

Chroma ATE Inc. and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2017 and 2016 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The entities required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2017 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standards 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

CHROMA ATE INC.

LEO HUANG
Chairman

February 22, 2018

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Chroma ATE Inc.

Opinion

We have audited the accompanying consolidated financial statements of Chroma ATE Inc. and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and 2016, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2017 and 2016, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) 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 Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the consolidated financial statements for the year ended December 31, 2017 are stated as follows:

Impairment of Property, Plant and Equipment

In accordance with IAS 36 - Impairment of Asset, management assesses periodically whether there is any indication that property, plant and equipment may be impaired. If an indication of impairment exists, management considers the usage of the asset and industry condition to determine the recoverable amount of the cash-generating unit to which the asset belongs based on subjective judgment. Since the management's assessment of impairment and determination of the recoverable amount of an asset require management's subjective judgments and assumptions, impairment of asset is deemed to be a key audit matter.

Management determined that there is no indication that the property, plant and equipment may be impaired based on the assessment of industry trend, market conditions, and the Group's operation performance and financial status. We have performed the audit procedures, including reviewing the impairment assessment of property, plant and equipment prepared by the managements and assessing the rationale of underlying information used, to evaluate the appropriateness of the impairment indication assessment performed by the management.

Please refer to Notes 5 and 16 of the consolidated financial statements for the details of the information about property, plant and equipment.

Evaluation of Write-down of Inventories

The Group's inventories are primarily test instruments, widely used in technology industries including power supply, passive components, semiconductor, LED, and solar energy. The Group adjust the product portfolio in response to the rapid change in the market and business fluctuation. The market competition or technique replacement may result in the risk of inventories becoming unmarketable or prices slump due to lack of demand in the market. As stated in Note 5, inventory valuation includes the consideration of whether the test instruments are obsolete or unmarketable and the estimation of demand for the products in the future. Since the evaluation process involves material assumptions and estimations, the valuation of inventories is deemed to be a key audit matter.

We assessed the rationale of the Group's policy on providing allowance for inventory valuation and obsolescence losses, and we tested the accuracy of inventory aging report. We also tested the recent selling prices and participated in annual inventory count to observe the condition of the inventories in order to evaluate the reasonableness of the inventory value.

Please refer to Note 13 of the consolidated financial statements for the details of the information about inventories.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC and SIC endorsed and issued into effect by the FSC 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the Group's financial reporting process.

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Cheng-Ming Lee and Wen-Chi Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 22, 2018

Notice to Readers

The accompanying financial statements are intended only to present the consolidated financial position, consolidated financial performance 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 consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

CHROMA ATE INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

ASSETS	2017		2016	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 5,076,411	23	\$ 3,149,970	17
Financial assets at fair value through profit or loss - current (Note 7)	8,794	-	9,161	-
Available-for-sale financial assets - current (Note 8)	1,043,387	5	2,291,504	12
Debt investments with no active market - current (Notes 10 and 32)	899,368	4	378,515	2
Notes receivable	249,785	1	61,769	-
Trade receivables, net (Note 11)	3,717,254	17	2,988,773	16
Trade receivables - related parties (Notes 11 and 31)	47,702	-	7,890	-
Construction contracts receivable (Note 12)	202,535	1	214,816	1
Inventories (Note 13)	2,431,074	11	1,906,496	10
Prepayments	265,944	1	76,076	1
Other current assets (Note 31)	<u>163,530</u>	<u>1</u>	<u>127,722</u>	<u>1</u>
Total current assets	<u>14,105,784</u>	<u>64</u>	<u>11,212,692</u>	<u>60</u>
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current (Note 8)	268,582	1	314,233	2
Financial assets measured at cost - non-current (Note 9)	193,571	1	198,649	1
Investments accounted for using equity method (Note 15)	641,567	3	641,497	4
Property, plant and equipment (Notes 16, 24 and 32)	2,664,584	12	2,714,127	15
Goodwill (Note 17)	225,408	1	220,236	1
Other intangible assets (Note 18)	52,628	-	7,267	-
Deferred tax assets (Note 25)	230,408	1	220,064	1
Prepayments for land and equipment (Note 33)	3,505,669	16	3,035,154	16
Refundable deposits	27,439	-	20,045	-
Prepayments for investments	6,489	-	20,000	-
Other non-current assets	<u>95,483</u>	<u>1</u>	<u>28,814</u>	<u>-</u>
Total non-current assets	<u>7,911,828</u>	<u>36</u>	<u>7,420,086</u>	<u>40</u>
TOTAL	<u>\$ 22,017,612</u>	<u>100</u>	<u>\$ 18,632,778</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 19 and 32)	\$ 471,638	2	\$ 196,705	1
Notes payable	298,289	1	55,511	-
Notes payable - related parties (Note 31)	17,502	-	2,595	-
Trade payables	2,575,261	12	1,976,229	11
Trade payables - related parties (Note 31)	39,434	-	11,813	-
Construction contracts payable (Note 12)	552,527	3	229,858	1
Other payables (Note 21)	1,166,453	5	853,070	5
Current tax liabilities (Note 25)	308,357	2	264,461	1
Receipts in advance	247,122	1	290,774	2
Current portion of long-term borrowings (Notes 19 and 32)	1,216,042	6	815,317	4
Other current liabilities	<u>30,276</u>	<u>-</u>	<u>27,078</u>	<u>-</u>
Total current liabilities	<u>6,922,901</u>	<u>32</u>	<u>4,723,411</u>	<u>25</u>
NON-CURRENT LIABILITIES				
Bonds payable (Note 20)	99,703	-	1,397,140	8
Long-term borrowings (Notes 19 and 32)	1,061,693	5	1,368,085	7
Deferred tax liabilities (Note 25)	303,822	1	187,170	1
Net defined benefit liabilities (Note 22)	165,826	1	168,266	1
Guarantee deposits received	<u>838</u>	<u>-</u>	<u>855</u>	<u>-</u>
Total non-current liabilities	<u>1,631,882</u>	<u>7</u>	<u>3,121,516</u>	<u>17</u>
Total liabilities	<u>8,554,783</u>	<u>39</u>	<u>7,844,927</u>	<u>42</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 23)				
Ordinary share capital	<u>4,118,942</u>	<u>19</u>	<u>3,898,872</u>	<u>21</u>
Capital surplus	<u>3,187,289</u>	<u>14</u>	<u>1,960,159</u>	<u>11</u>
Retained earnings				
Legal reserve	1,896,570	9	1,724,576	9
Special reserve	86,888	-	86,888	-
Unappropriated earnings	<u>3,988,838</u>	<u>18</u>	<u>2,923,811</u>	<u>16</u>
Total retained earnings	<u>5,972,296</u>	<u>27</u>	<u>4,735,275</u>	<u>25</u>
Other equity	<u>(12,134)</u>	<u>-</u>	<u>58,035</u>	<u>-</u>
Treasury shares	<u>(35,714)</u>	<u>-</u>	<u>(35,714)</u>	<u>-</u>
Total equity attributable to owners of the Corporation	13,230,679	60	10,616,627	57
NON-CONTROLLING INTERESTS	<u>232,150</u>	<u>1</u>	<u>171,224</u>	<u>1</u>
Total equity	<u>13,462,829</u>	<u>61</u>	<u>10,787,851</u>	<u>58</u>
TOTAL	<u>\$ 22,017,612</u>	<u>100</u>	<u>\$ 18,632,778</u>	<u>100</u>

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

CHROMA ATE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 12 and 31)				
Sales	\$ 15,089,109	101	\$ 11,761,604	101
Less: Sales returns	(15,133)	-	(14,550)	-
Sales allowances	<u>(172,630)</u>	<u>(1)</u>	<u>(122,685)</u>	<u>(1)</u>
Net operating revenue	14,901,346	100	11,624,369	100
OPERATING COSTS (Notes 13, 24 and 31)	<u>7,832,539</u>	<u>53</u>	<u>6,196,250</u>	<u>53</u>
GROSS PROFIT	7,068,807	47	5,428,119	47
REALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES	<u>65</u>	<u>-</u>	<u>203</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>7,068,872</u>	<u>47</u>	<u>5,428,322</u>	<u>47</u>
OPERATING EXPENSES (Note 24)				
Selling and marketing expenses	1,857,495	13	1,619,664	14
General and administrative expenses	955,913	6	760,936	6
Research and development expenses	<u>1,212,383</u>	<u>8</u>	<u>1,034,541</u>	<u>9</u>
Total operating expenses	<u>4,025,791</u>	<u>27</u>	<u>3,415,141</u>	<u>29</u>
OPERATING INCOME	<u>3,043,081</u>	<u>20</u>	<u>2,013,181</u>	<u>18</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	35,090	-	19,323	-
Rental income (Note 31)	22,356	-	22,487	-
Dividend income	27,610	-	52,101	-
Other income	82,399	1	22,888	-
Finance costs (Note 24)	(22,782)	-	(42,052)	-
Gain on disposal of property, plant and equipment, net	3,141	-	1,126	-
Gain on disposal of investments, net	15,050	-	2,442	-
Valuation gain on financial assets (liabilities) at fair value through profit or loss, net	1,858	-	2,219	-
Other expenses	(1,194)	-	(3,140)	-
Exchange loss, net (Note 34)	(133,637)	(1)	(110,497)	(1)
Impairment loss on financial assets (Note 9)	(109)	-	-	-
Share of profits of associates and joint ventures, net (Note 15)	<u>49,204</u>	<u>1</u>	<u>61,979</u>	<u>1</u>
Total non-operating income and expenses	<u>78,986</u>	<u>1</u>	<u>28,876</u>	<u>-</u>

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CHROMA ATE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
PROFIT BEFORE INCOME TAX	\$ 3,122,067	21	\$ 2,042,057	18
INCOME TAX EXPENSE (Note 25)	<u>573,244</u>	<u>4</u>	<u>346,491</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>2,548,823</u>	<u>17</u>	<u>1,695,566</u>	<u>15</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(7,289)	-	(25,981)	-
Share of the other comprehensive income (loss) of associates and joint ventures accounted for using equity method	251	-	(736)	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	(69,618)	(1)	(132,555)	(1)
Unrealized loss on available-for-sale financial assets	(53,513)	-	(38,796)	(1)
Share of the other comprehensive income of associates and joint ventures accounted for using equity method	<u>(8,059)</u>	<u>-</u>	<u>(25,084)</u>	<u>-</u>
Total other comprehensive income (loss), net of tax	<u>(138,228)</u>	<u>(1)</u>	<u>(223,152)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 2,410,595</u>	<u>16</u>	<u>\$ 1,472,414</u>	<u>13</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 2,558,401	17	\$ 1,719,935	15
Non-controlling interests	<u>(9,578)</u>	<u>-</u>	<u>(24,369)</u>	<u>-</u>
	<u>\$ 2,548,823</u>	<u>17</u>	<u>\$ 1,695,566</u>	<u>15</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 2,425,174	16	\$ 1,501,612	13
Non-controlling interests	<u>(14,579)</u>	<u>-</u>	<u>(29,198)</u>	<u>-</u>
	<u>\$ 2,410,595</u>	<u>16</u>	<u>\$ 1,472,414</u>	<u>13</u>
EARNINGS PER SHARE (NT\$; Note 26)				
Basic	<u>\$6.41</u>		<u>\$4.53</u>	
Diluted	<u>\$6.18</u>		<u>\$4.23</u>	

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

(Concluded)

CHROMA ATE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Equity Attributable to Owners of the Corporation													
	Ordinary Share Capital	Capital Surplus	Retained Earnings				Exchange Differences on Translating Foreign Operations	Other Equity			Treasury Shares	Total Equity	Non-controlling Interests	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Total		Unrealized Gain (Loss) on Available-for- sale Financial Assets	Unearned Employee Benefit	Total				
BALANCE AT JANUARY 1, 2016	\$ 3,791,699	\$ 1,302,269	\$ 1,600,920	\$ 86,888	\$ 2,264,377	\$ 3,952,185	\$ 127,968	\$ 271,697	\$ -	\$ 399,665	\$ (35,714)	\$ 9,410,104	\$ 121,192	\$ 9,531,296
Appropriation of the 2015 earnings														
Legal reserve	-	-	123,656	-	(123,656)	-	-	-	-	-	-	-	-	-
Cash dividends - NT\$2.4 per share	-	-	-	-	(910,200)	(910,200)	-	-	-	-	-	(910,200)	-	(910,200)
Other changes in capital surplus														
Change in capital surplus from investments in associates and joint ventures accounted for using equity method	-	27,978	-	-	-	-	-	-	-	-	-	27,978	-	27,978
Net profit (loss) for the year ended December 31, 2016	-	-	-	-	1,719,935	1,719,935	-	-	-	-	-	1,719,935	(24,369)	1,695,566
Other comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	(26,645)	(26,645)	(152,882)	(38,796)	-	(191,678)	-	(218,323)	(4,829)	(223,152)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	1,693,290	1,693,290	(152,882)	(38,796)	-	(191,678)	-	1,501,612	(29,198)	1,472,414
Conversion of convertible bonds	59,823	326,205	-	-	-	-	-	-	-	-	-	386,028	-	386,028
Share-based payment transaction	47,350	299,162	-	-	-	-	-	-	(149,952)	(149,952)	-	196,560	323	196,883
Adjustments of capital surplus for corporation's cash dividends received by subsidiaries	-	4,545	-	-	-	-	-	-	-	-	-	4,545	-	4,545
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	78,907	78,907
BALANCE AT DECEMBER 31, 2016	3,898,872	1,960,159	1,724,576	86,888	2,923,811	4,735,275	(24,914)	232,901	(149,952)	58,035	(35,714)	10,616,627	171,224	10,787,851
Appropriation of the 2016 earnings														
Legal reserve	-	-	171,994	-	(171,994)	-	-	-	-	-	-	-	-	-
Cash dividends - NT\$3.3 per share	-	-	-	-	(1,314,425)	(1,314,425)	-	-	-	-	-	(1,314,425)	-	(1,314,425)
Other changes in capital surplus														
Change in capital surplus from investments in associates and joint ventures accounted for using equity method	-	(8,326)	-	-	-	-	-	-	-	-	-	(8,326)	-	(8,326)
Net profit (loss) for the year ended December 31, 2017	-	-	-	-	2,558,401	2,558,401	-	-	-	-	-	2,558,401	(9,578)	2,548,823
Other comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	(6,955)	(6,955)	(72,719)	(53,553)	-	(126,272)	-	(133,227)	(5,001)	(138,228)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	2,551,446	2,551,446	(72,719)	(53,553)	-	(126,272)	-	2,425,174	(14,579)	2,410,595
Conversion of convertible bonds	201,515	1,101,453	-	-	-	-	-	-	-	-	-	1,302,968	-	1,302,968
Adjustment of capital surplus for corporation's cash dividends received by subsidiaries	-	6,170	-	-	-	-	-	-	-	-	-	6,170	-	6,170
Share-based payment transaction	18,678	127,833	-	-	-	-	-	-	56,103	56,103	-	202,614	-	202,614
Buy-back of treasury shares	-	-	-	-	-	-	-	-	-	-	(123)	(123)	-	(123)
Cancellation of treasury shares	(123)	-	-	-	-	-	-	-	-	-	123	-	-	-
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	75,505	75,505
BALANCE AT DECEMBER 31, 2017	\$ 4,118,942	\$ 3,187,289	\$ 1,896,570	\$ 86,888	\$ 3,988,838	\$ 5,972,296	\$ (97,633)	\$ 179,348	\$ (93,849)	\$ (12,134)	\$ (35,714)	\$ 13,230,679	\$ 232,150	\$ 13,462,829

