storage products. The Group also had other segments that did not exceed the quantitative threshold. The segments mainly engage in production and sale of passive components.

The segment assets information of the Group as of December 31, 2017 and 2016 were as follows:

Segment Assets

	Consuming electronic products	Other operating segments	Adjustment and elimination	Consolidated
December 31, 2017	\$69,379,880	\$19,959,357	\$-	\$89,339,237
December 31, 2016	\$65,161,477	\$18,525,591	\$-	\$83,687,068

The amount reported by the Group was consistent with that used by the operating decision makers. There was no material inconsistency between the accounting policies of the operating segment and the accounting policies described in Note 4. The Group uses the operating profit or loss (net of tax) as the measurement for segment profit and the basis of performance assessment.

(2) Geographical information

See the table below for the sales from the external clients of the Group categorized by the regions where the clients are and the non-current assets categorized by where they are.

	Operating income		Non-current assets	
	For the year ended December 31		As of December 31	
	2017	2016	2017	2016
Taiwan	\$172,572	\$185,110	\$1,978,536	\$1,954,294
Asia	75,670,726	73,665,253	20,856,780	20,670,177
America	41,253,911	48,560,360	1,672,918	2,934,676
Others	2,107,555	559,469	1,998,843	-
Total	<u>\$119,204,764</u>	<u>\$122,970,192</u>	<u>\$26,507,077</u>	<u>\$25,559,147</u>

Non-current assets were referred to property, plant and asset, investment property, intangible assets and other non-current assets, but financial instruments and deferred tax assets were not included.

(3) Production information

Production	For the years ended December 31	
	2017	2016
Consuming electronic products	\$116,481,126	\$120,803,122
Others	2,723,638	2,167,070
Total	<u>\$119,204,764</u>	<u>\$122,970,192</u>

(4) Information about major customers

Customers that contribute revenues exceeding 10% of total revenues for the years ended December 31, 2017 and 2016 were as follows:

For the year ended December 31					
2017			2016		
Customer	Sales Amount	%	Customer	Sales Amount	%
Company A	\$24,540,051	21%	Company A	\$25,827,309	21%
Company B	21,069,992	18%	Company B	22,821,262	19%
Total	<u>\$45,610,043</u>		Total	<u>\$48,648,571</u>	

Kinpo Electronics, Inc. and subsidiaries
Notes to consolidated financial statements (continued)

Table 1: Financings provided to others

(Unit: thousands of NT\$/ foreign currency)

No. -Note1-	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the period	Ending Balance (Passed by the Board of Directors)	Amount Actually Drawn	Interest rate	Nature of Financing -Note2-	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company -Note3-	Financing Company's Total Financing Amount Limits -Note4-
													Item	Value		
0	Kinpo Electronics, Inc.	XYZprinting Japan, Inc.	Other receivables due from related parties	Yes	JPY 600,000 (170,850)	JPY 300,000 (80,850)	JPY 300,000 (80,850)	0.5%-1.5%	2	-	Need for operating	-	-	-	\$3,378,489	\$13,513,958
0	Kinpo Electronics, Inc.	Kinpo Electronics (Philippines), Inc.	"	Yes	USD 25,000 (790,375)	-	-	0.00%	2	-	Need for operating	-	-	-	3,378,489	13,513,958
0	Kinpo Electronics, Inc.	Kinpo International (Singapore) Pte. Ltd.	"	Yes	USD 25,000 (754,500)	USD 25,000 (754,500)	-	1M Libor+0.5%	2	-	Need for operating	-	-	-	3,378,489	13,513,958
1	Kinpo Electronics (China) Co., Ltd.	XYZprinting (Suzhou) Co., Ltd.	"	Yes	CNY 20,000 (93,478)	CNY 20,000 (93,478)	CNY 20,000 (93,478)	3.50%	2	-	Need for operating	-	-	-	4,837,557	4,837,557
2	Dongguan Kinpo Electronics Co., Ltd.	XYZprinting (Suzhou) Co., Ltd.	"	Yes	CNY 13,500 (68,132)	-	-	0.00%	2	-	Need for operating	-	-	-	158,326	158,326
3	Kinpo International Ltd.	XYZprinting, Inc. (USA)	"	Yes	USD 10,000 (310,375)	USD 5,000 (150,975)	USD 5,000 (150,975)	1.5%-3.5%	2	-	Need for operating	-	-	-	2,810,863	2,810,863
3	Kinpo International Ltd.	Kinpo International (Singapore) Pte. Ltd.	"	Yes	USD 75,000 (2,263,500)	USD 75,000 (2,263,500)	-	1M Libor+0.5%	2	-	Need for operating	-	-	-	2,810,863	2,810,863
3	Kinpo International Ltd.	Cal-Comp Hlg Data International Ltd.	"	Yes	USD 5,000 (150,900)	USD 5,000 (150,900)	-	3M Libor+1%	2	-	Need for operating	-	-	-	2,810,863	2,810,863
4	Cal-Comp Electronics (Thailand) Public Company Limited	Cal-Comp Industria de Semicondutores S.A.	"	Yes	USD 15,000 (475,463)	USD 7,500 (233,400)	USD 7,500 (233,400)	2.50%	2	-	Need for operating	-	-	-	13,586,987	13,586,987
5	Cal-Comp Optical Electronics (Suzhou) Co., Ltd.	Cal-Comp Electronics and Communications (Suzhou) Co., Ltd.	"	Yes	USD 31,000 (986,665)	USD 12,000 (373,440)	-	1.50%	2	-	Need for operating	-	-	-	3,480,690	3,480,690
5	Cal-Comp Optical Electronics (Suzhou) Co., Ltd.	Cal-Comp Precision (Dongguan) Ltd.	"	Yes	CNY 60,000 (262,830)	CNY 60,000 (262,830)	CNY 60,000 (262,830)	3.50%	2	-	Need for operating	-	-	-	3,480,690	3,480,690
5	Cal-Comp Optical Electronics (Suzhou) Co., Ltd.	XYZprinting (Suzhou) Co., Ltd.	"	Yes	CNY 25,000 (113,980)	CNY 25,000 (113,980)	-	2.05%	2	-	Need for operating	-	-	-	3,480,690	3,480,690
6	Cal-Comp Electronics (USA) Co., Ltd.	Cal-Comp USA (San Diego), Inc.	"	Yes	USD 5,500 (177,513)	USD 5,500 (171,160)	USD 5,500 (171,160)	2.569%	2	-	Need for operating	-	-	-	441,379	441,379
6	Cal-Comp Electronics (USA) Co., Ltd.	Cal-Comp USA (Indiana), Inc.	"	Yes	USD 11,000 (355,025)	USD 8,500 (264,520)	USD 5,500 (171,160)	2.569%	2	-	Need for operating	-	-	-	441,379	441,379
7	Cal-Comp Technology (Philippines), Inc.	Cal-Comp Precision (Philippines), Inc.	"	Yes	USD 3,000 (93,360)	USD 3,000 (93,360)	-	3.50%	2	-	Need for operating	-	-	-	523,237	523,237

-Note1- The numbers filled in for the financings provided by the group or subsidiaries are as follows:

- (1) The Company is "0".
- (2) The subsidiaries are numbered in order starting from "1".

-Note2- The codes represent the nature of financing activities as follows:

- (1) Trading partner is "1".
- (2) Short-term financing is "2".

-Note3- Financing limits for each borrowing companies are as follows:

1. Non related party
 - (1) Trading Partners: The maximum of total financing is higher of the transaction amount during the most recent 3 months or 30% of transaction amount during current year, and shall not exceed 10% of its net worth.
 - (2) Short-term financing: The maximum of total financing is 80% of counter-party's net worth and shall not exceed 4% of its net worth.
2. Related Party
 - (1) Trading Partners: The maximum of total financing is higher of the transaction amount during the most recent 3 months or during current year, and shall not exceed 20% of its net worth.
 - (2) Short-term financing: The maximum of total financing is 20% of its net worth.
 - (3) Subsidiaries 100% held by the company: The maximum of total financing is 80% of the company's net worth.