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

CHROMA ATE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 3,122,067	\$ 2,042,057
Adjustments for:		
Depreciation	310,239	336,514
Amortization	3,552	2,849
Provision (reversal of provision) for bad debts expense	43,667	(4,675)
Net gain on fair value changes of financial assets (liabilities) designated as at fair value through profit or loss	(1,858)	(2,219)
Finance costs	22,782	42,052
Interest income	(35,090)	(19,323)
Dividend income	(27,610)	(52,101)
Compensation costs of share-based payment	121,593	86,941
Share of profit of associates and joint ventures accounted for using equity method	(49,204)	(61,979)
Gain on disposal of property, plant and equipment, net	(3,141)	(1,126)
Gain on disposal of investments, net	(15,050)	(2,442)
Impairment loss on financial assets	109	-
(Reversal of impairment) impairment loss on non-financial assets	(38,384)	16,619
Realized gain on transactions with associates and joint ventures	(65)	(203)
Net loss on foreign currency exchange	186,671	39,114
Net changes in operating assets and liabilities		
Notes receivable	(188,016)	19,252
Trade receivables	(910,358)	(550,370)
Construction contracts receivable	12,281	(38,953)
Inventories	(590,366)	(413,050)
Prepayments	(189,529)	7,361
Other current assets	(42,662)	(19,653)
Notes payable	257,395	35,622
Trade payables	643,218	626,284
Construction contracts payable	322,669	(25,360)
Other payables	269,406	193,355
Receipts in advance	(43,652)	60,819
Other current liabilities	(818)	(13,817)
Net define benefit liabilities	(9,729)	(7,406)
Cash generated from operations	3,170,117	2,296,162
Income tax paid	(420,756)	(295,067)
Net cash generated from operating activities	<u>2,749,361</u>	<u>2,001,095</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments to acquire financial assets at fair value through profit or loss	-	(229)
Proceeds from disposal of financial assets at fair value through profit or loss	1,000	-
Payments to acquire available-for-sale financial assets	(556,000)	(650,000)
Proceeds from disposal of available-for-sale financial assets	1,809,889	423,410

(Continued)

CHROMA ATE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
Payments to acquire debt investments with no active market	\$ (522,222)	\$ -
Proceeds from disposal of debt investments with no active market	-	163,274
Proceeds from disposal financial assets measured at cost	2,552	1,521
Cash returned of capital reduction of financial assets measured at cost	23,111	9,587
Payments to acquire investments accounted for using equity method	-	(82,821)
Increase in prepayments for investments	(6,489)	(20,000)
Payments for property, plant and equipment	(178,674)	(201,999)
Proceeds from disposal of property, plant and equipment	20,592	29,306
(Increase) decrease in refundable deposits	(7,219)	19,791
Payments to acquire intangible assets	(3,158)	-
Net cash inflows (outflows) from business combination	3,514	(56,249)
(Increase) decrease in other non-current assets	(66,735)	16,728
Increase in prepayments for equipment	(469,319)	(891,976)
Interest received	39,690	21,203
Dividends received	<u>71,834</u>	<u>110,904</u>
Net cash generated from (used in) investing activities	<u>162,366</u>	<u>(1,107,550)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	281,772	(122,606)
Proceeds from long-term borrowings	900,000	770,000
Repayments of long-term borrowings	(847,748)	(14,951)
Increase in guarantee deposits	-	3
Cash dividends paid	(1,314,207)	(907,953)
Exercise of employee stock options	79,128	80,049
Payments for buy-back of ordinary shares	(123)	-
Interest paid	(42,109)	(39,795)
Increase in non-controlling interests	57,502	53,225
Proceeds from issuance of employee restricted shares	<u>1,850</u>	<u>31,000</u>
Net cash used in financing activities	<u>(883,935)</u>	<u>(151,028)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(101,351)</u>	<u>(81,836)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,926,441	660,681
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>3,149,970</u>	<u>2,489,289</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 5,076,411</u>	<u>\$ 3,149,970</u>

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

(Concluded)

CHROMA ATE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Chroma ATE Inc. (the “Corporation”) was incorporated in the Republic of China (ROC) in November 1984. The Corporation mainly designs, assembles, calibrates, manufactures, sells, repairs and maintains software/hardware for computers and peripherals, computerized automatic test systems, electronic test instruments, signal generators, power supplies, telecom power supplies, etc. as well as serves as an agent to sell these products. The Corporation’s shares have been listed on the Taiwan Stock Exchange since December 21, 1996.

The consolidated financial statements are presented in the Corporation’s functional currency, the New Taiwan dollar (NTD).

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation’s board of directors on February 22, 2018.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group’s accounting policies:

- 1) Amendment to IFRS 2 “Share-Based Payment” in Annual Improvements to IFRSs of 2010-2012 Cycle

The amended IFRS 2 changes the definitions of “vesting condition” and “market condition” and adds definitions for “performance condition” and “service condition”. The amendment clarifies that a performance target can be based on the operations (i.e. a non-market condition) of the Corporation or another entity in the same group or the market price of the equity instruments of the Corporation or another entity in the same group (i.e. a market condition); that a performance target can relate either to the performance of the Group as a whole or to some part of it (e.g. a division); and that the period for achieving a performance condition must not extend beyond the end of the related service period. In addition, a share market index target is not a performance condition because it not only reflects the performance of the Group, but also of other entities outside the Group. The share-based payment arrangements with market conditions, non-market conditions or non-vesting conditions are accounted for differently, and the aforementioned amendment should be applied prospectively to those share-based payments granted on or after January 1, 2017. Refer to Note 27 for information on the share-based payments granted in 2017.

2) Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed and issued into effect by the FSC. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include an emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president of the Group, or is the spouse or second immediate family of the chairman of the board of directors or president of the Group, are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationships with whom the Group has significant transactions. If the transaction amount or balance with a specific related party is 10% or more of the Group's respective total transaction amount or balance, such transactions should be separately disclosed by the name of each related party.

The amendments also require additional disclosure if there is a significant difference between the actual operation after business combination and the expected benefit on acquisition date.

The retrospective application of the amendments on January 1, 2017 enhanced the disclosures of related party transaction. Refer to Note 31 for related disclosures.

b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2018

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendments to IAS 28 are retrospectively applied for annual periods beginning on or after January 1, 2018.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Group's accounting policies, except for the following:

IFRS 9 "Financial Instruments" and related amendment -
Classification, measurement and impairment of financial assets

With regard to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Group's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

- 1) For debt instruments, if they are held within a business model whose objective is to collect contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with any impairment loss recognized in profit or loss. Interest revenue is recognized in profit or loss by using the effective interest method;
- 2) For debt instruments, if they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gains or losses shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

Based on the facts and circumstances of the Group's financial assets as at December 31, 2017, the Group has performed a preliminary assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9:

- 1) Listed shares, emerging market shares, and unlisted shares classified as available-for-sale will be classified as at fair value through profit or loss or designated as at fair value through other comprehensive income. When it is designated as at fair value through other comprehensive income, the fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal. Besides this, unlisted shares measured at cost will be measured at fair value instead;
- 2) Mutual funds classified as available-for-sale will be classified as at fair value through profit or loss because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments;
- 3) Investments classified as debt investments with no active market and measured at amortized cost will be classified as measured at amortized cost under IFRS 9 because, on initial recognition, the contractual cash flows that are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is to collect contractual cash flows.

IFRS 9 requires impairment loss on financial assets to be recognized by using the “Expected Credit Losses Model”. A loss allowance is required for financial assets measured at amortized cost, investments in debt instruments measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 “Revenue from Contracts with Customers”, certain written loan commitments and financial guarantee contracts. A loss allowance for 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full-lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full-lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

The Group elects not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9 and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9.

The anticipated impact of retrospective application of the requirements for the classification, measurement and impairment of financial assets is set out below:

	Carrying Amount, December 31, 2017	Adjustments Arising from Initial Application	Adjusted Carrying Amount, January 1, 2018
<u>Impact on assets, liabilities and equity</u>			
Financial assets at fair value through profit or loss - current	\$ 8,794	\$ 1,043,387	\$ 1,052,181
Available-for-sale financial assets - current	1,043,387	(1,043,387)	-
Financial assets measured at amortized cost - current	-	899,368	899,368
Debt investments with no active market - current	899,368	(899,368)	-
Financial assets at fair value through profit or loss - non-current	-	6,013	6,013
Financial assets at fair value through other comprehensive income - non-current	-	564,031	564,031
Available-for-sale financial assets - non-current	268,582	(268,582)	-
Financial assets measured at cost - non-current	193,571	(193,571)	-
Investments accounted for using equity method	<u>641,567</u>	<u>(245)</u>	<u>641,322</u>
	<u>\$ 3,055,269</u>	<u>\$ 107,646</u>	<u>\$ 3,162,915</u>
Unappropriated earnings	3,988,838	135,130	4,123,968
Other equity	<u>(12,134)</u>	<u>(27,484)</u>	<u>(39,618)</u>
	<u>\$ 3,976,704</u>	<u>\$ 107,646</u>	<u>\$ 4,084,350</u>

Except for the above impacts, the Group had assessed that the application of above standards and interpretations and believed it would not have any material impact on the Group's financial position and financial performance.

b. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 16 "Leases"	January 1, 2019 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 3: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating leases under IAS 17 to low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed by using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within financing activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Group as lessor.

When IFRS 16 becomes effective, the Group may elect to apply this standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this standard recognized at the date of initial application.

2) Annual Improvements to IFRSs 2015-2017 Cycle

Several standards, including IFRS 3, IFRS 11, IAS 12 and IAS 23 “Borrowing Costs”, were amended in this annual improvement. IAS 23 was amended to clarify that, if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings. The amendment shall be applied prospectively.

3) Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”

The amendments stipulate that, if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the remainder of the annual reporting period are determined using the actuarial assumptions used for the remeasurement of the net defined benefit liabilities (assets). In addition, the amendments clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The amendment shall be applied prospectively.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

Basis of Preparation

The accompanying financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- c. Level 3 inputs are unobservable inputs for an asset or liability.

Classification of Current and Noncurrent Assets and Liabilities

Current assets include:

- a. Assets held primarily for the purpose of trading;
- b. Assets expected to be realized within 12 months after the reporting period; and

- c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities due to be settled within 12 months after the reporting period; and
- c. Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation (its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Corporation and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Corporation.

Refer to Note 14, Tables 8 and 9 for the detail information of subsidiaries, including the equity interest and main business.

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value.

Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Nonmonetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the functional currencies of the Corporation and the group entities (including subsidiaries, associates, joint ventures and branches in other countries that use currencies different from the currency of the Corporation) are translated into the presentation currency - the New Taiwan dollar as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Corporation and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Corporation's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Corporation are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Corporation losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities of acquired foreign operations are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences are recognized in other comprehensive income.

Inventories

Inventories consist of raw materials, semifinished goods, work-in-process, finished goods and inventory in transit, which are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at standard cost and adjusted to approximate weighted-average cost on the balance sheet date.

Investments in Associates and Joint Ventures

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture. Joint venture is a joint arrangement whereby the Group and other parties that have joint control of arrangement have right to the net assets of the arrangement.

The Group uses the equity method to account for its investments in associates and joint ventures.

Under the equity method, investments in an associate and a joint venture are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate and joint venture. The Group also recognizes the changes in the Group's share of equity of associates and joint venture attributable to the Group.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate or a joint venture at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Group subscribes for additional new shares of an associate and joint venture at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate and joint venture. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates and joint ventures accounted for using equity method. If the Group's ownership interest is reduced due to its additional subscription of the new shares of the associate and joint venture, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate and joint venture is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate and a joint venture equals or exceeds its interest in that associate and joint venture (which includes any carrying amount of the investment accounted for using equity method and long-term interests that, in substance, form part of the Group's net investment in the associate and joint venture), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate and joint venture.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate and a joint venture. Any retained investment is measured at fair value at that date, and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate and the joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and the joint venture. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate and the joint venture on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. 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 Group continues to apply the equity method and does not remeasure the retained interest.

When a group entity transacts with its associate and joint venture, profits and losses resulting from the transactions with the associate and joint venture are recognized in the Group's consolidated financial statements only to the extent that interests in the associate and the joint venture are not related to the Group.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are carried at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized on goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal, and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Intangible Assets

a. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

b. Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

c. Derecognition of intangible assets

On derecognition of intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

Impairment of Tangible and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

Financial Instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

a. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

1) Measurement category

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

a) Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when such financial assets are held for trading and are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on the financial asset. Fair value is determined in the manner described in Note 30.

b) Available-for-sale financial assets

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

Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Corporation's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets measured at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

c) Loans and receivables

Loans and receivables (including trade receivables, cash and cash equivalents, debt investments with no active market) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalents includes time deposits with original maturities within 3 months from the date of acquisition, highly liquid, readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

2) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence, as a result of one or more events that occurred after the initial recognition of the financial asset, that the estimated future cash flows of the investment have been

affected.

For financial assets carried at amortized cost, such as trade receivables, such assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for those financial assets because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, the impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For financial assets that are measured at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When trade receivables and other receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible trade receivables that are written off against the allowance account.

3) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

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

b. Equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Corporation's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Corporation's own equity instruments.

c. Financial liabilities

1) Subsequent measurement

Except for financial liabilities at fair value through profit or loss, all the financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividend paid on the financial liability. Fair value is determined in the manner described in Note 30.

2) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

d. Convertible bonds

The component parts of compound instruments (convertible bonds) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to capital surplus - share premium. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premium.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

Warranty Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Provisions for the expected cost of warranty obligations are recognized at the date of sale of the relevant products at the management's best estimate of the expenditure required to settle the obligations.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and reduced for estimated customer returns, rebates and other similar allowances.

a. Sale of goods

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

- 1) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- 2) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- 3) The amount of revenue can be measured reliably;
- 4) It is probable that the economic benefits associated with the transaction will flow to the Group; and
- 5) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Group does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

b. Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Construction Contracts

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period. The stage of completion of contract activity is expressed as the percentage of contract costs incurred for work performed as of the balance sheet date relative to the estimated total contract costs, except where this percentage would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be determined reliably and its receipt is considered probable.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

When contract costs incurred to date plus recognized profits less recognized losses exceed progress billings, the surplus is presented as construction contracts receivable. For contracts where progress billings exceed contract costs incurred to date plus recognized profits less recognized losses, the surplus is presented as construction contracts payable. Amounts received before the related work is performed are recognized as receipt in advance. Amounts billed for work performed but not yet paid by the customer are recognized as trade receivables in the consolidated balance sheet.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time that the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government Grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Employee Benefits

a. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

b. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

Share-based Payment Arrangements

Employee share options and restricted shares for employees granted to employee and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value at the grant date of the employee share options and restricted shares for employees is expensed on a straight-line basis over the vesting period, based on the Group's best estimate of the number of the employee share options that will ultimately vest, with a corresponding increase in capital surplus - employee share options and other equity - unearned employee benefits. It is recognized as an expense in full at the grant date if vested immediately.

When restricted shares for employees are issued, other equity - unearned employee benefits are recognized on the grant date, with a corresponding increase in capital surplus - restricted shares for employees. If restricted shares for employees are granted for consideration, and should be returned once the employee resigns, they are recognized as payables. Dividends paid to employees, on the restricted shares that do not need to be returned if employees resign in the vesting period, are recognized as expenses when the dividends are declared with a corresponding adjustment in retained earnings and capital surplus - restricted shares for employees.

At the end of each reporting period, the Group revises its estimate of the number of employee share options and restricted shares for employees expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative the expense reflects the revised estimate, with a corresponding adjustment to the capital surplus - employee share options and capital surplus - restricted shares for employees.

Taxation

Income tax expense represent the sum of the current tax payable and deferred tax.

a. Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Previously unrecognized deferred tax assets are also reviewed at the end of each reporting period and recognized to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences based on 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.

c. Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from a business combination, the tax effect is included in the accounting for the business combination.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and future periods if the revisions affect both current and future periods.

a. Impairment of tangible and intangible assets other than goodwill

In the valuation of assets for impairment, the Group uses subjective judgment to determine the individual cash flows, useful lives and future revenues and expenses of specific asset groups based on the assets' useful model and industrial characteristics. Any changes in estimation due to economic circumstances and the Group's strategies could result in significant impairment of tangible and intangible assets.

b. Valuation of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value was based on current market conditions and the historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2017	2016
Cash on hand	\$ 5,439	\$ 6,098
Checking accounts and demand deposits	4,251,592	2,768,658
Cash equivalents		
Time deposits with maturities less than 3 months	819,380	245,315
Repurchase agreements collateralized by bonds	<u>-</u>	<u>129,899</u>
	<u>\$ 5,076,411</u>	<u>\$ 3,149,970</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2017	2016
<u>Financial assets at FVTPL - current</u>		
Nonderivative financial assets		
Domestic listed stocks	\$ 8,763	\$ 7,453
Investment in debt instrument	<u>-</u>	<u>983</u>
	8,763	8,436
Derivative instruments		
Call and put option of convertible bonds payable (Note 20)	<u>31</u>	<u>725</u>
	<u>\$ 8,794</u>	<u>\$ 9,161</u>

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2017	2016
<u>Current</u>		
Domestic open-end beneficiary certificates	<u>\$ 1,043,387</u>	<u>\$ 2,291,504</u>
<u>Non-current</u>		
Domestic listed stocks	<u>\$ 268,582</u>	<u>\$ 314,233</u>

9. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT

	December 31	
	2017	2016
Domestic unlisted common stocks	\$ 157,762	\$ 162,131
Foreign unlisted common stocks	25,657	26,366
Foreign open-end beneficiary certificates	<u>10,152</u>	<u>10,152</u>
	<u>\$ 193,571</u>	<u>\$ 198,649</u>
Classification by measurement of financial instruments		
Available-for-sale financial assets	<u>\$ 193,571</u>	<u>\$ 198,649</u>

The above investments were measured at cost less impairment at the balance sheet date. Management believed the fair value of these investments could not be estimated reliably because the range of reasonable fair value estimates was significant and the probabilities of various estimates could not be reasonably assessed.

In order to expand the market of biotechnology equipment, the Group's board of directors resolved to invest in TFBS Bioscience Inc. of \$20,000 thousand in November 2016.

10. DEBT INVESTMENTS WITH NO ACTIVE MARKET - CURRENT

	December 31	
	2017	2016
Time deposits with maturities more than 3 months	\$ 407,921	\$ 372,437
Pledge deposits (Note 32)	<u>491,447</u>	<u>6,078</u>
	<u>\$ 899,368</u>	<u>\$ 378,515</u>

11. TRADE RECEIVABLES

	December 31	
	2017	2016
Trade receivables	\$ 3,844,961	\$ 3,159,134
Less: Allowance for impairment loss	<u>(127,707)</u>	<u>(170,361)</u>
	3,717,254	2,988,773
Trade receivables - related parties	<u>47,702</u>	<u>7,890</u>
	<u>\$ 3,764,956</u>	<u>\$ 2,996,663</u>

The average credit period for sales of goods is 60 to 90 days from the date when the goods were inspected and accepted by customers, and no interest was charged on trade receivables. In determining the recoverability of a trade receivable, the Group considered any change in the credit quality of the trade receivable since the date when credit was initially granted to the end of the reporting period. Allowances for impairment loss are based on the estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

Past due but not impaired trade receivables are trade receivables balances that were past due at the end of the reporting period but allowance for impairment loss was not recognized because their credit quality remained satisfactory and the amounts were still considered recoverable. The Group does not hold any collateral or other credit enhancements for these balances.

Before accepting any new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Customers' limits and scores are reviewed irregularly every year. Most of the trade receivables that are neither past due nor impaired have the best credit score under the external credit scoring system used by the Group.

The aging of receivables was as follows:

	December 31	
	2017	2016
Less than 60 days	\$ 3,083,281	\$ 2,536,446
61-180 days	429,499	396,642
Over 180 days	<u>332,181</u>	<u>226,046</u>
	<u>\$ 3,844,961</u>	<u>\$ 3,159,134</u>

The above aging schedule was based on the past due days from the end of credit term.

The aging of receivables that were past due but not impaired was as follows:

	December 31	
	2017	2016
Less than 60 days	\$ 447,305	\$ 381,176
61-180 days	415,515	385,443
Over 180 days	<u>231,913</u>	<u>131,886</u>
	<u>\$ 1,094,733</u>	<u>\$ 898,505</u>

The above aging schedule was based on the past due days from the end of credit term.

The movements of the allowance for doubtful trade receivables were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2016	\$ 152,272	\$ 33,405	\$ 185,677
Add: Impairment losses recognized (reversed) on receivables	(18,529)	13,854	(4,675)
Add: Addition through business combinations (Note 28)	-	1	1
Less: Amounts written off during the year as uncollectible	(3,057)	(2,261)	(5,318)
Reclassification of impairment loss from collective assessment to individual assessment	9,804	(9,804)	-
Foreign exchange translation gains	<u>(4,794)</u>	<u>(530)</u>	<u>(5,324)</u>
Balance at December 31, 2016	<u>\$ 135,696</u>	<u>\$ 34,665</u>	<u>\$ 170,361</u>
Balance at January 1, 2017	\$ 135,696	\$ 34,665	\$ 170,361
Add: Impairment losses recognized on receivables	2,407	41,260	43,667
Less: Amounts written off during the year as uncollectible	(83,378)	(401)	(83,779)
Reclassification of impairment loss from collective assessment to individual assessment	31,071	(31,071)	-
Foreign exchange translation gains	<u>(1,017)</u>	<u>(1,525)</u>	<u>(2,542)</u>
Balance at December 31, 2017	<u>\$ 84,779</u>	<u>\$ 42,928</u>	<u>\$ 127,707</u>

The allowance for impairment loss assessed individually on customers in liquidation or in severe financial difficulties amounted to \$84,779 thousand and \$135,696 thousand as of December 31, 2017 and 2016, respectively. The Group did not hold any collateral over these balances.

12. CONSTRUCTION CONTRACTS RECEIVABLE (PAYABLE)

	December 31	
	2017	2016
<u>Construction contracts receivable</u>		
Construction costs incurred plus recognized profits (less recognized losses) to date	\$ 316,677	\$ 217,326
Less: Progress billings	<u>(114,142)</u>	<u>(2,510)</u>
Due from customers for construction contracts	<u>\$ 202,535</u>	<u>\$ 214,816</u>
<u>Construction contracts payable</u>		
Progress billings	\$ 1,149,807	\$ 346,218
Less: Construction costs incurred plus recognized profits less recognized losses to date	<u>(597,280)</u>	<u>(116,360)</u>
Due to customers for construction contracts	<u>\$ 552,527</u>	<u>\$ 229,858</u>
Receipts in advance	<u>\$ 10,434</u>	<u>\$ -</u>

The Group recognized construction contract revenue of \$2,538,348 thousand and \$382,288 thousand for the years ended December 31, 2017 and 2016, respectively.

13. INVENTORIES

	December 31	
	2017	2016
Finished goods	\$ 482,724	\$ 494,715
Semi-finished products	390,533	342,056
Work in process	686,539	472,453
Raw materials	842,094	597,017
Inventory in transit	<u>29,184</u>	<u>255</u>
	<u>\$ 2,431,074</u>	<u>\$ 1,906,496</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2017 and 2016 was \$6,280,658 thousand and \$5,689,455 thousand, respectively. Cost of goods sold included the reversal of inventory write-downs of \$38,384 thousand and inventory write-downs of \$16,619 thousand, respectively.

14. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

Investor	Investee	Business	Percentage of Ownership as of December 31		Explanation
			2017	2016	
The Corporation	Newworld Electronics Ltd.	Sale and maintenance of electronic test instruments, etc.	100.0	100.0	Chroma Investment Co., Ltd. had 1,916 thousand shares of the Corporation's common stock as of December 31, 2017, which accounted for 0.5% of the Corporation's outstanding shares
	Chroma Investment Co., Ltd.	Investment	100.0	100.0	
	Sensational Holding Ltd.	Investment	100.0	100.0	
	Chroma ATE Europe B.V.	Sale and maintenance of electronic test instruments, etc.	100.0	100.0	
	Chroma ATE Inc. ("Chroma USA")	Sale and maintenance of electronic test instruments, etc.	100.0	100.0	
	Chen Hwa Technology Inc.	Test of inductance, capacitance and resistance equipment and sale of parts	100.0	100.0	
	CHI Incorporation Ltd.	Test of inductance, capacitance and resistance equipment and sale of parts	100.0	100.0	
	Chroma New Material Corporation	Processing and sale of gold wire	100.0	100.0	
	San Eagle Development Corp.	Investment	100.0	100.0	
	Wei Kuang Automatic Equipment Co., Ltd.	Design, manufacturing, installment and testing of automated factory conveyor systems	100.0	100.0	
	Testar Electronics Corporation	Testing of LED products	67.2	67.2	
	Deep Red Holding Co., Ltd.	Investment	100.0	100.0	
	Chroma Japan Corp.	Sale and maintenance of electronic test instruments, etc.	100.0	100.0	
	Chroma Systems Solutions, Inc.	Sale and maintenance of electronic test instruments, etc.	25.0	25.0	Note 1
	Adivic Technology Co.	Sale and research of RF device	51.0	51.0	Note 2
	EVT Technology Co., Ltd.	Manufacturing of motorcycles and its parts	73.8	53.2	Note 3
	Quantel Private Ltd.	Sale and maintenance of test instruments, etc.	60.0	60.0	Note 4
	Innovative Nanotech Incorporated	Monitoring instruments of nanoparticles	89.3	-	Note 5
	Touch Cloud Incorporation	Development of cloud platform and Internet of Things systems	78.1	-	Note 6
Newworld Electronics Ltd.	Chroma Electronics (Shenzhen) Co., Ltd.	Sale of computerized automatic test systems, peripherals and electronic test instruments	100.0	100.0	Note 1
	Chroma Electronics (Shanghai) Co., Ltd.	Sale of computerized automatic test systems, peripherals and electronic test instruments	100.0	100.0	
Chroma ATE Inc. ("Chroma USA")	Chroma Systems Solutions, Inc.	Sale and maintenance of electronic test instruments, etc.	50.0	50.0	
Chen Hwa Technology Inc.	Chroma (Shanghai) Trading Co., Ltd.	International and transit trading, simple commercial processing, commercial consulting services, etc.	100.0	100.0	
CHI Incorporation Ltd.	Chroma ATE (Suzhou) Co., Ltd.	Sale of computerized automatic test systems, peripherals and electronic test instruments	100.0	100.0	
San Eagle Development Corp.	Wei Kuang Mech. Eng. Inc.	Investment	100.0	100.0	
Wei Kuang Mech. Eng. Inc.	Mou Kuan Technologies (Nanjing) Co., Ltd.	Assembly, sale and maintenance of factory conveyors and related systems and rendering after-sales services	100.0	100.0	
	Wei Kuang Automatic Equipment (Nanjing) Co., Ltd.	Sale and maintenance of electronic equipment and factory conveyor systems	100.0	100.0	
	Wei Kuang Automatic Equipment (Xiamen) Co., Ltd.	Sale and maintenance of electronic equipment and factory conveyor systems	100.0	100.0	
Deep Red Holding Co., Ltd.	Saject System Technology (Suzhou) Co., Ltd.	Research, development and design of computer network security systems and information management	100.0	100.0	
EVT Technology Co., Ltd.	Wei Da Electric Vehicle Co., Ltd.	Sale and lease of motorcycles	75.0	75.0	
Adivic Technology Co.	Adivic Holding Corporation	Sale and research of RF device	100.0	100.0	
Quantel Private Ltd.	Quantel Technologies India Private Ltd.	Sale and maintenance of test instruments, etc.	100.0	-	Note 7
	Quantel Global Vietnam Co., Ltd.	Sale and maintenance of test instruments, etc.	100.0	-	Note 7
Chroma ATE Europe B.V.	Chroma Germany GmbH	Sale and maintenance of electronic test instruments, etc.	100.0	-	Note 8

Note 1: The Corporation and the Corporation's subsidiary, Chroma USA, held 75% equity interest in Chroma Systems Solutions, Inc.