-Note4- Financing company's total financing amount limits are as follows:

1. The maximum amount of financing to trading partners is 100% of transaction amount during current year and shall not exceed 40% of its net worth.
2. The maximum amount of short-term financing is 40% of financing company's net worth.
3. The maximum amount of short-term financing to subsidiaries 100% held by the company is 80% of the company.
4. The summary of the three situations above shall not exceed 80% of the company's net worth.

Kinpo Electronics, Inc. and subsidiaries
Notes to consolidated financial statements (continued)

Table 2: Endorsements/guarantees provided to others

(Unit: thousands of NTD/ foreign currency)

No. <Note1>	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party <Note3>	Maximum Balance for the period	Ending Balance	Amount Actually Drawn	Amounts of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable <Note3>	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of relationship <Note2>										
0	Kinpo Electronics, Inc.	Kinpo International Ltd.	2	\$16,892,447	USD 357,500 (11,393,800)	USD 341,500 (10,604,530)	USD 99,000 (3,074,227)	\$-	62.78%	\$16,892,447	Yes	No	No
0	Kinpo Electronics, Inc.	Kinpo International (Singapore) Pte. Ltd.	2	16,892,447	USD 3,000 (91,110)	USD 3,000 (91,110)	USD 200 (6,074)	-	0.54%	16,892,447	Yes	No	No
0	Kinpo Electronics, Inc.	Cal-Comp Big Data International Ltd.	2	16,892,447	USD 8,000 (242,160)	USD 8,000 (242,160)	USD 1,500 (45,405)	-	1.43%	16,892,447	Yes	No	No
1	Cal-Comp Electronics (Thailand) Public Company Limited	Logistar International Holding Co., Ltd.	2	16,983,734	USD 312,000 (10,538,300)	USD 348,000 (10,538,300)	USD 146,000 (4,421,241)	-	62.38%	16,983,734	Yes	No	No
1	Cal-Comp Electronics (Thailand) Public Company Limited	Cal-Comp Electronis (USA) Co., Ltd.	2	16,983,734	USD 30,000 (948,750)	USD 30,000 (906,000)	-	-	5.36%	16,983,734	Yes	No	No
1	Cal-Comp Electronics (Thailand) Public Company Limited	Cal-Comp Precision (Thailand) Limited	2	16,983,734	USD 52,630 THB 2,575,000 EUR 500 (3,956,730)	USD 52,630 THB 2,575,000 EUR 500 (3,956,730)	USD 12,347 THB 565,712 -	-	23.42%	16,983,734	Yes	No	No
1	Cal-Comp Electronics (Thailand) Public Company Limited	Cal-Comp Precision (Singapore) Limited	2	16,983,734	USD 18,000 (594,010)	USD 13,000 (404,560)	-	-	2.39%	16,983,734	Yes	No	No
1	Cal-Comp Electronics (Thailand) Public Company Limited	Qbit Semiconductor Ltd.	2	16,983,734	USD 3,000 50,000 (140,540)	USD 3,000 50,000 (140,540)	-	-	0.83%	16,983,734	Yes	No	No

<Note1> The numbers filled in for the endorsements/guarantees provided by the group or subsidiaries are as follows:

- (1) The Company is "0".
- (2) The subsidiaries are numbered in order starting from "1".

<Note2> The following code represents the relationship with the company:

1. Trading partner.
2. Majority owned subsidiary.
3. The Company and subsidiary owns over 50% ownership of the investee company.
4. A subsidiary jointly owned over 50% by the company and the Company's directly-owned subsidiary.
5. Guaranteed by the company according to the construction contract.
6. An investee company. The guarantees were provided based on the Company's proportionate share in the investee company.

<Note3> The limit amount of endorsement/guarantee are as follows:

1. The aggregate amount of endorsement/guarantee:
 - (1) The aggregate amount of transactions of endorsement/guarantee must be less than 100% of net worth of provider company.
 - (2) The aggregate amount of endorsement /guarantee of the Company and subsidiaries should be less than 2% of the company's net worth.
 - (3) The aggregate amount of endorsements/guarantees that the Company as a whole may exceed 50% of the Company's net worth, and the Company should explain the rationality of it in the shareholders meeting.
2. The amount of endorsement/guarantee for any single entity is as follow:
 - (1) The amount of endorsement/guarantee for trading partners should be less than 30% of the total sales or purchase transactions between endorsor/guarantor and the receiving party from the previous fiscal year, and should be less than 65%
 - (2) For subsidiaries jointly or directly owned over 50% by the company, the amount of endorsement/guarantee for the entity should be less than 100% of the company's net worth.
 - (3) For subsidiaries jointly or directly owned over 90% by the company, the amount of endorsement/guarantee for the entity should be less than 10% of the company's net worth, except for 100% owned companies. The ceiling for subsidiaries owned 100% is 100% of the Company's net worth.

Kinpo Electronics, Inc. and subsidiaries
Notes to consolidated financial statements (continued)

Table 3: Marketable securities held (not including subsidiaries, associates and joint ventures)

(Unit: thousands of NTD/ foreign currency)

No. <Note1>	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	As of December 31, 2017				Remark
					Share/Units	Carrying Value <Note2>	Percentage of ownership (%)	Fair Value	
0	Kinpo Electronics, Inc.	Innolux Corporation / Stock	—	Current available-for-sale financial assets	16,842,770	\$208,850	0.17%	\$12.40	Public: 3481
0	Kinpo Electronics, Inc.	Compal Electronics, Inc. / Stock	The Chairman of the Board is the same person	Non-current available-for-sale financial assets	151,628,692	3,229,691	3.48%	21.30	Public: 2324
0	Kinpo Electronics, Inc.	BAOTEK Industrial Materials Ltd. / Stock	—	"	24,415,654	295,430	12.53%	12.10	TPEX: 5340
0	Kinpo Electronics, Inc.	Helios Semiconductors, Inc. / Stock	—	"	110,477	969	2.72%	8.29	
0	Kinpo Electronics, Inc.	Taiwan Star Telecom Corp. Ltd. / Stock	—	"	98,854,105	805,661	2.66%	8.15	
0	Kinpo Electronics, Inc.	VMAX Telecom Inc / Stock	—	"	1,000,000	-	1.00%	-	
0	Kinpo Electronics, Inc.	Norm Pacific Automation Corp. / Stock	—	Non-current financial assets at cost	469,240	-	1.64%	-	
0	Kinpo Electronics, Inc.	Sinonar Corp. / Stock	—	"	248,082	-	7.86%	-	
0	Kinpo Electronics, Inc.	Kun-Ji Venture Capital, Inc. / Stock	—	"	160,650	342	3.33%	1.92	
0	Kinpo Electronics, Inc.	Global Strategic Investment Inc. / Stock	—	"	735,000	22,697	3.77%	USD 1.06	
0	Kinpo Electronics, Inc.	Prudence Capital Management Ltd. / Stock	—	"	676,045	4,201	1.00%	9.49	
0	Kinpo Electronics, Inc.	Puritron Technology Inc. / Stock	—	"	629,148	-	3.85%	-	
0	Kinpo Electronics, Inc.	Sinonar Solar Corp. / Stock	—	"	880	-	0.40%	-	
0	Kinpo Electronics, Inc.	Intergrafx Holding Ltd. / Preferred Stock	—	"	1,166,667	-	-	-	
0	Kinpo Electronics, Inc.	PChome Ventures fund / Stock	—	"	157,080	-	6.06%	-	
0	Kinpo Electronics, Inc.	Taiwan Star Telecom Corp. Ltd. / Corporation Bond	—	Investments in debt instrument without active market (current and non-current)	-	300,000	-	-	
1	Forward International Ltd.	Overseas beneficiary certificate	—	Non-current available-for-sale financial assets	20,933,253	221,217	-	USD 0.36	<Note3>
2	Jipo Investment Co., Ltd.	Innolux Corporation / Stock	—	Current available-for-sale financial assets	4,308,238	53,422	0.04%	12.40	Public: 3481
2	Jipo Investment Co., Ltd.	Kinpo Electronics, Inc. / Stock	Parent company	Non-current available-for-sale financial assets	46,197,155	487,380	3.17%	10.55	Public: 2312 <Note3>
2	Jipo Investment Co., Ltd.	Taiwan Star Telecom Corp. Ltd. / Stock	—	"	6,237	-	-	8.15	
3	Cal-Comp Electronics (Thailand) Public Company Limited	Metal Component Engineering Ltd. / Stock	—	"	37,805,800	THB 34,725	10.11%	SGD 0.037	
3	Cal-Comp Electronics (Thailand) Public Company Limited	Memoright Memotech Corporation / Stock	—	Non-current financial assets at cost	3,965,107	THB 15,995	3.05%	-	
3	Cal-Comp Electronics (Thailand) Public Company Limited	Dawning Leading Technology Inc. / Stock	—	"	33,072,500	THB 491,277	9.03%	-	
4	Logistar International Holding Co., Ltd.	Mojoose Inc./ Convertible bond	—	Current investments in debt instrument without	-	THB 57,192	-	-	
5	Cal-Comp Electronics (USA) Co., Ltd.	Fellow, Inc. / Stock	—	Non-current financial assets at cost	480,815	THB 65,362	4.72%	-	