Note 2: In April 2017, Adivic Technology Co. ("Adivic") decreased its capital by \$140,000 thousand to make up for losses and increased its capital by cash injection of \$100,000 thousand to strengthen its financial structure. The Corporation's board of directors decided to participate in the capital injection at the same percentage as originally owned. The Corporation's equity interest in Adivic remained the same.

Note 3: In December 2017, EVT Technology Co., Ltd. ("EVT") increased its capital by cash injection of \$40,000 thousand to strengthen its financial structure. The Corporation's board of directors participated in the capital injection. The Corporation's equity interest in EVT rose to 73.8% after the cash injection.

- Note 4: To expand its market share and spread its sales network in Southeast Asia, the Corporation's board of directors resolved in December 2015 to acquire 60% equity interest of Quantel Private Ltd. amounting to SGD3,240 thousand. Quantel Private Ltd. is mainly engaged in the sales of electronic test instruments, etc. In April 2016, Quantel Private Ltd. increased its capital by SGD2,500 thousand to strengthen its financial structure. The Corporation's board of directors resolved to participate proportionally in the capital increase. The Corporation's equity interest in Quantel Private Ltd. remained the same.
- Note 5: In response to the demand for new-generation solutions and to provide customer with most advanced electronic test service, the Corporation's board of directors resolved in July 2017 to invest in Innovative Nanotech Incorporated. In December 2017, Innovative Nanotech Incorporated increased its capital by cash injection of \$50,000 thousand. The Corporation participated in the cash injection and held 89.3% equity as of December 31, 2017.
- Note 6: To strengthen and integrate the software research capability of product lines and raise marketing opportunities, the Corporation's board of directors resolved to participate in the cash injection of Touch Cloud Incorporation and acquired equity interest of 78.1%. Refer to Note 28 for details of the investment in Touch Cloud Incorporation.
- Note 7: To lay out sales network in Southeast Asia, Quantel Private Ltd. resolved to set up Quantel Technologies India Private Ltd. and Quantel Global Vietnam Co., Ltd. in the fourth quarter of 2017 to be engaged in the sale of test instruments.
- Note 8: Chroma ATE Europe B.V. resolved to set up Chroma Germany GmbH in the fourth quarter of 2017 to be engaged in the sale and maintenance of electronic instruments.

15. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2017	2016
Investments in associates	\$ 623,941	\$ 623,904
Investments in joint ventures	<u>17,626</u>	<u>17,593</u>
	<u>\$ 641,567</u>	<u>\$ 641,497</u>

a. Investments in associates

	December 31			
	2017		2016	
	Amount	Percentage of Equity Interest (%)	Amount	Percentage of Equity Interest (%)
Associates that are not individually material				
Adlink Technology Inc.	\$ 529,538	11.3	\$ 535,490	11.3
Dynascan Technology Corp.	<u>94,403</u>	27.3	<u>88,414</u>	27.3
	<u>\$ 623,941</u>		<u>\$ 623,904</u>	

Aggregate information of associates that are not individually material:

	For the Years Ended December 31	
	2017	2016
The Corporation's share of:		
Profit from continuing operations	\$ 49,171	\$ 61,891
Other comprehensive loss	<u>(7,808)</u>	<u>(25,820)</u>
Total comprehensive income for the year	<u>\$ 41,363</u>	<u>\$ 36,071</u>

Refer to Table 8 "Information on Investees" for the nature of activities, principal place of business and country of incorporation of the associates.

The Group is able to exercise significant influence over Adlink Technology Inc. although the percentage of shares held is less than 20%. Therefore, the Group recognizes the gain and loss under the equity method.

Fair values (Level 1) of investments in associates with available published price quotation are summarized as follows:

Name of Associate	December 31	
	2017	2016
Adlink Technology Inc.	<u>\$ 1,568,144</u>	<u>\$ 1,497,088</u>

Except for Adlink Technology Inc., the investments in associates accounted for using equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on financial statements which have been audited. Management believes there is no material impact on the equity method accounting or the calculation of the share of profit or loss and other comprehensive income from the financial statements of Adlink Technology Inc., which have not been audited.

b. Investment in joint venture

	December 31			
	2017		2016	
	Amount	Percentage of Equity Interest (%)	Amount	Percentage of Equity Interest (%)
Joint venture that is not individually material				
Chih Ho Shun Development Co., Ltd.	<u>\$ 17,626</u>	35.0	<u>\$ 17,593</u>	35.0

Aggregate information of joint venture that is not individually material:

	For the Years Ended December 31	
	2017	2016
The Corporation's share of:		
Profit from continuing operations	\$ 33	\$ 88
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u>\$ 33</u>	<u>\$ 88</u>

Refer to Table 8 "Information on Investees" for the nature of activities, principal place of business and country of incorporation of the joint venture.

For the investment and development plan, "The Action Plan for Developing Land Surrounding the MRT Airport Station to Improve Civilians' Life," the board of directors resolved to invest jointly with Dynapack International Corporation and Heran Co., Ltd. to set up Chih Ho Shun Development Co., Ltd. ("Chih Ho Shun"). The Corporation invested \$17,500 thousand for a 35% entity interest in Chih Ho Shun but did not have control over this investee.

The investments in joint venture accounted for using the equity method and the share of profit or loss and other comprehensive income of the investments for the years ended December 31, 2017 and 2016 was based on the joint venture's financial statements audited by auditors for the same years.

16. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery	Miscellaneous Equipment	Total
<u>Cost</u>					
Balance, January 1, 2016	\$ 526,506	\$ 2,467,073	\$ 1,069,581	\$ 1,342,772	\$ 5,405,932
Additions	-	60,023	14,486	112,000	186,509
Disposals	-	(6,387)	(167,185)	(64,985)	(238,557)
Acquisition through business combinations (Note 28)	-	40,960	2,777	18,129	61,866
Transferred from inventories	-	-	20,483	100,964	121,447
Reclassification	-	-	(6,723)	6,723	-
Exchange differences	<u>(891)</u>	<u>(27,405)</u>	<u>(2,756)</u>	<u>(30,199)</u>	<u>(61,251)</u>
Balance, December 31, 2016	<u>\$ 525,615</u>	<u>\$ 2,534,264</u>	<u>\$ 930,663</u>	<u>\$ 1,485,404</u>	<u>\$ 5,475,946</u>
<u>Accumulated depreciation</u>					
Balance, January 1, 2016	\$ -	\$ 889,882	\$ 783,998	\$ 964,444	\$ 2,638,324
Depreciation	-	96,891	120,458	119,165	336,514
Disposals	-	(3,455)	(156,935)	(49,987)	(210,377)
Acquisition through business combinations (Note 28)	-	3,923	2,777	15,037	21,737
Reclassification	-	-	(4,632)	4,632	-
Exchange differences	<u>-</u>	<u>(3,498)</u>	<u>(2,083)</u>	<u>(18,798)</u>	<u>(24,379)</u>
Balance, December 31, 2016	<u>\$ -</u>	<u>\$ 983,743</u>	<u>\$ 743,583</u>	<u>\$ 1,034,493</u>	<u>\$ 2,761,819</u>
Carrying value at December 31, 2016	<u>\$ 525,615</u>	<u>\$ 1,550,521</u>	<u>\$ 187,080</u>	<u>\$ 450,911</u>	<u>\$ 2,714,127</u>

(Continued)

	Land	Buildings	Machinery	Miscellaneous Equipment	Total
<u>Cost</u>					
Balance, January 1, 2017	\$ 525,615	\$ 2,534,264	\$ 930,663	\$ 1,485,404	\$ 5,475,946
Addition	-	13,622	23,430	141,826	178,878
Disposals	-	(32)	(186,480)	(80,708)	(267,220)
Acquisition through business combinations (Note 28)	-	-	371	751	1,122
Intercompany transfer	-	-	22,842	103,325	126,167
Exchange differences	<u>(5,268)</u>	<u>(21,459)</u>	<u>(5,928)</u>	<u>(5,256)</u>	<u>(37,911)</u>
Balance, December 31, 2017	<u>\$ 520,347</u>	<u>\$ 2,526,395</u>	<u>\$ 784,898</u>	<u>\$ 1,645,342</u>	<u>\$ 5,476,982</u>
<u>Accumulated depreciation</u>					
Balance, January 1, 2017	\$ -	\$ 983,743	\$ 743,583	\$ 1,034,493	\$ 2,761,819
Depreciation	-	92,412	84,455	133,372	310,239
Disposals	-	(29)	(185,362)	(64,378)	(249,769)
Acquisition through business combinations (Note 28)	-	-	56	182	238
Reclassification	-	-	(1,217)	-	(1,217)
Exchange differences	<u>-</u>	<u>(2,698)</u>	<u>(3,834)</u>	<u>(2,380)</u>	<u>(8,912)</u>
Balance, December 31, 2017	<u>\$ -</u>	<u>\$ 1,073,428</u>	<u>\$ 637,681</u>	<u>\$ 1,101,289</u>	<u>\$ 2,812,398</u>
Carrying value at December 31, 2017	<u>\$ 520,347</u>	<u>\$ 1,452,967</u>	<u>\$ 147,217</u>	<u>\$ 544,053</u>	<u>\$ 2,664,584</u> (Concluded)

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Building	
Primary buildings	55 years
Mechanical and electrical equipment	10 years
Clean room equipment	10 years
Others	2-50 years
Machinery	2-6 years
Miscellaneous equipment	2-16 years

Refer to Note 32 for property, plant and equipment have been pledged to secure borrowings of the Group.

17. GOODWILL

	For the Years Ended December 31	
	2017	2016
<u>Cost</u>		
Balance, beginning of the year	\$ 220,236	\$ 196,052
Acquisition through business combination (Note 28)	11,737	25,219
Net effect of exchange differences	<u>(6,565)</u>	<u>(1,035)</u>
Balance, end of the year	<u>\$ 225,408</u>	<u>\$ 220,236</u>

For assessing goodwill for impairment at the end of reporting period, the Group took value in use as basis for calculating the recoverable amount of goodwill. The Group used the cash flows of a five-year financial forecast as the basis for calculating value in use to reflect the specific risk of cash-generating units. After this evaluation, the Group did not recognize any impairment loss on goodwill for the years ended December 31, 2017 and 2016.

18. OTHER INTANGIBLE ASSETS

	Patents	Licenses and Franchises	Core Technology	Customer Relationships	Computer Software	Total
<u>Cost</u>						
Balance, January 1, 2016	\$ -	\$ -	\$ 317,931	\$ -	\$ -	\$ 317,931
Acquisition through business combinations (Note 28)	-	-	-	5,592	-	5,592
Balance, December 31, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 317,931</u>	<u>\$ 5,592</u>	<u>\$ -</u>	<u>\$ 323,523</u>
<u>Accumulated amortization</u>						
Balance, January 1, 2016	\$ -	\$ -	\$ 313,407	\$ -	\$ -	\$ 313,407
Amortization expenses	-	-	2,010	839	-	2,849
Balance, December 31, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 315,417</u>	<u>\$ 839</u>	<u>\$ -</u>	<u>\$ 316,256</u>
Carrying value at December 31, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,514</u>	<u>\$ 4,753</u>	<u>\$ -</u>	<u>\$ 7,267</u>
<u>Cost</u>						
Balance, January 1, 2017	\$ -	\$ -	\$ 317,931	\$ 5,592	\$ -	\$ 323,523
Additions	16,088	32,662	-	-	162	48,912
Exchange differences	-	-	-	-	2	2
Balance, December 31, 2017	<u>\$ 16,088</u>	<u>\$ 32,662</u>	<u>\$ 317,931</u>	<u>\$ 5,592</u>	<u>\$ 164</u>	<u>\$ 372,437</u>
<u>Accumulated amortization</u>						
Balance, January 1, 2017	\$ -	\$ -	\$ 315,417	\$ 839	\$ -	\$ 316,256
Amortization expenses	268	136	2,011	1,118	19	3,552
Exchange differences	-	-	-	-	1	1
Balance, December 31, 2017	<u>\$ 268</u>	<u>\$ 136</u>	<u>\$ 317,428</u>	<u>\$ 1,957</u>	<u>\$ 20</u>	<u>\$ 319,809</u>
Carrying value at December 31, 2017	<u>\$ 15,820</u>	<u>\$ 32,526</u>	<u>\$ 503</u>	<u>\$ 3,635</u>	<u>\$ 144</u>	<u>\$ 52,628</u>

The Group signed an agreement with Industrial Technology Research Institute in 2017 and obtained technique licenses and patents.

Other intangible assets were amortized on a straight-line basis over their estimated useful lives as follows:

Patents	5 years
Licenses and franchises	20 years
Core technology	5 years
Customer relationships	5 years
Computer software	10 years

19. BORROWINGS

Short-term Borrowings

	December 31	
	2017	2016
<u>Secured borrowings</u>		
Bank loans (a)	\$ -	\$ 25,000
<u>Unsecured borrowings</u>		
Bank loans (b)	<u>471,638</u>	<u>171,705</u>
	<u>\$ 471,638</u>	<u>\$ 196,705</u>

- a. Secured by the Group's property, plant and equipment (refer to Note 32). As of December 31, 2016, the interest rate on the bank loans was 1.32%.
- b. As of December 31, 2017 and 2016, the interest rate on the bank loans was 0.85%-4.50% and 1.23%-3.50% per annum, respectively.

Long-term Borrowings

	December 31	
	2017	2016
<u>Secured borrowings</u>		
Bank loans (a) (Note 32)	\$ 177,735	\$ 176,058
<u>Unsecured borrowings</u>		
Syndicated bank loans (b)	1,200,000	2,000,000
Bank loans (c)	<u>900,000</u>	<u>7,344</u>
	2,277,735	2,183,402
Less: Current portions	<u>1,216,042</u>	<u>815,317</u>
Long-term borrowings	<u>\$ 1,061,693</u>	<u>\$ 1,368,085</u>

- a. Secured by the Group's debt investments with no active market and property, plant and equipment. The final repayment period of those bank loans will be due in November 2019 to April 2025. As of December 31, 2017 and 2016, the effective interest rate on the bank loans were 0.90%-8.88% and 0.90%-10.88% per annum, respectively.
- b. On August 30, 2012, the Corporation applied to E.SUN and other banks for syndicated bank loans with \$2,000,000 thousand credit line to pay each installment of "The Action Plan for Developing Land Surrounding the MRT Airport Station to Improve Civilians Life" (refer to Note 33). The Corporation borrowed \$700,000 thousand in September 2013 to pay the second installment, \$530,000 thousand in November 2015 to pay the first part of the third installment and \$770,000 thousand in July 2016 to pay the remaining part of the third installment. The syndicated bank loan will be repaid from March 2017 to March 2018 in three equal semiannual installments (\$400,000 thousand per installment), the remaining \$800,000 thousand will be repaid on the due date, September 3, 2018, and the interest is paid monthly. As of December 31, 2017 and 2016, the interest rate per annum was all 1.58% on a floating basis.