<Note1> The numbers filled in for the marketable securities held by the group or subsidiaries are as follows:

(1) The company is "0".

(2) The subsidiaries are numbered in order starting from "1".

<Note2> Carrying value is the net amount of costs deducted impairments.

<Note3> Classified as treasury stock for consolidated financial report.

Kinpo Electronics, Inc. and subsidiaries
Notes to consolidated financial statements (continued)

Table 4: Individual securities acquired or disposed of with accumulated amount exceeding NTD 300 million or 20 percent of the capital stock (Unit: thousands of NTD/ foreign currency)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance		Remark
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Carrying Value	Gain/Loss on Disposal	Shares/Units	Amount	
Kinpo Electronics, Inc.	Kinpo International (Singapore) Pte. Ltd.	Investment accounted for using equity method	Capital increment in cash	Subsidiaries	12,000,000	\$1,161,469	137,559,881	\$2,986,961	-	\$-	\$-	\$-	149,559,881	\$4,469,081	<Note1, 2>
Kinpo Electronics, Inc.	Kinpo Electronics (Philippines), Inc.	"	Kinpo International (Singapore) Pte. Ltd.	Subsidiaries	49,260,075	3,129,690	-	-	49,260,075	2,986,961	2,986,961	-	-	-	<Note1, 2>
Kinpo International (Singapore) Pte. Ltd.	Kinpo Electronics (Philippines), Inc.	"	Kinpo Electronics, Inc.	Parent Company	-	-	49,260,075	USD 98,482	-	-	-	-	49,260,075	USD 108,401	<Note1, 2>

<Note1> The ending balance included the recognition of share of profit (loss) of associates and joint ventures accounted for using equity method and exchange differences on translation, etc.

<Note2> To work line with the Group's long-term development, the Group adjusted its investment structure.

Kinpo Electronics, Inc. and subsidiaries
Notes to consolidated financial statements (continued)

Table 5: Acquisition of individual real estate properties at costs of at least NTD 300 million or 20% of the paid-in capital (Unit: thousands of NTD/ foreign currency)

Company Name	Types of Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationships	Prior transactions of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationships	Transfer Date	Amount			
Kinpo Electronics (Philippines), Inc.	Plant and dormitory	2017/01/01~2017/12/31	PHP 416,667	According to the progress of project	Vistagreen Builders Inc., Kirby Southeast Asia Co., Ltd. & Shengfu Corporation, etc.	—	N/A	N/A	N/A	N/A	Engaging others to build on rented land	Production	N/A
LIZ Electronics (Nantong) Co., Ltd.	Plant	2017/04/01~2017/12/31	CNY 91,364	According to the terms in contracts	Administration Committee of Nantong High-technology Industrial Development Zone	—	N/A	N/A	N/A	N/A	Engaging others to build on rented land	Production	N/A

<Note> Transaction date is earlier of the date of contract signing, payment, property trasfering, resolution of Board of Directors or other date that counter-party and transaction amount were confirmed.

Kinpo Electronics, Inc. and subsidiaries
Notes to consolidated financial statements (continued)

Table 6: Total purchases from or sales to related parties of at least NT\$ 100 million or 20% of the paid-in capital