- c. The bank loan is for the purpose of general operation with due date on December 29, 2020. As of December 31, 2017 and 2016, the interest rate on the bank loan was 1.17%-1.20% and 1.72% per annum, respectively.

20. BONDS PAYABLE

	December 31	
	2017	2016
Unsecured domestic convertible bonds	\$ 101,900	\$ 1,450,500
Less: Discount on bonds payable	<u>2,197</u>	<u>53,360</u>
	<u>\$ 99,703</u>	<u>\$ 1,397,140</u>

On May 23, 2014, the Corporation issued its second domestic unsecured 0% convertible bonds with aggregate par value of \$2,000,000 thousand and face value of \$100 thousand. These bonds were listed on the Taipei Exchange at the same date. Except for the period when books are closed for share transaction, bondholders are entitled to convert bonds into the Corporation's common stock at \$74.2 (conversion price) per share from June 24, 2014 to May 13, 2019. Due to distribution of cash dividends of NT\$3.3 and NT\$2.4 per share in 2017 and 2016, the conversion price was adjusted to NT\$64.9 and NT\$67.2 per share, respectively.

If the closing price of the Corporation's common share exceeds 30% of the conversion price of the bonds payable for 30 consecutive days or the aggregate outstanding amounts of bonds payable is less than 10% of the amounts of original issuance, the Corporation has the right to redeem all of the outstanding bonds payable at face value during the period beginning one month after the issuance date (June 24, 2014) to 40 days before the maturity date (April 13, 2019).

At the end of the third year from the bond issuance date, bondholders have the right to request the Group to redeem the convertible bonds at face value.

The convertible bonds contain both liability and equity components. The equity component presented in equity under "capital surplus - option". The liability components were recognized into derivative and nonderivative liabilities, separately.

Proceeds of the issue (less transaction costs \$5,320 thousand)	\$ 1,994,680
Equity component	(141,487)
Deferred tax assets	904
Financial liability component	<u>(4,989)</u>
Liability component at the date of issue	1,849,108
Interest charged at an effective interest rate of 1.57%	77,157
Conversion of bonds payable	<u>(1,826,562)</u>
Liability component as of December 31, 2017	<u>\$ 99,703</u>

21. OTHER PAYABLES

	December 31	
	2017	2016
Salaries and bonus (including employee's compensation and remuneration of directors and supervisors)	\$ 872,526	\$ 689,305
Others	<u>293,927</u>	<u>163,765</u>
	<u>\$ 1,166,453</u>	<u>\$ 853,070</u>

22. RETIREMENT BENEFIT PLANS

Defined Contribution Plans

The Corporation and its subsidiaries in ROC adopted a pension plan under the Labor Pension Act (the “LPA”), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages.

Employees of the Group’s subsidiaries in the USA, Europe, Singapore and Japan are under the retirement benefit plans operated by their respective local governments. Subsidiaries have to contribute amounts at certain percentages of salaries to the retirement benefit plans to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

Subsidiaries in the People’s Republic of China take part in the defined contribution pension plans established by the local governments, to which the subsidiaries make monthly contributions.

Defined Benefit Plans

The Corporation and its subsidiaries, Chroma New Material Corp. and Adivic Technology Co., have defined benefit plans based on the Labor Standards Act (LSA) which is operated by government. Pension benefits are calculated on the basis of length of service and average monthly salaries of the 6 months before retirement. The Corporation and its subsidiaries mentioned above contribute amount equal to 4% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee’s name. Before the end of year, the Corporation and its subsidiaries assess the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Corporation and its subsidiaries are required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (“the Bureau”); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group’s defined benefit plans were as follows:

	December 31	
	2017	2016
Present value of defined benefit obligation	\$ 459,640	\$ 443,230
Fair value of plan assets	<u>(293,814)</u>	<u>(274,964)</u>
Net defined benefit liabilities	<u>\$ 165,826</u>	<u>\$ 168,266</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2016	<u>\$ 409,891</u>	<u>\$ (260,200)</u>	<u>\$ 149,691</u>
Current service cost	4,359	-	4,359
Net interest expense (income)	<u>6,667</u>	<u>(4,324)</u>	<u>2,343</u>
Recognized in profit or loss	<u>11,026</u>	<u>(4,324)</u>	<u>6,702</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ 2,438	\$ 2,438
Actuarial loss - changes in demographic assumptions	1,530	-	1,530
Actuarial loss - changes in financial assumptions	14,121	-	14,121
Actuarial loss - experience adjustments	<u>7,892</u>	<u>-</u>	<u>7,892</u>
Recognized in other comprehensive income	<u>23,543</u>	<u>2,438</u>	<u>25,981</u>
Contributions from the employer	<u>-</u>	<u>(14,108)</u>	<u>(14,108)</u>
Benefits paid	<u>(1,230)</u>	<u>1,230</u>	<u>-</u>
Balance at December 31, 2016	<u>443,230</u>	<u>(274,964)</u>	<u>168,266</u>
Current service cost	4,185	-	4,185
Net interest expense (income)	<u>6,102</u>	<u>(3,885)</u>	<u>2,217</u>
Recognized in profit or loss	<u>10,287</u>	<u>(3,885)</u>	<u>6,402</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	1,166	1,166
Actuarial loss - changes in demographic assumptions	3,625	-	3,625
Actuarial loss - changes in financial assumptions	(5)	-	(5)
Actuarial loss - experience adjustments	<u>2,503</u>	<u>-</u>	<u>2,503</u>
Recognized in other comprehensive income	<u>6,123</u>	<u>1,166</u>	<u>7,289</u>
Contributions from the employer	<u>-</u>	<u>(16,131)</u>	<u>(16,131)</u>
Balance at December 31, 2017	<u>\$ 459,640</u>	<u>\$ (293,814)</u>	<u>\$ 165,826</u> (Concluded)

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

- Investment risk:** The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- Interest risk:** A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- Salary risk:** The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2017	2016
Discount rate(s)	0.88%-1.63%	0.88%-1.50%
Expected rate(s) of salary increase	1.50%-2.50%	1.50%-2.50%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2017	2016
Discount rate(s)		
0.25% increase	<u>\$ (14,066)</u>	<u>\$ (14,234)</u>
0.25% decrease	<u>\$ 14,697</u>	<u>\$ 14,898</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 14,293</u>	<u>\$ 14,490</u>
0.25% decrease	<u>\$ (13,752)</u>	<u>\$ (13,919)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2017	2016
Expected contributions to the plan for the next year	<u>\$ 16,338</u>	<u>\$ 15,211</u>
Average duration of the defined benefit obligation	13.5 years	15.0 years

23. EQUITY

a. Ordinary share capital

	December 31	
	2017	2016
Number of shares authorized (in thousands)	<u>450,000</u>	<u>450,000</u>
Shares authorized	<u>\$ 4,500,000</u>	<u>\$ 4,500,000</u>
Number of shares issued and fully paid (in thousands)	<u>411,894</u>	<u>389,887</u>
Shares issued	<u>\$ 4,118,942</u>	<u>\$ 3,898,872</u>

The authorized shares include 30,000 thousand shares allocated for the exercise of employee share options.

b. Capital surplus

	December 31	
	2017	2016
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)</u>		
Additional paid-in capital	\$ 2,514,454	\$ 1,209,905
Treasury share transactions	171,229	165,059
From merger	146,976	146,976
<u>May be used to offset a deficit only</u>		
Employee share options expired	5,874	5,239
Share of changes in capital surplus of associates or joint ventures	44,377	52,703
<u>May not be used for any purpose</u>		
Convertible bonds options	7,209	102,614
Employee share options	116,389	90,459
Employee restricted shares	<u>180,781</u>	<u>187,204</u>
	<u>\$ 3,187,289</u>	<u>\$ 1,960,159</u>

Note: Such capital surplus may be used to offset a deficit; in addition, when the Group has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Group's capital surplus and once a year).

c. Retained earnings and dividends policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on June 7, 2016 and, in that meeting, had resolved amendments to the Corporation's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation.

Under the dividend policy as set forth in the amended Articles, where the Corporation made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration to directors and supervisors after amendment, please refer to c. employees' compensation and remuneration of directors of the Corporation in Note 24.

Taking into account future capital expenditure requirements and its cash position, the total of cash dividends paid in any given year may not be less than 20% of total dividends distributed in that year. The final amount, type and percentage of the cash dividends and stock dividends are subject to actual earnings and capital requirements of the Corporation in a particular year.

An appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Corporation's paid-in capital. The legal reserve may be used to offset deficit. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled “Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs” should be appropriated to or reversed from a special reserve by the Corporation.

Except for non-ROC resident shareholders, all shareholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Corporation.

The appropriations of earnings for 2016 and 2015 have been approved in the annual shareholders’ meeting on June 8, 2017 and June 7, 2016, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividend Per Share (NT\$)	
	For Fiscal Year 2016	For Fiscal Year 2015	For Fiscal Year 2016	For Fiscal Year 2015
Legal reserve	\$ 171,994	\$ 123,656		
Cash dividends	1,314,425	910,200	\$3.3	\$2.4

The appropriations of earnings for 2017 had been proposed by the Corporation’s board of directors on February 22, 2018. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 255,840	
Cash dividends	1,854,424	\$4.5

The appropriations of earnings for 2017 are subject to the resolution in the shareholders’ meeting to be held on June 8, 2018.

d. Special reserves

If a special reserve appropriated on the first-time adoption of IFRSs relates to exchange differences on translation of the financial statements of foreign operations (including the subsidiaries of the Corporation), the special reserve will be reversed on a proportionate basis according to the Corporation’s disposal of foreign operations; on the Corporation’s loss of significant influence, however, the entire special reserve will be reversed. Additional special reserve should be appropriated for the amount equal to the difference between net debit balance reserves and the special reserve appropriated on the first-time adoption of IFRSs. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and, thereafter, distributed.

e. Other equity

1) Exchange differences on translating foreign operations

	For the Years Ended December 31	
	2017	2016
Balance, beginning of the year	\$ (24,914)	\$ 127,968
Exchange differences on translation of foreign financial statements	(64,660)	(127,798)
Share of exchange differences on translation of associates and joint ventures accounted for using the equity method	<u>(8,059)</u>	<u>(25,084)</u>
Balance, end of the year	<u>\$ (97,633)</u>	<u>\$ (24,914)</u>

2) Unrealized gain (loss) on available-for-sale financial assets

	For the Years Ended December 31	
	2017	2016
Balance, beginning of the year	\$ 232,901	\$ 271,697
Unrealized loss arising on revaluation of available-for-sale financial assets	<u>(53,553)</u>	<u>(38,796)</u>
Balance, end of the year	<u><u>\$ 179,348</u></u>	<u><u>\$ 232,901</u></u>

3) Employee unearned benefit

In the shareholders' meeting on June 7, 2016, the shareholders approved a restricted share unit plan ("RSU" plan), please refer to Note 27.

	For the Years Ended December 31	
	2017	2016
Balance, beginning of the year	\$ (149,952)	\$ -
Issuance of shares	(13,772)	(188,311)
Share-based payment expenses recognized	<u>69,875</u>	<u>38,359</u>
Balance, end of the year	<u><u>\$ (93,849)</u></u>	<u><u>\$ (149,952)</u></u>

f. Non-controlling interests

	For the Years Ended December 31	
	2017	2016
Balance, beginning of the year	\$ 171,224	\$ 121,192
Share of non-controlling interests		
Net loss	(9,578)	(24,369)
Exchange differences on the translation of foreign financial statements	(4,958)	(4,757)
Remeasurement on defined benefit plans	(83)	(72)
Unrealized gains or loss on available-for-sale financial assets	40	-
Capital increase of subsidiaries in cash	57,502	53,225
Non-controlling interest arising from acquisition of subsidiaries (Note 28)	12,701	30,520
Adjustment relating to changes in percentage of equity interest	11,254	-
Cash dividends	(5,952)	(4,838)
Compensation cost of employee share options - subsidiaries (Note 27)	<u>-</u>	<u>323</u>
Balance, end of the year	<u><u>\$ 232,150</u></u>	<u><u>\$ 171,224</u></u>

g. Treasury stock

The Corporation's shares held by its subsidiaries at the end of the reporting periods were as follows:

Subsidiaries	Number of Shares Held (In Thousand Shares)	Carrying Amount	Market Price
<u>December 31, 2017</u>			
Chroma Investment Co., Ltd.	1,916	<u>\$ 35,714</u>	<u>\$ 310,324</u>
<u>December 31, 2016</u>			
Chroma Investment Co., Ltd.	1,916	<u>\$ 35,714</u>	<u>\$ 144,435</u>

Forfeited employee restricted shares of 12 thousand were returned to the Corporation and canceled during this year.

Under the Securities and Exchange Act, the Corporation shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote. The subsidiaries holding treasury shares, however, retain shareholders' rights, except the rights to participate in any share issuance for cash and to vote.

24. ADDITIONAL INFORMATION ON EXPENSES

a. Finance costs

	For the Years Ended December 31	
	2017	2016
Interest on borrowings	\$ 40,313	\$ 41,056
Interest on convertible bonds	<u>6,764</u>	<u>25,751</u>
	47,077	66,807
Less: Amount included in the cost of qualifying assets	<u>(24,295)</u>	<u>(24,755)</u>
	<u>\$ 22,782</u>	<u>\$ 42,052</u>
Capitalized interest	\$ 24,295	\$ 24,755
Capitalization rate	1.58%	1.58%-1.60%

b. Depreciation and amortization expense

	For the Years Ended December 31	
	2017	2016
Property, plant and equipment	<u>\$ 310,239</u>	<u>\$ 336,514</u>
Intangible assets	<u>\$ 3,552</u>	<u>\$ 2,849</u>

(Continued)

	For the Years Ended December 31	
	2017	2016
An analysis of depreciation by function		
Operating costs	\$ 95,716	\$ 131,819
Operating expenses	<u>214,523</u>	<u>204,695</u>
	<u>\$ 310,239</u>	<u>\$ 336,514</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 3,552</u>	<u>\$ 2,849</u>
		(Concluded)

c. Employee benefits expense

	For the Years Ended December 31	
	2017	2016
Short-term benefits	\$ 3,079,813	\$ 2,647,345
Share-based payments	121,593	86,941
Retirement benefits (Note 22)		
Defined contribution plans	77,504	70,037
Defined benefit plans	6,402	6,702
Other employee benefits	<u>64,457</u>	<u>59,001</u>
	<u>\$ 3,349,769</u>	<u>\$ 2,870,026</u>
Summarized by function		
Operating costs	\$ 594,855	\$ 516,029
Operating expenses	<u>2,754,914</u>	<u>2,353,997</u>
	<u>\$ 3,349,769</u>	<u>\$ 2,870,026</u>

d. Employees' compensation and remuneration of directors and supervisors

The Corporation accrued its appropriation of employees' compensation and remuneration of directors and supervisors at the rates of 5%-20% and no higher than 1.5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2017 and 2016, which have been approved by the Corporation's board of directors on February 22, 2018 and February 21, 2017, respectively, were as follows:

	For the Years Ended December 31			
	2017		2016	
	Amount	Rate %	Amount	Rate %
Employee's compensation	\$ 310,000	9.73	\$ 300,000	12.96
Remuneration of directors and supervisors	9,600	0.30	8,000	0.35

If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

There was no difference between the amounts of the employee's compensation and the remuneration of directors and supervisors and the respective amounts recognized in the consolidated financial statements for the years ended December 31, 2016 and 2015.