(Unit: thousands of NT\$/ foreign currency)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction Terms Different From Regular Transactions		Notes/Accounts Receivable (Payable)		Remark
			Purchase/Sales	Amount	% to Total <Note>	Payment Term	Unit Price	Payment Term	Ending Balance	% to Total <Note>	
Kinpo Electronics, Inc.	Kinpo International Ltd.	Subsidiary	Purchases	\$4,795,601	59.71%	About 30 days	Similar to general terms and conditions	About 30 days	\$(779,941)	79.14%	
Kinpo Electronics, Inc.	Kinpo Electronics (Philippines), Inc.	Subsidiary	Purchases	3,233,539	40.26%	About 30 days	Similar to general terms and conditions	About 30 days	(205,462)	20.85%	
Kinpo Electronics, Inc.	Cal-Comp Electronics (Thailand) Public Company Limited	Subsidiary	Sales	157,832	1.83%	About 120 days	Similar to general terms and conditions	About 120 days	244	0.02%	
Kinpo International Ltd.	Kinpo Electronics (China) Co., Ltd.	Subsidiary	Purchases	CNY 1,172,164	33.45%	—	Similar to general terms and conditions	—	(CNY 159,438)	40.04%	
Kinpo International Ltd.	Kinpo Electronics, Inc.	Parent company	Sales	CNY 1,066,990	92.17%	About 30 days	Similar to general terms and conditions	About 30 days	CNY 176,545	46.78%	
Kinpo International Ltd.	Cal-Comp Electronics (Thailand) Public Company Limited	Affiliated company	Sales	CNY 54,816	4.74%	About 120 days	Similar to general terms and conditions	About 120 days	CNY 20,450	5.42%	
Kinpo Electronics (China) Co., Ltd.	Kinpo International Ltd.	Parent company	Sales	CNY 1,172,164	39.84%	—	Similar to general terms and conditions	—	CNY 159,438	35.03%	
Crowmpo Technology Inc.	Compal Information Technology (Kunshan) Co., Ltd.	Associate	Sales	353,434	53.68%	About 45-120 days	Similar to general terms and conditions	About 45-120 days	143,283	57.80%	
XYZprinting, Inc.	Cal-Comp Electronics (Thailand) Public Company Limited	Affiliated company	Purchases	203,662	79.65%	About 360 days	Similar to general terms and conditions	About 360 days	(344,132)	67.89%	
XYZprinting, Inc. (USA)	Cal-Comp Big Data, Inc.	Affiliated company	Purchases	USD 10,580	95.76%	About 360 days	Similar to general terms and conditions	About 360 days	(USD 10,580)	55.58%	
Kinpo Electronics (Philippines), Inc.	Kinpo Electronics, Inc.	Parent company	Sales	PHP 5,336,552	54.65%	About 30 days	Similar to general terms and conditions	About 30 days	USD 6,904	14.68%	
Kinpo Electronics (Philippines), Inc.	Cal-Comp Precision (Philippine), Inc.	Affiliated company	Purchases	PHP 773,550	8.49%	About 30 days	Similar to general terms and conditions	About 30 days	(USD 6,288)	13.31%	
Cal-Comp Big Data, Inc.	XYZprinting, Inc. (USA)	Affiliated company	Sales	365,798	90.02%	About 360 days	Similar to general terms and conditions	About 360 days	314,860	89.85%	
CastleNet Technology Inc.	CastleNet Technology Inc.	Subsidiary	Purchases	696,559	31.34%	About 90-120 days	Similar to general terms and conditions	About 90-120 days	(127,635)	32.45%	
CastleNet Technology Inc.	Cal-Comp Electronics (Thailand) Public Company Limited	Affiliated company	Purchases	299,920	13.49%	About 90-120 days	Similar to general terms and conditions	About 90-120 days	(260,105)	58.91%	
Cal-Comp Electronics (Thailand) Public Company Limited	XYZprinting, Inc.	Affiliated company	Sales	THB 234,945	0.30%	About 60-90 days	Similar to general terms and conditions	About 60-90 days	THB 380,819	1.82%	
Cal-Comp Electronics (Thailand) Public Company Limited	Cal-Comp Indústria e Comercio de Electronicos Informatica Ltda.	Subsidiary	Sales	THB 321,977	0.41%	About 60-90 days	Similar to general terms and conditions	About 60-90 days	THB 1,493,711	7.13%	
Cal-Comp Electronics (Thailand) Public Company Limited	Logistar International Holding Co., Ltd.	Subsidiary	Sales	THB 25,052,887	32.26%	About 60-90 days	Similar to general terms and conditions	About 60-90 days	THB 4,483,203	21.41%	
Cal-Comp Electronics (Thailand) Public Company Limited	CastleNet Technology Inc.	Affiliated company	Sales	THB 350,568	0.45%	About 60-90 days	Similar to general terms and conditions	About 60-90 days	THB 283,428	1.35%	
Cal-Comp Electronics (Thailand) Public Company Limited	AeBel Polytech Inc.	Associate	Purchases	THB 241,464	0.34%	About 60-90 days	Similar to general terms and conditions	About 60-90 days	(THB 43,174)	0.31%	
Cal-Comp Electronics (Thailand) Public Company Limited	Kinpo Electronics, Inc.	Parent company	Purchases	THB 178,462	0.25%	About 60-90 days	Similar to general terms and conditions	About 60-90 days	(THB 269)	0.00%	
Cal-Comp Electronics (Thailand) Public Company Limited	Kinpo International Ltd.	Affiliated company	Purchases	THB 277,932	0.39%	About 60-90 days	Similar to general terms and conditions	About 60-90 days	(THB 103,208)	0.74%	
Cal-Comp Electronics (Thailand) Public Company Limited	Cal-Comp Precision (Thailand) Limited	Subsidiary	Purchases	THB 3,228,341	4.50%	About 60-90 days	Similar to general terms and conditions	About 60-90 days	(THB 269,642)	1.93%	
Cal-Comp Electronics (Thailand) Public Company Limited	Logistar International Holding Co., Ltd.	Subsidiary	Purchases	THB 1,113,764	1.55%	About 60-90 days	Similar to general terms and conditions	About 60-90 days	(THB 598,831)	4.28%	
Cal-Comp Electronics (Thailand) Public Company Limited	CastleNet Technology Inc.	Affiliated company	Purchases	THB 176,537	0.25%	About 60-90 days	Similar to general terms and conditions	About 60-90 days	(THB 24,005)	0.17%	
Cal-Comp Electronics de Mexico, Co. SA de CV	Cal-Comp Electronics (USA) Co., Ltd.	Affiliated company	Sales	THB 262,091	94.46%	About 60-90 days	Similar to general terms and conditions	About 60-90 days	THB 13,383	54.52%	
Logistar International Holding Co., Ltd.	Cal-Comp Electronics (Thailand) Public Company Limited	Parent company	Sales	THB 1,167,259	3.71%	About 60-90 days	Similar to general terms and conditions	About 60-90 days	THB 594,328	11.38%	
Logistar International Holding Co., Ltd.	Cal-Comp Electronics (Thailand) Public Company Limited	Parent company	Purchases	THB 24,899,618	82.38%	About 60-90 days	Similar to general terms and conditions	About 60-90 days	(THB 4,499,741)	54.14%	
Logistar International Holding Co., Ltd.	Cal-Comp Optical Electronics (Suzhou) Co., Ltd.	Affiliated company	Purchases	THB 3,989,051	13.20%	About 60-90 days	Similar to general terms and conditions	About 60-90 days	(THB 2,946,572)	35.45%	
Cal-Comp Indústria e Comercio de Electronicos Informatica Ltda.	Cal-Comp Electronics (Thailand) Public Company Limited	Parent company	Purchases	THB 349,551	2.67%	About 60-90 days	Similar to general terms and conditions	About 60-90 days	(THB 1,518,171)	46.43%	
Cal-Comp Indústria e Comercio de Electronicos Informatica Ltda.	AeBel Polytech Inc.	Associate	Purchases	THB 189,118	1.45%	About 60-90 days	Similar to general terms and conditions	About 60-90 days	(THB 9,306)	0.28%	
Cal-Comp Precision (Thailand) Limited	Cal-Comp Electronics (Thailand) Public Company Limited	Parent company	Sales	THB 3,217,256	65.79%	About 60-90 days	Similar to general terms and conditions	About 60-90 days	THB 284,676	32.91%	
Cal-Comp Precision (Thailand) Limited	Kinpo Electronics (Philippines), Inc.	Affiliated company	Sales	THB 512,167	10.47%	About 60-90 days	Similar to general terms and conditions	About 60-90 days	THB 207,535	23.99%	
Cal-Comp Optical Electronics (Suzhou) Co., Ltd.	Logistar International Holding Co., Ltd.	Affiliated company	Sales	THB 3,989,130	98.80%	About 60-90 days	Similar to general terms and conditions	About 60-90 days	THB 2,946,560	99.29%	
Cal-Comp Electronics & Communications Co., Ltd.	Logistar International Holding Co., Ltd.	Affiliated company	Sales	THB 2,010,798	100.00%	About 60-90 days	Similar to general terms and conditions	About 60-90 days	THB 474,021	100.00%	

<Note> Percentage to total sales, purchases, accounts and notes receivable (payable).

Kinpo Electronics, Inc. and subsidiaries
Notes to consolidated financial statements (continued)

Table 7: Receivables due from related parties amounting to at least NTD 100 million or 20% of the paid-in capital

(Unit: thousands of NTD/ foreign currency)

Company Name	Related Party	Nature of Relationship	Financial Statement Account	Ending Balance	Turnover Ratio	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
						Amount	Action Taken		
Kinpo Electronics, Inc.	Kinpo International Ltd.	Subsidiary	Accounts receivable due from related parties	\$243,000	-	\$-	-	\$243,000	\$-
Kinpo International Ltd.	Kinpo Electronics, Inc.	Parent company	"	CNY 176,545	6.32	-	-	CNY 175,603	-
Kinpo International Ltd.	Cal-Comp Electronics (Thailand) Public Company Limited	Affiliated company	"	CNY 20,450	5.17	-	-	CNY 20,416	-
Kinpo International Ltd.	Kinpo Electronics (China) Co., Ltd.	Subsidiary	"	CNY 152,101	-	-	-	CNY 124,271	-
Kinpo International Ltd.	Kinpo Electronics (China) Co., Ltd.	Subsidiary	Other receivables due from related parties	CNY 54,955	-	-	-	-	-
Kinpo International Ltd.	Kinpo Electronics (Philippines), Inc.	Affiliated company	"	CNY 26,714	-	-	-	-	-
Kinpo International Ltd.	XYZprinting, Inc. (USA)	Affiliated company	Long-term accounts receivables due from related parties	CNY 32,671	-	-	-	-	-
Kinpo Electronics (China) Co., Ltd.	Kinpo International Ltd.	Parent company	Accounts receivable due from related parties	CNY 159,438	7.52	-	-	CNY 123,613	-
Kinpo Electronics (China) Co., Ltd.	XYZprinting, Inc.	Affiliated company	"	CNY 34,083	0.28	-	-	-	-
Crownpo Technology Inc.	Compal Information Technology (Kunshan) Co., Ltd.	Associate	"	143,283	2.15	-	-	55,677	-
Kinpo Electronics (Philippines), Inc.	Kinpo Electronics, Inc.	Parent company	"	USD 6,904	17.02	-	-	USD 6,904	-
Cal-Comp Big Data, Inc.	XYZprinting, Inc. (USA)	Affiliated company	"	314,860	2.31	-	-	1,155	-
Cal-Comp Electronics (Thailand) Public Company Limited	Cal-Comp Big Data, Inc.	Affiliated company	Accounts receivable due from related parties	THB 287,315	1.10	-	-	THB 83	-
Cal-Comp Electronics (Thailand) Public Company Limited	Cal-Comp Industria e Comercio de Eletronicos Informatica Ltda.	Subsidiary	"	THB 1,493,711	0.18	-	-	-	-
Cal-Comp Electronics (Thailand) Public Company Limited	XYZprinting, Inc.	Affiliated company	"	THB 380,819	0.40	-	-	THB 238	-
Cal-Comp Electronics (Thailand) Public Company Limited	CastleNet Technology Inc.	Affiliated company	"	THB 283,428	2.01	-	-	THB 20,281	-
Cal-Comp Electronics (Thailand) Public Company Limited	Logistar International Holding Co., Ltd.	Subsidiary	"	THB 4,483,203	3.44	-	-	THB 4,560,204	-
Cal-Comp Electronics (Thailand) Public Company Limited	Cal-Comp Electronics (USA) Co., Ltd.	Subsidiary	"	THB 1,300,908	0.02	-	-	-	-
Cal-Comp Electronics & Communications Co., Ltd.	Logistar International Holding Co., Ltd.	Affiliated company	"	THB 474,021	1.34	-	-	-	-
Logistar International Holding Co., Ltd.	Cal-Comp Electronics (Thailand) Public Company Limited	Parent company	Accounts receivable due from related parties	THB 594,328	3.56	-	-	THB 9,894	-
Logistar International Holding Co., Ltd.	Cal-Comp Precision (Dongguan) Limited	Affiliated company	Other receivables due from related parties	THB 176,233	-	-	-	-	-
Logistar International Holding Co., Ltd.	Cal-Comp Precision (Philippines), Inc.	Affiliated company	"	THB 109,208	-	-	-	-	-
Cal-Comp Precision (Thailand) Limited	Cal-Comp Electronics (Thailand) Public Company Limited	Parent company	Accounts receivable due from related parties	THB 284,676	8.41	-	-	-	-
Cal-Comp Precision (Thailand) Limited	Kinpo Electronics (Philippines), Inc.	Affiliated company	"	THB 207,535	4.08	-	-	-	-
Cal-Comp Optical Electronics (Suzhou) Co., Ltd.	Logistar International Holding Co., Ltd.	Affiliated company	"	THB 2,946,560	1.01	-	-	-	-
Cal-Comp Optical Electronics (Suzhou) Co., Ltd.	Cal-Comp Precision (Dongguan) Limited	Affiliated company	Other receivables due from related parties	THB 300,872	-	-	-	-	-
Cal-Comp Technology (Suzhou) Co., Ltd.	Cal-Comp Electronics and Communications (Suzhou) Co., Ltd.	Affiliated company	"	THB 759,496	-	-	-	-	-
Cal-Comp Electronics (USA) Co., Ltd.	Qbit Semiconductor Ltd.	Affiliated company	"	THB 123,116	-	-	-	-	-

Kinpo Electronics, Inc. and subsidiaries
Notes to consolidated financial statements (continued)

Table 8: Significant intercompany transactions between consolidated entities

(Unit: thousands of NTD/ foreign currency)

No. <Note1>	Company Name	Counter-party	Nature of Relationship <Note2>	Intercompany Transactions			Percentage of Consolidated Net Revenue or Total Assets <Note3>
				Financial Statement Account	Amount	Terms	
0	Kinpo Electronics, Inc.	Kinpo International Ltd. and subsidiaries	1	Account receivable	\$243,000	Similar to general terms and conditions	0.27%
			1	Service revenue	226,000	Similar to general terms and conditions	0.19%
			1	Account payable	779,941	Similar to general terms and conditions	0.87%
			1	Purchases	4,795,601	Similar to general terms and conditions	4.02%
0	Kinpo Electronics, Inc.	Kinpo Electronics (Philippines), Inc.	1	Account payable	205,462	Similar to general terms and conditions	0.23%
			1	Purchases	3,233,539	Similar to general terms and conditions	2.71%
0	Kinpo Electronics, Inc.	Cal-Comp Electronics (Thailand) Public Company Limited and subsidiaries	1	Sales	157,842	Similar to general terms and conditions	0.13%
			1	Service revenue	118,320	Similar to general terms and conditions	0.10%
1	Kinpo International Ltd. and subsidiaries	Cal-Comp Electronics (Thailand) Public Company Limited and subsidiaries	3	Sales	292,436	Similar to general terms and conditions	0.25%
			3	Account receivable	142,637	Similar to general terms and conditions	0.16%
1	Kinpo International Ltd. and subsidiaries	XYZprinting, Inc. and subsidiaries	3	Account receivable	155,358	Similar to general terms and conditions	0.17%
			3	Other receivables	244,089	Similar to general terms and conditions	0.27%
1	Kinpo International Ltd. and subsidiaries	Kinpo Electronics (Philippines), Inc.	3	Other receivables	121,667	Similar to general terms and conditions	0.14%
2	XYZprinting, Inc. and subsidiaries	Cal-Comp Electronics (Thailand) Public Company Limited and subsidiaries	3	Account payable	344,132	Similar to general terms and conditions	0.39%
			3	Purchases	203,662	Similar to general terms and conditions	0.17%
2	XYZprinting, Inc. and subsidiaries	Cal-Comp Big Data, Inc. and subsidiaries	3	Account payable	350,421	Similar to general terms and conditions	0.39%
			3	Purchases	362,242	Similar to general terms and conditions	0.30%
3	Kinpo Electronics (Philippines), Inc.	Cal-Comp Electronics (Thailand) Public Company Limited and subsidiaries	3	Account payable	187,144	Similar to general terms and conditions	0.21%
			3	Purchases	467,456	Similar to general terms and conditions	0.39%
4	CastleNet Technology Inc.	Cal-Comp Electronics (Thailand) Public Company Limited and subsidiaries	3	Account payable	260,105	Similar to general terms and conditions	0.29%
			3	Purchases	299,920	Similar to general terms and conditions	0.25%
5	Cal-Comp Big Data, Inc. and subsidiaries	Cal-Comp Electronics (Thailand) Public Company Limited and subsidiaries	3	Account payable	262,280	Similar to general terms and conditions	0.29%

<Note1> The numbers filled in represent:

- (1) The company is "0".
- (2) The subsidiaries are numbered in order starting from "1".

<Note2> The following lists the three types of intercompany transactions (one transaction between parent company and subsidiary or between subsidiaries could be disclosed only once.)

- (1) Transactions from parent company to subsidiary is "1".
- (2) Transactions from subsidiary to parent company is "2".
- (3) Transactions between subsidiaries is "3".

<Note3> The percentage is divided by:

- (1) Consolidated total assets if the transaction account belongs to balance sheet.
- (2) Consolidated net revenue if the transaction account belongs to comprehensive income statement.

<Note4> We included only the intercompany transactions with amount larger than 100 millions in the table.