Information on the employee's compensation and remuneration of directors and supervisors resolved by the Corporation's board of directors in 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

25. INCOME TAXES

a. Major components of income tax expense recognized in profit or loss

	For the Years Ended December 31	
	2017	2016
Current tax		
In respect of the current year	\$ 485,085	\$ 358,555
Income tax on unappropriated earnings	20,687	17,620
Adjustments for prior years	<u>(34,220)</u>	<u>(28,629)</u>
	471,552	347,546
Deferred tax		
In respect of the current year	<u>101,692</u>	<u>(1,055)</u>
Income tax expense recognized in profit or loss	<u>\$ 573,244</u>	<u>\$ 346,491</u>

A reconciliation of accounting profit and income tax expense is as follows:

	For the Years Ended December 31	
	2017	2016
Profit before tax	<u>\$ 3,122,067</u>	<u>\$ 2,042,057</u>
Income tax expense calculated at the statutory rate	\$ 530,751	\$ 347,150
Adjustment items in determining taxable income	(28,509)	(13,544)
Tax-exempt income	(118,652)	(6,215)
Income tax on unappropriated earnings	20,687	17,620
Investment tax credits	(67,191)	(32,329)
Others (temporary differences)	25,114	(1,055)
Effect of different tax rates of the Group entities	245,264	63,493
Adjustments for prior years	<u>(34,220)</u>	<u>(28,629)</u>
Income tax expense recognized in profit or loss	<u>\$ 573,244</u>	<u>\$ 346,491</u>

The applicable corporate income tax rate used by the group entities in ROC is 17%, while the applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

In February 2018, it was announced by the President that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%.

As the status of 2018 appropriations of earnings is uncertain, the potential income tax consequences of the 2017 unappropriated earnings are not reliably determinable.

b. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2017

Deferred Tax Assets	Balance, Beginning of the Year	Recognized in Profit or Loss	Exchange Differences and Other	Balance, End of the Year
Unrealized intercompany gain	\$ 70,420	\$ 21,876	\$ -	\$ 92,296
Tax losses	61,207	(18,065)	(3,506)	39,636
Inventory reserve	33,321	240	-	33,561
Impairment loss	16,030	3,435	-	19,465
Tax credit	16,263	3,834	(1,340)	18,757
Allowance for impaired receivables	3,402	6,190	(30)	9,562
Net defined benefit liability	9,000	(9)	-	8,991
Unrealized exchange loss	4,367	935	-	5,302
Others	<u>6,054</u>	<u>(2,828)</u>	<u>(388)</u>	<u>2,838</u>
	<u>\$ 220,064</u>	<u>\$ 15,608</u>	<u>\$ (5,264)</u>	<u>\$ 230,408</u>
Deferred Tax Liabilities	Balance, Beginning of the Year	Recognized in Profit or Loss	Exchange Differences and Other	Balance, End of the Year
Unappropriated earnings of foreign subsidiaries	\$ 161,194	\$ 111,442	\$ -	\$ 272,636
Goodwill	15,959	5,634	-	21,593
Unrealized exchange gain	945	(726)	-	219
Others	<u>9,072</u>	<u>950</u>	<u>(648)</u>	<u>9,374</u>
	<u>\$ 187,170</u>	<u>\$ 117,300</u>	<u>\$ (648)</u>	<u>\$ 303,822</u>

For the year ended December 31, 2016

Deferred Tax Assets	Balance, Beginning of the Year	Recognized in Profit or Loss	Exchange Differences and Other	Balance, End of the Year
Unrealized intercompany gain	\$ 42,287	\$ 28,133	\$ -	\$ 70,420
Tax losses	50,872	11,037	(702)	61,207
Inventory reserve	23,154	10,167	-	33,321
Tax credit	10,779	5,676	(192)	16,263
Impairment loss	14,158	1,872	-	16,030
Net defined benefit liability	9,199	(168)	(31)	9,000
Unrealized exchange loss	-	4,367	-	4,367
Allowance for impaired receivables	2,396	1,014	(8)	3,402
Others	<u>3,806</u>	<u>2,303</u>	<u>(55)</u>	<u>6,054</u>
	<u>\$ 156,651</u>	<u>\$ 64,401</u>	<u>\$ (988)</u>	<u>\$ 220,064</u>

Deferred Tax Liabilities	Balance, Beginning of the Year	Recognized in Profit or Loss	Exchange Differences and Other	Balance, End of the Year
Unappropriated earnings of foreign subsidiaries	\$ 101,879	\$ 59,315	\$ -	\$ 161,194
Goodwill	10,096	5,863	-	15,959
Unrealized exchange gain	3,777	(2,832)	-	945
Others	<u>8,075</u>	<u>1,000</u>	<u>(3)</u>	<u>9,072</u>
	<u>\$ 123,827</u>	<u>\$ 63,346</u>	<u>\$ (3)</u>	<u>\$ 187,170</u>

- c. Deductible temporary differences, unused loss carryforwards and unused investment credits for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31	
	2017	2016
Loss carryforwards		
Expiry in 2017	\$ -	\$ 8,881
Expiry in 2018	33,277	33,277
Expiry in 2019	57,397	47,723
Expiry in 2020	49,826	45,690
Expiry in 2021	68,584	68,584
Expiry after 2022	<u>487,293</u>	<u>342,472</u>
	<u>\$ 696,377</u>	<u>\$ 546,627</u>
Deductible temporary differences		
Impairment loss	\$ 2,382	\$ 2,382
Valuation gain on financial assets	<u>(2,095)</u>	<u>(776)</u>
	<u>\$ 287</u>	<u>\$ 1,606</u>

- d. Information about unused investment credits, unused loss carryforward and tax-exemption

Loss carryforwards as of December 31, 2017 were as follows:

Unused Amount	Expiry Year
\$ 7,908	2018
9,258	2019
9,180	2020
12,884	2021
18,710	2022
12,196	2023
10,917	2024
16,635	2025
18,185	2026
10,850	2027
21,070	2033
8,876	2034
<u>5,826</u>	2036
<u>\$ 162,495</u>	

As of December 31, 2017, profits attributable to the following expansion projects were exempted from income tax for a 5-year period:

Expansion of Construction Project	Tax-exemption Period
Profits on expansion and construction projects for year 2010	2013.1.1-2017.12.31

e. Integrated income tax

	December 31	
	2017	2016
Balance of imputation credit account (ICA)	<u>\$ 400,902</u>	<u>\$ 302,877</u>
	For the Years Ended December 31	
	2017	2016
Creditable ratio for distribution of earnings	Note	16.28%

Note: Since the amended Income Tax Act announced in February 2018 abolished the imputation tax system, no creditable ratio for distribution of earnings in 2018 is expected in 2017.

f. Income tax assessments

As of December 31, 2017, the Corporation's tax returns through 2015 had been assessed by the tax authorities.

The tax returns through 2016 of the Corporation's subsidiary - Adivic Technology Co., had been assessed by the tax authorities. The tax returns through 2015 of the Corporation's subsidiaries - Chroma New Material Corp., Wei Kuang Automatic Equipment Co., Chroma Investment Co., Testar Electronics Corp., EVT Technology Co., and Wei Da Electric Vehicle Co. - had been assessed by the tax authorities.

26. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share from continuing operations were as follows:

Net Profit for the Year

	For the Years Ended December 31	
	2017	2016
Earnings used in the computation of basic earnings per share	\$ 2,558,401	\$ 1,719,935
Effect of potentially dilutive ordinary shares:		
Interest on convertible bonds and valuation gain on conversion option	<u>7,459</u>	<u>23,543</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 2,565,860</u>	<u>\$ 1,743,478</u>

Shares

(In Thousands of Shares)

	For the Years Ended December 31	
	2017	2016
Weighted average number of ordinary shares used in the computation of basic earnings per share	399,052	379,930
Effect of potentially dilutive ordinary shares:		
Convertible bonds	6,864	26,336
Employee share options	5,037	1,788
Employees' compensation	2,392	4,272
Employee restricted shares	<u>2,057</u>	<u>-</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>415,402</u>	<u>412,326</u>

Since the Group offered to settle compensation paid to employees in cash or shares, the Group assumed the entire amount of the compensation would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

27. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share option plan of the Corporation

The Corporation granted employee stock options 7,900 thousand units in March 2016 and 6,000 thousand units in July 2013, respectively, with each option eligible to subscribe for one common share of the Corporation when exercised. The options are valid for 6 years and exercisable at certain percentages subsequent to the second year of the grant date.

The related information for the units granted in March 2016 were as follow:

1) Number of options granted and exercise price:

Number of options (in thousands)	7,900
Exercise prices per share on grant date (market value on grant date)	\$67.8
Exercise prices per share as of the report date (adjusted based on the Corporation's employee share options plan)	\$63.4

2) The valuation inputs of Black-Scholes model were as follows:

Vested Period	2 Years	3 Years	4 Years
Expected volatility	31.64%	32.62%	33.08%
Risk-free interest rate	0.52%	0.55%	0.61%
Expected dividend rate	-	-	-
Expected life	4 years	4.5 years	5 years

3) Fair value of stock options vested from grant date:

Vested Period	2 Years	3 Years	4 Years
Fair value (NT\$ per unit)	\$17.37	\$18.97	\$20.30

Information on employee share options was as follows:

	December 31			
	2017		2016	
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Balance at January 1	11,538	\$ 60.2	5,292	\$ 49.9
Options granted	-	-	7,900	65.7
Options exercised	(1,683)	47.0	(1,635)	49.0
Options forfeited	<u>(392)</u>	-	<u>(19)</u>	-
Balance at December 31	<u>9,463</u>	60.1	<u>11,538</u>	60.2
Options exercisable, end of the year	<u>1,914</u>		<u>1,941</u>	
Weighted-average fair value of options granted (NT\$)	<u>\$ -</u>		<u>\$ 18.7</u>	

Information about outstanding options as of December 31, 2017 and 2016 is as follows:

December 31			
2017		2016	
Range of Exercise Price (NT\$)	Weighted-average Remained Contractual Life (Years)	Range of Exercise Price (NT\$)	Weighted-average Remained Contractual Life (Years)
\$46.7	1.52	\$48.4	2.52
63.4	4.24	65.7	5.24

Compensation costs recognized were \$51,802 thousand and \$48,259 thousand for the years ended December 31, 2017 and 2016, respectively.

b. Restricted shares for employees

In the shareholders' meeting on June 7, 2016, the shareholders approved a Restricted Share Unit Plan ("RSU" Plan) for employees with a total amount of \$36,000 thousand, consisting of 3,600 thousand shares with issuance price of \$10 dollars per share. It can be issued at one time or several times depending on the circumstance. The RSU Plan is approved under Rule No. 1050024381 issued by the FSC on June 27, 2016. The Corporation issued 3,100 thousand and 185 thousand shares on July 8, 2016 and June 20, 2017, the subscription date. The details of RSU Plan are as follows:

- 1) Employees who are granted RSUs, upon meeting the Corporation's financial performance and personal performance indicators, are eligible to be vested 10, 20, 30 and 40 percent of the RSUs granted after 1, 2, 3 and 4 years of tenure after the subscription date, respectively.

- 2) The restrictions on the rights of the employees who are granted RSUs but have not met the vesting conditions are as follows:
- a) The employees are not eligible to sell, pledge, transfer, donate or to dispose any RSUs in any form.
 - b) The employees holding RSUs are entitled to receive dividends and similar purchasing rights to ordinary shares during capital increase. Dividends from RSUs are not restricted during the vesting period and are appropriated to the employees' personal account from trust account after the dividend distribution date.
 - c) Before the restricted shares are vested to the employees, the right of attendance, proposal, speech, voting and other rights of shareholders are acted by the custodian.
 - d) The RSUs should be delivered to trust custodians upon grant date. The employees cannot request for return in any manner before vesting conditions are met.
- 3) If an employee fails to meet the vesting conditions, the Corporation will recall or buy back and cancel the restricted shares at issued price. If an employee voluntarily resigns, retires, disabled or decease due to occupational hazards, dismissed, be transferred to another post, violates labor contracts or working protocols substantially or abandons restricted shares, related guidelines of RSU Plan will be followed accordingly.

Information relating to outstanding employee restricted shares as of December 31, 2017 and 2016 was as follows:

	For the Years Ended December 31	
	2017	2016
Restricted shares at the beginning of the year	3,100	-
Shares granted	185	3,100
Shares vested	(298)	-
Shares canceled	<u>(12)</u>	<u>-</u>
Restricted shares at the end of the year	<u>2,975</u>	<u>3,100</u>

Compensations costs of share-based payment arising from the RSU Plan were \$69,791 thousand (including deduction of 84 thousand for canceled shares) and \$38,359 thousand for the years ended December 31, 2017 and 2016, respectively.

c. Employee share option plan of subsidiaries

Adivic Technology Co. granted its employees stock options of 1,360 thousand units in March 12, 2014, with each option eligible to subscribe for one common share of Adivic Technology Co. when exercised. The options are valid for 8 years and exercisable at certain percentages subsequent to the second year of the grant date.