Kinpo Electronics, Inc. and subsidiaries
Notes to consolidated financial statements (continued)

Table 9: Names, locations and related information of investees over which the company exercises significant influence (not including information on investments in Mainland China)

(Unit: thousands of NT\$/ foreign currency)

Investor Company	Investee Company	Location	Main Businesses	Original Investment Amount		Balance at The End of Period			Net Income (Losses) of The Investee	Share of Profits (Losses) of Investee	Nature of Relationship
				Ending balance	Beginning balance	Shares	Percentage of Ownership	Carrying Value			
Kinpo Electronics, Inc.	Cal-Comp Electronics (Thailand) Public Company Limited	Thailand	Manufacturing and sales of computer peripherals and IT products	\$1,921,485	\$1,921,485	1,839,526,249	40.39%	\$7,420,262	\$857,306	\$346,269	Subsidiary
Kinpo Electronics, Inc.	Kinpo International (Singapore) Pte. Ltd.	Singapore	Reinvestment on domestic and overseas business	3,203,059	216,098	149,559,881	100.00%	4,469,081	120,412	120,412	Subsidiary
Kinpo Electronics, Inc.	Forward International Ltd.	BVI	Reinvestment on domestic and overseas business; purchases and sales of marketable securities	297,731	297,731	31,712	100.00%	10,070	1,062	(3,962)	Subsidiary
Kinpo Electronics, Inc.	Kinpo International Ltd.	BVI	Reinvestment on domestic and overseas business	2,218,189	2,218,189	69,223,270	100.00%	3,513,579	178,283	178,283	Subsidiary
Kinpo Electronics, Inc.	Jipo Investment Co., Ltd.	Taiwan	General investment	990,000	990,000	99,000,000	100.00%	34,464	17,030	3,171	Subsidiary
Kinpo Electronics, Inc.	Lipo Holding Co., Ltd.	Cayman Islands	Reinvestment on domestic and overseas business	505,305	505,305	102,000	51.00%	377,140	29,817	15,207	Subsidiary
Kinpo Electronics, Inc.	Crownpo Technology Inc.	Taiwan	Manufacturing and sales of chip diodes, etc.	341,730	341,730	5,805,765	51.61%	81,242	5,348	2,760	Subsidiary
Kinpo Electronics, Inc.	Cal-Comp Biotech Co., Ltd.	Taiwan	Cultivation and retail of agricultural products	100,000	100,000	10,000,000	100.00%	16,937	(4,703)	(4,703)	Subsidiary
Kinpo Electronics, Inc.	XYZprinting, Inc.	Taiwan	Trading 3D printer	431,518	268,468	43,151,760	46.40%	106,130	(187,436)	(83,978)	Subsidiary
Kinpo Electronics, Inc.	Kinpo Electronics (Philippines), Inc.	Philippines	Processing manufacturing and selling products of other company	-	3,382,225	-	-	-	134,954	70,904	Subsidiary
Kinpo Electronics, Inc.	CastleNet Technology Inc.	Taiwan	Development, manufacturing and sales of products including cable modem, powerline communication and digital home application	398,323	263,026	27,458,907	31.89%	362,162	(134,957)	(75,566)	Subsidiary
Kinpo Electronics, Inc.	Cal-Comp Big Data, Inc.	Taiwan	Medical equipment, data processing and provision service	325,000	325,000	32,500,000	50.00%	95,448	(349,033)	(174,516)	Subsidiary
Kinpo Electronics, Inc.	New Era AI Robotic Limited	Cayman Islands	Reinvestment on domestic and overseas business	61,000	-	2,000,000	50.00%	46,193	(29,678)	(14,839)	Subsidiary
Kinpo Electronics, Inc.	AeBel Polytex Inc.	Taiwan	Manufacturing switching power supply & sales of main materials	1,107,044	1,107,044	117,162,063	22.60%	1,748,509	313,412	70,801	Affiliated company
Kinpo Electronics, Inc.	Kinpo Group Management Service Company	Taiwan	Investment and management consulting	3,000	3,000	300,000	37.50%	5,557	284	106	Affiliated company
Kinpo Electronics, Inc.	Teleport Access Services, Inc.	Taiwan	First rate telecommunications, system design and engineering, integration, construction, and product services; restrained telecom radio frequency equipments and materials import	322,376	322,376	10,145,800	23.70%	258,183	75,445	17,904	Affiliated company
Kinpo Electronics, Inc.	Ascendant Private Equity Investment Ltd. (Preferred Stock)	BVI	Reinvestment on domestic and overseas business	949,219	949,219	31,250,000	34.72%	986,834	60,667	12,415	Affiliated company
Kinpo Electronics, Inc.	Ascendant Private Equity Investment Ltd. (Stock)	BVI	Reinvestment on domestic and overseas business	95	95	3,125	34.72%	93	60,667	-	Affiliated company
Kinpo Electronics, Inc.	McTEC Taiwan Limited	Samoa	Reinvestment on domestic and overseas business	47,193	47,193	1,500,000	26.04%	-	-	-	Affiliated company
Kinpo International (Singapore) Pte. Ltd.	Cal-Comp Electronics (Thailand) Public Company Limited	Thailand	Manufacturing and sales of computer peripherals and IT products	USD 12,609	USD 12,609	300,788,019	6.60%	USD 40,746	857,306	<Note1>	Subsidiary
Kinpo International (Singapore) Pte. Ltd.	Kinpo Electronics (Philippines), Inc.	Philippines	Processing manufacturing and selling products of other company	USD 98,482	-	49,260,075	100.00%	USD 108,401	134,954	<Note1>	Sub-subsiidary
Kinpo International (Singapore) Pte. Ltd.	Ruten Singapore Pte. Ltd.	Singapore	Provision of online platform and online payment services	USD 1,120	-	11,200,000	35.00%	USD 1,141	(SGD 149)	<Note1>	Affiliated company
Jipo Investment Co., Ltd.	AeBel Polytex Inc.	Taiwan	Manufacturing switching power supply & sales of main materials	67,500	67,500	7,626,854	1.47%	113,731	313,412	<Note1>	Affiliated company
Crownpo Technology Inc.	Ranasha International Ltd.	BVI	Reinvestment on domestic and overseas business	137,962	137,962	50,000	100.00%	87,978	USD 170	<Note1>	Sub-subsiidary
XYZprinting, Inc.	XYZprinting, Inc. (USA)	USA	Trading 3D printer	29,590	29,590	5,000	100.00%	(183,684)	(48,960)	<Note1>	Sub-subsiidary
XYZprinting, Inc.	XYZprinting Japan, Inc.	Japan	Trading 3D printer	14,472	14,472	1,013,200	100.00%	(61,424)	(6,049)	<Note1>	Sub-subsiidary
XYZprinting, Inc.	XYZprinting Netherlands, B.V.	Netherlands	Trading 3D printer	59,829	59,829	1,488,901	100.00%	(31,600)	(11,734)	<Note1>	Sub-subsiidary
XYZprinting, Inc.	XYZprinting, Inc. (SAMOA)	Samoa	Reinvestment on business in China	38,851	38,851	1,300,000	100.00%	(56,586)	(20,941)	<Note1>	Sub-subsiidary
XYZprinting, Inc.	XYZprinting (Thailand) Co., Ltd.	Thailand	Trading 3D printer	16,178	16,178	1,800,000	100.00%	13,026	(166)	<Note1>	Sub-subsiidary
Cal-Comp Big Data, Inc.	Cal-Comp Big Data International Ltd.	BVI	Reinvestment on domestic and overseas business	157,125	157,125	50,000	100.00%	(49,261)	(USD 5,693)	<Note1>	Sub-subsiidary
New Era AI Robotic Limited	New Era AI Robotic Inc.	Taiwan	Trading robot and applications development	USD 4,000	-	12,000,000	100.00%	USD 3,042	(29,473)	<Note1>	Sub-subsiidary
CastleNet Technology Inc.	CastleNet Technology (BVI) Inc.	BVI	Investment holding company	538,992	538,992	17,208	100.00%	380,837	(USD 977)	<Note1>	Sub-subsiidary

Kinpo Electronics, Inc. and subsidiaries
Notes to consolidated financial statements (continued)

Table 9: Names, locations and related information of investees over which the company exercises significant influence (not including information on investments in Mainland China)

(Unit: thousands of NTD/ foreign currency)

Investor Company	Investee Company	Location	Main Businesses	Original Investment Amount		Balance at The End of Period			Net Income (Losses) of The Investee	Share of Profits (Losses) of Investee	Nature of Relationship
				Ending balance	Beginning balance	Shares	Percentage of Ownership	Carrying Value			
Cal-Comp Electronics (Thailand) Public Company Limited	Logistar International Holding Co., Ltd.	BVI	Dealer	USD 30,050	USD 30,050	30,050,000	100.00%	\$-	(THB 916,845)	<Note1>	Sub-subsidiary
Cal-Comp Electronics (Thailand) Public Company Limited	Cal-Comp Electronics & Communication Co., Ltd.	Taiwan	Purchasing materials and R&D	69,921	69,921	6,992,078	100.00%	THB 372,412	THB 33,781	<Note1>	Sub-subsidiary
Cal-Comp Electronics (Thailand) Public Company Limited	Cal-Comp Precision (Singapore) Limited	Singapore	Manufacturing and selling	SGD 10,900	SGD 10,900	118,452,574	100.00%	THB 334,498	THB 29,201	<Note1>	Sub-subsidiary
Cal-Comp Electronics (Thailand) Public Company Limited	Cal Comp (Malaysia) SDN. BHD.	Malaysia	Manufacturing	MYR 28,040	MYR 28,040	28,038,680	100.00%	THB 1,405,542	THB 189,732	<Note1>	Sub-subsidiary
Cal-Comp Electronics (Thailand) Public Company Limited	Cal-Comp Electronics (USA) Co., Ltd.	USA	Manufacturing	USD 59,820	USD 59,820	60,000,000	100.00%	THB 597,389	(THB 254,729)	<Note1>	Sub-subsidiary
Cal-Comp Electronics (Thailand) Public Company Limited	Cal-Comp Industria e Comercio de Electronicos Informatica Ltda.	Brazil	Manufacturing	BRL 1,350	BRL 1,350	1,350,000	0.82%	BRL 10,981	BRL 12,708	<Note1>	Sub-subsidiary
Cal-Comp Electronics (Thailand) Public Company Limited	Cal-Comp Electronics de Mexico Co., S.A. de C.V.	Mexico	Manufacturing	MXN 141,182	MXN 141,182	141,182,050	100.00%	THB 393,459	THB 19,738	<Note1>	Sub-subsidiary
Cal-Comp Electronics (Thailand) Public Company Limited	Cal-Comp Technology (Philippines), Inc.	Philippines	Manufacturing	PHP 212,720	PHP 212,720	2,127,113	100.00%	THB 795,314	THB 167,236	<Note1>	Sub-subsidiary
Cal-Comp Electronics (Thailand) Public Company Limited	Cal-Comp Precision (Thailand) Limited	Thailand	Plastic Molding	THB 2,210,000	THB 2,210,000	22,100,000	100.00%	THB 2,059,781	(THB 17,758)	<Note1>	Sub-subsidiary
Cal-Comp Electronics (Thailand) Public Company Limited	Cal-Comp Holding (Brasil) S.A.	Brazil	Holding	BRL 258,200	BRL 258,200	258,220,566	99.99%	THB 1,941,280	THB 60,359	<Note1>	Sub-subsidiary
Cal-Comp Electronics (Thailand) Public Company Limited	XYZprinting, Inc.	Taiwan	Manufacturing of computers and peripheral devices	THB 461,799	THB 285,331	43,151,760	46.40%	106,130	(187,436)	<Note1>	Subsidiary
Cal-Comp Electronics (Thailand) Public Company Limited	Pehome (Thailand) Co., Ltd.	Thailand	E-commerce, selling and customer services	THB 32,500	THB 32,500	32,500,000	32.50%	THB 20,212	(THB 14,161)	<Note1>	Affiliated company
Cal-Comp Electronics (Thailand) Public Company Limited	Cal-Comp Big Data, Inc.	Taiwan	Medical equipment, data processing and provision service	USD 10,000	USD 10,000	32,500,000	50.00%	95,447	(349,033)	<Note1>	Subsidiary
Cal-Comp Electronics (Thailand) Public Company Limited	Qbit Semiconductor Ltd.	Taiwan	Design of semiconductors	-	USD 5,000	-	-	-	-	<Note1>	Sub-subsidiary
Cal-Comp Electronics (Thailand) Public Company Limited	Qbit Semiconductor Holding Ltd.	Cayman Islands	Holding	USD 5,000	USD 5,000	5,900,000	100.00%	THB 88,290	(THB 86,135)	<Note1>	Sub-subsidiary
Cal-Comp Electronics (Thailand) Public Company Limited	Cal-Comp (India) Private Limited	India	Operating and designing electronic products	USD 500	-	3,222,500	100.00%	THB 16,766	(THB 836)	<Note1>	Sub-subsidiary
Cal-Comp Electronics (Thailand) Public Company Limited	New Era AI Robotic Limited	Cayman Islands	Reinvestment on domestic and overseas business	USD 2,000	-	2,000,000	50.00%	46,194	(29,678)	<Note1>	Subsidiary
Cal-Comp Electronics (Thailand) Public Company Limited	Qbit Semiconductor Holding Ltd.	Taiwan	Design of semiconductors	USD 2,152	-	16,250,000	100.00%	(12,765)	(90,590)	<Note1>	Sub-subsidiary
Logistar International Holding Co., Ltd.	A-Ten Technology Co., Ltd.	Taiwan	Developing and selling of communication products	-	THB 12,614	1,029,900	-	-	-	<Note1>	Affiliated company
Cal-Comp Precision (Singapore) Limited	Daviscomms (S) Pte. Ltd.	Singapore	Designing and manufacturing of communication products	THB 104,139	THB 104,139	616,000	20.00%	THB 137,177	THB 14,000	<Note1>	Affiliated company
Cal-Comp Holding (Brasil) S.A.	Cal-Comp Industria e Comercio de Electronicos Informatica Ltda.	Brazil	Manufacturing	BRL 163,674	BRL 163,674	163,673,798	99.18%	BRL 128,724	BRL 12,708	<Note1>	Sub-subsidiary
Cal-Comp Holding (Brasil) S.A.	Cal-Comp Industria de Semicondutores S.A.	Brazil	Manufacturing	BRL 40,466	BRL 40,466	40,466,000	58.03%	BRL 29,813	(BRL 8,037)	<Note1>	Sub-subsidiary
Cal-Comp Precision (Thailand) Limited	Cal-Comp Precision (Malaysia) SDN. BHD.	Malaysia	Plastic Molding	MYR 11,970	MYR 11,970	11,970,000	100.00%	THB 207,314	THB 22,614	<Note1>	Sub-subsidiary
Cal-Comp Precision (Thailand) Limited	Cal-Comp Precision (Philippine) Inc.	Philippines	Plastic Molding	PHP 1,175,063	PHP 853,962	11,750,625	100.00%	THB 911,259	(THB 48,555)	<Note1>	Sub-subsidiary
Cal-Comp Electronics (USA) Co., Ltd.	Cal-Comp USA (San Diego), Inc.	USA	Manufacturing	USD 860	USD 860	860,000	100.00%	(USD 11,042)	(USD 855)	<Note1>	Sub-subsidiary
Cal-Comp Electronics (USA) Co., Ltd.	Cal-Comp USA (Indiana), Inc.	USA	Manufacturing	USD 5,400	USD 5,400	5,400,000	100.00%	USD 7,461	(USD 459)	<Note1>	Sub-subsidiary
Cal-Comp Electronics & Communication Co., Ltd.	Kinpo Group Management Service Company Co., Ltd.	Taiwan	Investment and management consulting	1,000	1,000	100,000	12.50%	THB 1,095	284	<Note1>	Affiliated company

<Note1> The share of profits (losses) of investee have already been included in the net income of the investor company. We decided not to further disclose in case of causing confusion.