1) Information on employee share options was as follows:

	December 31			
	2017		2016	
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Balance, beginning of the year	785	\$ 10.0	930	\$ 10.0
Options forfeited	<u>-</u>	-	<u>(145)</u>	-
Balance, end of the year	<u>785</u>	10.0	<u>785</u>	10.0
Options exercisable, end of the year	<u>-</u>		<u>-</u>	

2) Information about outstanding options as of December 31, 2017 and 2016 is as follows:

December 31			
2017		2016	
Range of Exercise Price (NT\$)	Weighted-average Remained Contractual Life (Years)	Range of Exercise Price (NT\$)	Weighted-average Remained Contractual Life (Years)
10.0	4.20	10.0	5.20

Compensation costs recognized was \$323 thousand for the year ended December 31, 2016

28. BUSINESS COMBINATION

a. Subsidiaries acquired

The Group bought 78.1% equity interest of Touch Cloud Incorporation (“Touch Cloud”) in the fourth quarter of 2017 and 60% equity interest of Quantel Private Ltd. (“Quantel”) in April 2016 and acquired control over Touch Cloud and Quantel; these subsidiaries are included in the consolidated financial statements since the date the Group acquired control over them.

b. Assets acquired and liabilities assumed at the date of acquisition

	Touch Cloud	Quantel
Current assets		
Cash and cash equivalents (net of bank overdrafts of \$0 thousand and \$16,733 thousand, respectively)	\$ 60,514	\$ 20,341
Trade receivables (net of allowance for doubtful accounts of \$0 thousand and \$1 thousand, respectively)	790	42,177
Debt investments with no active market	-	9,567
Inventories	-	13,736
Prepayments	339	-
Other current assets	30	951

(Continued)

	Touch Cloud	Quantel
Non-current assets		
Property, plant and equipment, net	\$ 884	\$ 40,129
Refundable deposits	175	800
Other non-current assets	1	-
Current liabilities		
Short-term borrowing	-	(19,601)
Notes payable	(290)	-
Trade payables	(443)	(10,066)
Other payables	(20)	(2,359)
Income tax payable	-	(1,380)
Current portion of long-term borrowings	-	(6,259)
Other current liabilities	(4,016)	(20)
Non-current liabilities		
Long-term borrowings	-	(11,494)
Deferred tax liabilities	<u>-</u>	<u>(223)</u>
	<u>\$ 57,964</u>	<u>\$ 76,299</u>
		(Concluded)

c. Intangible assets arising from acquisition

	Touch Cloud	Quantel
Consideration transferred	\$ 57,000	\$ 76,590
Plus: Non-controlling interest	12,701	30,520
Less: Fair value of identifiable net assets acquired	<u>(57,964)</u>	<u>(76,299)</u>
Intangible assets arising from acquisition (Notes 17 and 18)	<u>\$ 11,737</u>	<u>\$ 30,811</u>
Goodwill	\$ 11,737	\$ 25,219
Customer relationships	<u>-</u>	<u>5,592</u>
	<u>\$ 11,737</u>	<u>\$ 30,811</u>

d. Net cash inflow (outflow) on acquisition of subsidiaries

	Touch Cloud	Quantel
Consideration paid in cash	\$ (57,000)	\$ (76,590)
Less: Cash and cash equivalent balances acquired	<u>60,514</u>	<u>20,341</u>
	<u>\$ 3,514</u>	<u>\$ (56,249)</u>

e. Impact of acquisitions on the results of the Group

The results of acquired companies since the acquisition date included in the consolidated statements of comprehensive income were as follows:

	For the Years Ended December 31	
	2017	2016
Revenue	<u>\$ 1,121</u>	<u>\$ 195,293</u>
Net profit (loss)	<u>\$ (2,123)</u>	<u>\$ 13,897</u>

Had these business combinations been in effect at the beginning of the annual reporting period, the Group's revenue from operations would have been \$14,906,187 thousand, and the income from operations would have been \$2,542,377 thousand for the year ended December 31, 2017, and the Group's revenue from operations would have been \$11,662,593 thousand, and the income from operations would have been \$1,693,206 thousand for the year ended December 31, 2016. This pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1 of the acquisition year, nor is it intended to be a projection of future results.

In determining the pro-forma revenue and profit of the Group had Touch Cloud and Quantel been acquired at the beginning of the current reporting period, the management performed the following:

- 1) Calculated depreciation of plant and equipment acquired on the basis of the fair values at the initial accounting for the business combination rather than the carrying amounts recognized in the pre-acquisition financial statements; and
- 2) Calculated borrowing costs on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

29. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's capital management is aims to maintain the sufficiency of financial resources and the soundness of operating strategies to meet the needs for operating capital, capital expenditure, R & D expenses, debt handling, dividend disbursement, etc.

30. FINANCIAL INSTRUMENTS

a. Fair value of financial instrument not measured at fair value

Management believes the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values or their fair value could not be assessed reliably.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
<u>December 31, 2017</u>				
Financial assets at FVTPL				
Domestic securities				
Listed equity securities	\$ 8,763	\$ -	\$ -	\$ 8,763
Derivative instruments	<u>-</u>	<u>31</u>	<u>-</u>	<u>31</u>
	<u>\$ 8,763</u>	<u>\$ 31</u>	<u>\$ -</u>	<u>\$ 8,794</u>
Available-for-sale financial assets				
Domestic securities				
Listed equity securities	\$ 268,582	\$ -	\$ -	\$ 268,582
Open-end beneficiary certificate	<u>1,043,387</u>	<u>-</u>	<u>-</u>	<u>1,043,387</u>
	<u>\$ 1,311,969</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,311,969</u>
<u>December 31, 2016</u>				
Financial assets at FVTPL				
Domestic securities				
Listed equity securities	\$ 7,453	\$ -	\$ -	\$ 7,453
Investment in debt instrument	983	-	-	983
Derivative instruments	<u>-</u>	<u>725</u>	<u>-</u>	<u>725</u>
	<u>\$ 8,436</u>	<u>\$ 725</u>	<u>\$ -</u>	<u>\$ 9,161</u>
Available-for-sale financial assets				
Domestic securities				
Listed equity securities	\$ 314,233	\$ -	\$ -	\$ 314,233
Open-end beneficiary certificate	<u>2,291,504</u>	<u>-</u>	<u>-</u>	<u>2,291,504</u>
	<u>\$ 2,605,737</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,605,737</u>

There were no transfers between Levels 1 and 2 for the years ended December 31, 2017 and 2016.

2) Valuation techniques and inputs applied for level 2 fair value measurement:

Financial Instruments	Valuation Techniques and Inputs
Derivatives - convertible bonds	Binomial tree valuation model of convertible bonds: The fair value of the derivative financial assets embedded in convertible bonds was determined based on the observable closing price of the stocks at balance sheet date and risk-free interest rate with risk premium.

c. Categories of financial instruments

	December 31	
	2017	2016
<u>Financial assets</u>		
Fair value through profit or loss	\$ 8,794	\$ 9,161
Loans and receivables (1)	10,150,213	6,701,119
Available-for-sale financial assets (2)	1,505,540	2,804,386

Financial liabilities

Amortized cost (3)	6,946,853	6,672,482
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- 1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, notes receivable, trade receivables, other receivable (other current assets) and refundable deposits.
- 2) The balances included the carrying amount of available-for-sale financial assets measured at cost.
- 3) The balances included financial liabilities measured at amortized cost, which comprise short-term loans, notes payable, trade payables other payables, bonds issued, long-term loans (including current portion of long-term borrowings) and guarantee deposits received.

d. Financial risk management objectives and policies

The Group's major financial instruments consist of equity and debts investment, cash and cash equivalents, receivables, long-term and short-term borrowings, trade payables and convertible bonds. The Group's financial risk management pertains to financial risks relating to the operations of the Group, including currency risk, interest rate risk, credit risk and liquidity risk. The Group seeks to identify, evaluate and hedge against market uncertainties to lower the effect of market changes on the Group's financial performance.

The Group manages foreign exchange risk through setting up of foreign currency deposit bank accounts and through the use of foreign currency directly received from sale to pay for purchases in foreign currency to reduce the impact of foreign exchange fluctuation and to achieve a natural hedge effect. The Group actively observes the exchange rate information to fully control the foreign currency hedge.

1) Market risk

The Group's activities expose it primarily to the financial risks of changes in exchange rates (see Item (a) below), interest rates (see Item (b) below) and price (see Item (c) below).

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 34.

Sensitivity analysis

The Group was mainly exposed to USD and RMB.

Had the NTD strengthened/weakened by 5% against the relevant currency, the pre-tax profit would have decreased/increased by \$292,951 thousand and \$127,358 thousand for the years ended December 31, 2017 and 2016, respectively. The 5% sensitivity rate is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency-denominated monetary items and their translation at period-end is adjusted for a 5% change in foreign-currency rates.

b) Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrow funds both at fixed and floated interest rates. The Group evaluates hedging activities regularly to align with interest rate views and defined risk appetite and ensures that the most cost-effective hedging strategies are applied.

The carrying amounts of the financial assets and liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2017	2016
Fair value interest rate risk		
Financial assets	\$ 1,718,748	\$ 753,729
Financial liabilities	673,710	1,709,000
Cash flow interest rate risk		
Financial assets	4,250,952	2,768,557
Financial liabilities	2,175,366	2,068,247

Sensitivity analysis

The sensitivity analysis below has been determined on the basis of the exposure to interest rates for both derivative and nonderivative instruments at balance sheet dates. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the balance sheet dates was outstanding for the whole year. A 50 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2017 and 2016 would decreased/increased by \$10,378 thousand and \$3,784 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable rate deposits and bank loans.

c) Price risk

The Group is exposed to equity price risks mainly arising from the following:

- Investment in available-for-sale financial assets (mainly investment in open-end beneficiary certificates and listed stocks in Taiwan), which are held for strategic rather than trading purposes. The Group does not actively trade these investments.
- Financial assets at fair value through profit or loss (mainly investment in listed stocks in Taiwan)

The Group manages risk through holding various investment portfolios and having every equity investment get prior approval from the Group's management.

Sensitivity analysis

If equity prices had been 5% higher/lower, the income before tax would have increased/decreased by \$438 thousand and \$422 thousand as a result of the changes in fair values of financial assets held by the Group for trading purposes for the years ended December 31, 2017 and 2016, respectively; and other comprehensive income would have increased/decreased by \$65,598 thousand and \$130,287 thousand because of changes in fair values of available-for-sale financial assets held by the Group for the years ended December 31, 2017 and 2016, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation could arise from:

- a) The carrying amount of trade receivables from operating activities; and
- b) The amount of bank deposits, fixed-income and other financial instruments from investing activities.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

Trade receivables involve a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivables, including the evaluation of internal credits, historical transaction records, present economic circumstances, etc. which affect the customers' payment ability.

The credit risk of bank deposits, fixed-income financial instruments and other financial instruments are evaluated, managed and controlled by the Group's financial department. The Group's exposure to credit risk was limited because the Group adopted a policy of only dealing with creditworthy counterparties.

3) Liquidity risk

The Group manages liquidity risk by managing and maintaining sufficient cash and cash equivalents to supply the Group's demand and mitigate the effects of fluctuations in cash flow. The Group continuously monitors the use of credit lines and conformity to loan terms.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2017 and 2016, the Group's available unutilized bank loan facilities were \$3,036,639 thousand and \$3,332,475 thousand, respectively.

Liquidity and interest risk tables for non-derivative financial liabilities

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay.

Bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2017			
	Within 1 Year	1-5 Years	More Than 5 Years
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	\$ 4,096,939	\$ -	\$ -
Convertible bonds	-	101,900	-
Fixed interest rate instruments	482,332	98,794	3,057
Floating interest rate instruments	<u>1,233,271</u>	<u>981,261</u>	<u>7,462</u>
	<u>\$ 5,812,542</u>	<u>\$ 1,181,955</u>	<u>\$ 10,519</u>
December 31, 2016			
	Within 1 Year	1-5 Years	More Than 5 Years
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	\$ 2,899,218	\$ -	\$ -
Convertible bonds	-	1,450,500	-
Fixed interest rate instruments	204,260	116,998	4,640
Floating interest rate instruments	<u>837,435</u>	<u>1,238,436</u>	<u>35,383</u>
	<u>\$ 3,940,913</u>	<u>\$ 2,805,934</u>	<u>\$ 40,023</u>

After considering the financial position of the Group, management does not think the banks will execute their rights of requiring the Group to repay the bank loans immediately. In addition, management believes the operating funds of the Corporation and subsidiaries are sufficient to meet cash flow demand; thus, liquidity risk is not considered significant.

The Group's operating funds are sufficient to meet the cash flow demand, as a result, the Group does not use its overdraft limit.

31. TRANSACTIONS WITH RELATED PARTIES

- a. The related parties and relationships with the Group were as follows:

Related Party	Relationship with the Group
Dynascan Technology Corp. ("Dynascan Technology")	Associate
Adlink Technology Inc. ("Adlink")	Associate
Chih Ho Shun Development Co., Ltd. ("Chih Ho Shun")	Joint venture
Dynascan Electronics (Shanghai) Co., Ltd. ("Dynascan Shanghai")	Associate
Dynascan Technology Inc. ("Dynascan USA")	Associate
Dynascan Japan Inc. ("Dynascan Japan")	Associate
Mou Kuan Industry Co., Ltd. ("Mou Kuan")	Other related party
Quantel Co., Ltd. ("Quantel Thailand")	Other related party
Quantel Sdn Bhd ("Quantel Malaysia")	Other related party
Quantel Philippines Inc. ("Quantel Philippines")	Other related party
PT Quantel ("Quantel Indonesia")	Other related party
Quantel Pte Ltd Representative Office In Hanoi ("Quantel Vietnam")	Other related party
Quantel Electronics (India) Private Limited ("Quantel India")	Other related party

Balances and transactions between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and its related parties are disclosed below.

The related-party transactions were conducted under normal terms unless specified otherwise.

b. Sales

Related Party Categories	For the Years Ended December 31	
	2017	2016
Associates	\$ 46,766	\$ 19,056
Other related parties	<u>51,380</u>	<u>-</u>
	<u>\$ 98,146</u>	<u>\$ 19,056</u>

c. Purchase

Related Party Categories	For the Years Ended December 31	
	2017	2016
Associates	\$ 24,917	\$ 35,600
Other related parties	<u>58,716</u>	<u>9,525</u>
	<u>\$ 83,633</u>	<u>\$ 45,125</u>

d. Receivables from related parties (excluding loans to related parties)

Line Item	Related Party Categories	December 31	
		2017	2016
Trade receivables - related parties	Associates	\$ 4,075	\$ 7,890
	Other related parties	<u>43,627</u>	<u>-</u>
		<u>\$ 47,702</u>	<u>\$ 7,890</u>

Outstanding trade receivables from related parties are unsecured.

e. Payables to related parties (excluding loans from related parties)

Line Item	Related Party Categories	December 31	
		2017	2016
Notes payable - related parties	Other related parties	<u>\$ 17,502</u>	<u>\$ 2,595</u>
Trade payables - related parties	Associates	\$ 7,201	\$ 11,753
	Other related parties	<u>32,233</u>	<u>60</u>
		<u>\$ 39,434</u>	<u>\$ 11,813</u>

The outstanding trade payables from related parties were unsecured.

f. Others

Line Item	Related Party Categories	For the Years Ended December 31	
		2017	2016
Rental income	Associates	\$ 1,260	\$ 1,260
Rental cost	Other related parties	\$ 12,600	\$ 12,600
Administration expense	Associates	\$ 4,770	\$ 3,460
	Other related parties	26,726	-
		<u>\$ 31,496</u>	<u>\$ 3,460</u>
Line Item	Related Party Categories	December 31	
		2017	2016
Other current assets	Associates	\$ 912	\$ 552

g. Compensation of key management personnel

	For the Years Ended December 31	
	2017	2016
Short-term employee benefits	\$ 132,893	\$ 122,052
Post-employment benefits	<u>2,247</u>	<u>2,096</u>
	<u>\$ 135,140</u>	<u>\$ 124,148</u>

The remuneration of directors and key executives is determined by the remuneration committee based on the performance of individuals and market trends.