Kinpo Electronics, Inc. and subsidiaries
Notes to consolidated financial statements (continued)

Table 10: Informations on investments in Mainland China

(Unit: thousands of NTD/ foreign currency)

Investee Company	Main Business and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2017	Percentage of Ownership	Net Income (Loss) of the Investee Company	Share of Profits/Losses	Carrying Amount as of December 31, 2017	Accumulated Inward Remittance of Earnings as of December 31, 2017
					Outflow	Inflow						
Kinpo Electronics (China) Co., Ltd.	Processing, manufacturing and selling electronic products of other companies	CNY 889,298 (4,050,308)	Indirect investment via Kinpo International Ltd.	USD 55,100 (1,639,776)	\$-	\$-	USD 55,100 (1,639,776)	100.00%	CNY 13,964 (62,913)	Please refer to <Note1>(2)-iii	CNY 1,327,686 (6,046,946)	\$-
Dongguan Kaipo Electronics Co., Ltd.	Manufacturing and sales of other companies' products	CNY 128,945 (587,280)	Indirect investment via Kinpo International Ltd.	USD 1,000 (29,760)	-	-	USD 1,000 (29,760)	100.00%	(CNY 553) (-2,491)	Please refer to <Note1>(2)-iii	CNY 43,453 (197,907)	-
Superpower Mould & Plastic Ltd.	Manufacturing and sales of other companies' products	-	Indirect investment via Kinpo International Ltd.	USD 1,573 (46,812)	-	-	USD 1,573 (46,812)	-	-	-	-	-
Kinpo Electronics (Shanghai) Co., Ltd.	Manufacturing & wholesaling electronics dictionary, design, R&D and sales for calculator software.	-	Indirect investment via Kinpo International Ltd.	USD 1,120 (33,331)	-	-	USD 1,120 (33,331)	-	-	-	-	-
Kinpo Electronics (Beijing) Co., Ltd.	Manufacturing & wholesaling electronics dictionary, design, R&D and sales for calculator software.	-	Indirect investment via Kinpo International Ltd.	USD 1,000 (29,760)	-	-	USD 1,000 (29,760)	-	-	-	-	-
MeTECH Guangzhou Co., Ltd.	Producing automatic bike & battery exchange station	CNY 63,304 (288,318)	Indirect investment via MeTEC Taiwan Limited	USD 1,350 (40,176)	-	-	USD 1,350 (40,176)	19.61%	-	-	-	-
LIZ Electronics (Kunshan) Co., Ltd.	Producing and marketing chip resistors & ceramic multilayer capacitors & chip diodes	CNY 252,202 (1,148,654)	Indirect investment via Lipo Holding Co., Ltd.	USD 14,270 (424,675)	-	-	USD 14,270 (424,675)	51.07%	CNY 9,999 (44,835)	Please refer to <Note1>(2)-iii	USD 12,758 (379,678)	-
LIZ Electronics (Nantong) Co., Ltd.	R&D, manufacturing chip components; sales of products and provide after-sales service; wholesaling, importing and exporting electronic components, semiconductors special materials and spare parts	CNY 119,427 (543,930)	Indirect investment via Lipo Holding Co., Ltd & LIZ Electronics (Kunshan) Co., Ltd.	USD 1,530 (45,533)	-	-	USD 1,530 (45,533)	51.06%	(CNY 7,971) (-35,742)	Please refer to <Note1>(2)-iii	USD 8,590 (255,638)	-
XYZprinting (Suzhou) Co., Ltd.	Trading 3D printer	CNY 6,104 (27,801)	Indirect investment via XYZ Printing, Inc. (SAMOA)	-	-	-	-	68.20%	(CNY 4,433) (-19,972)	Please refer to <Note1>(2)-iii	(CNY 8,161) (-37,169)	-
XYZprinting (Shanghai) Cloud Technology Co., Ltd.	Internet technology development	CNY 1,343 (6,117)	Indirect investment via XYZ Printing, Inc. (SAMOA)	-	-	-	-	68.20%	(CNY 166) (-748)	Please refer to <Note1>(2)-iii	CNY 803 (3,657)	-
CastleNet Technology Inc.	Design and manufacture of modem; sale of self-produced products	CNY 110,561 (505,192)	Indirect investment via CastleNet Technology (BVI) Inc.	-	-	-	-	31.89%	(CNY 6,500) (-9,033)	Please refer to <Note1>(2)-iii	USD 3,995 (125,534)	-
Cal-Comp Electronics (Suzhou) Co., Ltd.	Manufacturing	-	Indirect investment via Cal-Comp Electronics (Thailand) Public Company Limited	-	-	-	-	46.99%	-	-	-	-
Cal-Comp Optical Electronics (Suzhou) Co., Ltd.	Manufacturing	CNY 547,148 (2,491,986)	Indirect investment via Cal-Comp Electronics (Thailand) Public Company Limited	-	-	-	-	46.99%	(CNY 14,251) (-64,206)	Please refer to <Note1>(2)-iii	THB 1,813,596 (1,655,632)	-
Cal-Comp Technology (Suzhou) Co., Ltd.	Manufacturing	CNY 73,046 (332,688)	Indirect investment via Cal-Comp Electronics (Thailand) Public Company Limited	-	-	-	-	46.99%	(CNY 10,018) (-45,135)	Please refer to <Note1>(2)-iii	THB 377,389 (344,518)	-
Cal-Comp Electronics and Communications (Suzhou) Co., Ltd.	Manufacturing	CNY 239,598 (1,091,249)	Indirect investment via Cal-Comp Electronics (Thailand) Public Company Limited	-	-	-	-	46.99%	(CNY 8,449) (-38,066)	Please refer to <Note1>(2)-iii	THB 174,996 (159,754)	-
Cal-Comp Precision (Dongguan) Limited	Plastic Molding	CNY 110,805 (504,661)	Indirect investment via Cal-Comp Precision (Thailand) Limited	-	-	-	-	46.99%	(CNY 15,852) (-71,420)	Please refer to <Note1>(2)-iii	THB 182,622 (166,716)	-
Cal-Comp Precision (Wujiang) Co., Ltd.	Plastic Molding	CNY 32,863 (149,675)	Indirect investment via Cal-Comp Precision (Thailand) Limited	-	-	-	-	46.99%	(CNY 10) (-45)	Please refer to <Note1>(2)-iii	THB 6,811 (6,218)	-
Shanghai Chuang Ge Education Technology Co., Ltd.	R&D of educational and internet products	CNY 2,260 (10,293)	Indirect investment via Cal-Comp Precision (Thailand) Limited	-	-	-	-	22.04%	-	-	THB 2,498 (2,280)	-
Jun-Hui LED Electronics, Co., Limited	R&D and manufacturing optical electronics technique	HKD 494,706 (1,883,840)	Others	-	-	-	-	1.52%	-	-	USD 567 (16,874)	-

Accumulated Investment in Mainland China as of December 31, 2017 (in thousands)	Investment Amount Authorized by Investment Commission, MOEA (in thousands)	Upper Limit of Investment (60% of Net value) (in thousands)
USD 76,943 (\$2,289,823)	USD 241,999 (\$7,201,890)	\$10,135,468

<Note1> In the shared profits/losses column:

- (1) The investments that are in preparation and thus haven't generated any profits/losses should be specified.
- (2) The resources of shared profits/losses should be specified as one of the three below:
 - i. Financial report audited by international audit firm that has partnership with audit firm in Taiwan.
 - ii. Financial report audited by CPA who audits the parent company in Taiwan.
 - iii. Others. (The share of profits/losses were already included in the investor's profits/losses. In case of causing confusion, we decided not to disclose in this table.)

<Note2> The figures in this table are presented in NTD. The exchange rate on the financial reporting date used for translating the amount of investment in foreign currency is as following:

(1) Ending investment balance as of report date were translated using the exchange rates as follows:

USD:NTD 1: 29.7600
CNY:NTD 1: 4.5545
THB:NTD 1: 0.9129

(2) Investment gains or losses were translated using the average rates for the nine-month period ended September 30, 2017 as follows:

USD:NTD 1: 30.2884
CNY:NTD 1: 4.5054
THB:NTD 1: 0.8905