32. ASSETS PLEDGED

The assets pledged as collaterals for bank loans and for product warranty were as follows:

	December 31	
	2017	2016
Property, plant and equipment, net		
Used bank loans	\$ 322,714	\$ 359,796
Unused bank loans	707,751	715,395
Debt investments with no active market	<u>491,447</u>	<u>6,078</u>
	<u>\$ 1,521,912</u>	<u>\$ 1,081,269</u>

33. OTHER SIGNIFICANT EVENTS

On January 17, 2012, the Corporation, Dynapack International Corporation and Heran Co., Ltd. won a bid for the ownership of land and the building and related facilities to be built on the land pertaining to “The Action Plan for Developing Land Surrounding the MRT Airport Station to Improve Civilians’ Life,” which had been reviewed and approved by the Ministry of the Interior (MOI).

The total bid price was \$10,088,890 thousand, covering land with an area of 222,300 square meters. As a result of winning the above bid, the Corporation acquired 35%, or 77,805 square meters, of a certain piece of land for \$3,531,112 thousand. On April 18, 2012, the Corporation signed the land purchase contract with the MOI; the payment schedule for this purchase is as follows:

- a. The first installment of the bid amount (10% of the total bid amount, or \$353,111 thousand) should be paid within 10 days from the contract date. The Corporation paid the first installment by bid deposit \$353,040 thousand and cash.
- b. To meet the schedule for zone expropriation, the Corporation should pay the second installment (30% of the total bid amount) within 10 days of receiving the payment notice from the MOI. The MOI will approve the Corporation's land usage rights as the payment is made. On September 3, 2013, the Corporation has paid the second installment \$1,059,333 thousand.
- c. To help the MOI provide the compensations for land expropriation and complete the demolition and relocation of structures on the land, the Corporation should pay the third installment (40% of the total bid amount) within 10 days of the payment notice from the MOI. The MOI will then check with the Corporation to see if the demolition and relocation are completed as the payment is made. In November 2015 and July 2016, the Corporation has paid the first part of the third installments \$536,729 thousand and the remaining part of the third installment \$875,716 thousand, respectively.
- d. The Corporation should accomplish the following things within four years from the time of obtaining the approval of the land usage rights:
 - 1) Open up the main road system and build related public facilities.
 - 2) Acquire the building license for over 50% percent of all industrial land and register with the authorities to go into operation.

After completing the above requirements, the Corporation should apply to the MOI for the approval to acquire real property rights to the structures and facilities built. The Corporation should pay the fourth installment (20% of the total bid amount) within 10 days upon obtaining the approval and receipt of the payment notice from the MOI. The MOI will issue the transfer-certificate of property rights over the land.

The Corporation has agreed to comply with the MOI's requirement for the MOI's placing of caution on undeveloped land before ownership of real property is turned over to the Corporation. The MOI will cancel this caution once it determines that the Corporation has completed all the required land development, building and facility construction and land improvements.

34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group entities' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 171,009	29.760	\$ 5,089,221
RMB	658,102	4.565	<u>3,004,235</u>
			<u>\$ 8,093,456</u>

Financial liabilities

Monetary items			
USD	56,464	29.760	\$ 1,680,383
RMB	121,371	4.565	<u>554,058</u>
			<u>\$ 2,234,441</u>

December 31, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 103,269	32.250	\$ 3,330,406
RMB	210,140	4.617	<u>970,216</u>
			<u>\$ 4,300,622</u>

Financial liabilities

Monetary items			
USD	45,979	32.250	\$ 1,482,824
RMB	58,617	4.617	<u>270,634</u>
			<u>\$ 1,753,458</u>

For the years ended December 31, 2017 and 2016, (realized and unrealized) net foreign exchange losses were \$133,637 thousand and \$110,497 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

35. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others: Table 1 (attached)
- 2) Endorsements/guarantees provided: Table 2 (attached)
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint controlled entities): Table 3 (attached)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: Table 4 (attached)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5 (attached)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 6 (attached)
- 9) Trading in derivative instruments: Note 7 and Note 20
- 10) Others: Intercompany relationships and significant intercompany transactions: Table 7 (attached)
- 11) Information on investees: Table 8 (attached)

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 9 (attached)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: Table 5 (attached)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Table 5 (attached)
 - c) The amount of property transactions and the amount of the resultant gains or losses: None.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None.

- e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None.
- f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: None.

36. SEGMENT INFORMATION

Information reported to the Group's chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on types of products delivered or services provided. The Group's reportable segments are as follows:

- a. Special materials department.
- b. Test instrument department.
- c. Automatic equipment department.
- d. Other

1) Segment revenues and results

	Special Materials Department	Test Instrument Department	Automatic Equipment Department	Other	Elimination	Total
For the year ended December 31, 2017						
Revenue from external customers	\$ 2,054,568	\$ 9,872,816	\$ 2,538,348	\$ 435,614	\$ -	\$ 14,901,346
Inter-segment revenue	-	6,679,445	416,355	25,219	(7,121,019)	-
Segment revenue	<u>\$ 2,054,568</u>	<u>\$ 16,552,261</u>	<u>\$ 2,954,703</u>	<u>\$ 460,833</u>	<u>\$ (7,121,019)</u>	<u>\$ 14,901,346</u>
Consolidated revenue						<u>\$ 14,901,346</u>
Segment income	<u>\$ 38,334</u>	<u>\$ 2,204,131</u>	<u>\$ 815,601</u>	<u>\$ (67,607)</u>	<u>\$ 52,622</u>	\$ 3,043,081
Non-operating income and expenses						78,986
Profit before tax						<u>\$ 3,122,067</u>
For the year ended December 31, 2016						
Revenue from external customers	\$ 2,269,057	\$ 8,587,377	\$ 382,288	\$ 385,647	\$ -	\$ 11,624,369
Inter-segment revenue	-	5,690,600	325,332	7,495	(6,023,427)	-
Segment revenue	<u>\$ 2,269,057</u>	<u>\$ 14,277,977</u>	<u>\$ 707,620</u>	<u>\$ 393,142</u>	<u>\$ (6,023,427)</u>	<u>\$ 11,624,369</u>
Consolidated revenue						<u>\$ 11,624,369</u>
Segment income	<u>\$ 58,350</u>	<u>\$ 1,944,817</u>	<u>\$ 75,074</u>	<u>\$ (115,729)</u>	<u>\$ 50,669</u>	\$ 2,013,181
Non-operating income and expenses						28,876
Profit before tax						<u>\$ 2,042,057</u>

The sales between segments are based on fair value.

The above revenues were generated through transactions with external customers and among segments. The inter-segment revenues for the years ended December 31, 2017 and 2016 had been adjusted and eliminated from the consolidated financial statements.

Segment operating income refers to profits earned by each segment, excluding remuneration of directors, share of profits or loss of associates and joint venture, rental income, interest income, gain (loss) on disposal of property, plant and equipment, gain (loss) on disposal of investment, foreign exchange gain (loss), valuation gain (loss) on financial instrument, finance costs and income tax expense. This was the measure reported to the Group's chief operating decision maker to allocate resources to each segment and evaluate its performance.

2) Segment assets and liabilities

	December 31	
	2017	2016
<u>Segment assets</u>		
Special materials department	\$ 935,074	\$ 1,004,283
Test instrument department	19,209,748	15,208,838
Automatic equipment department	2,703,688	956,187
Other	599,309	544,420
Adjustments and eliminations	<u>(4,722,373)</u>	<u>(3,154,573)</u>
Total segment assets	18,725,446	14,559,155
Investments and other unallocated assets	<u>3,292,166</u>	<u>4,073,623</u>
Consolidated total assets	<u>\$ 22,017,612</u>	<u>\$ 18,632,778</u>
<u>Segment liabilities</u>		
Special material department	\$ 614,525	\$ 739,152
Test instrument department	6,330,287	5,163,648
Automatic equipment department	2,001,270	448,542
Other	277,289	268,292
Adjustments and eliminations	<u>(3,821,486)</u>	<u>(2,739,124)</u>
Total segment liabilities	5,401,885	3,880,510
Borrowings and other unallocated liabilities	<u>3,152,898</u>	<u>3,964,417</u>
Consolidated total liabilities	<u>\$ 8,554,783</u>	<u>\$ 7,844,927</u>

For the purpose of monitoring segment performance and allocating resources between segments:

- a) All assets were allocated to reportable segments other than interests in associates accounted for using equity method, other financial assets, and deferred tax assets. Goodwill was allocated to reportable segments.
- b) All liabilities were allocated to reportable segments other than borrowings and deferred tax liabilities.

3) Revenue from major products

The following is an analysis of the Group's revenue from continuing operations from its major products and services:

	December 31	
	2017	2016
Special material equipment	\$ 2,054,568	\$ 2,269,057
Test instrument equipment	9,872,816	8,587,377
Automatic equipment	<u>2,538,348</u>	<u>382,288</u>
	<u>\$ 14,465,732</u>	<u>\$ 11,238,722</u>

4) Geographical information

The Group operates in three principal geographical areas - Republic of China, other Asia countries, and others.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by geographical location are detailed below.

	Revenue from External Customers		Non-current Assets	
	For the Years Ended December 31		December 31	
	2017	2016	2017	2016
Republic of China	\$ 7,843,613	\$ 5,956,132	\$ 5,605,770	\$ 5,179,471
Asia	4,650,547	3,823,634	507,384	469,353
Others	<u>2,407,186</u>	<u>1,844,603</u>	<u>458,057</u>	<u>376,819</u>
	<u>\$ 14,901,346</u>	<u>\$ 11,624,369</u>	<u>\$ 6,571,211</u>	<u>\$ 6,025,643</u>

Non-current assets exclude non-current assets classified as financial instruments, investments accounted for using equity method, prepayments for investments, and deferred tax assets.

5) Information about major customers

There was no revenue from any individual customer exceeded 10% of the Group's revenue for the years ended December 31, 2017 and 2016.

TABLE 1

CHROMA ATE INC. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing (Note 6)	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits
													Item	Value		
0	The Corporation	Chroma Systems Solutions, Inc.	Other receivables	Y	\$ 115,664	\$ 115,664	\$ 115,664	3.25%	a	\$ 389,189	-	\$ -	-	\$ -	\$ 1,323,068 (Note 1)	\$ 2,646,136 (Note 2)
		Chroma Japan Corp.	Other receivables	Y	49,435	46,321	38,993	-	a	170,781	-	-	-	-	1,323,068 (Note 1)	2,646,136 (Note 2)
1	Chroma Electronics (Shenzhen) Co., Ltd.	Chroma ATE (Suzhou) Co., Ltd.	Other receivables	Y	15,252	-	-	-	a	9,414	-	-	-	-	58,088 (Note 3)	116,176 (Note 4)

Note 1: Based on 10% of the net value of the Corporation.

Note 2: Based on 20% of the net value of the Corporation.

Note 3: Based on 10% of the net value calculated on the latest financial statements of borrowing company that have been audited.

Note 4: Based on 20% of the net value calculated on the latest financial statements of borrowing company that have been audited.

Note 5: The amounts listed in the table were translated into New Taiwan dollars at the exchange rate of US\$1=NT\$29.760, RMB1=NT\$4.565 and JPY1 = NT\$0.264 as of December 29, 2017.

Note 6: Financing provided:

- a. For transactions.
- b. For short-term financing.

TABLE 2

CHROMA ATE INC. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	The Corporation	Chroma USA	Subsidiary	\$ 1,984,602	\$ 59,520	\$ 59,520	\$ 59,520	\$ -	0.45	\$ 3,969,204	Y	-	-
		Chroma Japan Corp.	Subsidiary	1,984,602	34,100	34,100	10,560	-	0.26	3,969,204	Y	-	-
		Quantel Private Ltd.	Subsidiary	1,984,602	44,520	44,520	-	-	0.34	3,969,204	Y	-	-
		Chroma ATE Europe B.V.	Subsidiary	1,984,602	53,355	53,355	-	-	0.40	3,969,204	Y	-	-
		Chroma ATE (Suzhou) Co., Ltd.	Subsidiary	1,984,602	91,300	91,300	-	-	0.69	3,969,204	Y	-	Y

Note 1: According to Regulation of the “Procedures for Endorsement/Guarantee and lending of Funds”, the Corporation limits the endorsement/guarantee amount on each entity to (a) within 15% of the net value of the Corporation and (b) the capital issued of the entity endorsed/guaranteed, but 100% held subsidiary is not limited by the regulation.

Note 2: According to Regulation of the “Procedures for Endorsement/Guarantee and Lending of Funds”, the Corporation limits the endorsement/guarantee amount within the 30% of the net value of the Corporation.

Note 3: The amounts listed in columns were translated into New Taiwan dollars at the exchange rate of US\$1=NT\$29.760, JPY1=NT\$0.264, RMB1=NT\$4.565, EUR1=NT\$35.570 as of December 29, 2017.

TABLE 3

CHROMA ATE INC. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
(EXCLUDING INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT CONTROLLED ENTITIES)
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Shares/Units (Thousands)	Carrying Amount	Percentage of Ownership	Fair Value (Note)	
The Corporation	<u>Fund</u>							
	The RSIT Enhanced Money Market Fund	-	Available for sale financial assets - current	24,722	\$ 294,240	-	\$ 294,240	-
	Yuanta Wan Tai Money Market Fund	-	Available for sale financial assets - current	18,863	284,114	-	284,114	-
	Mega Diamond Money Market Fund	-	Available for sale financial assets - current	20,372	253,960	-	253,960	-
	WI Harper INC Fund VII LP	-	Financial assets measured at cost - non-current	-	10,152	-	-	-
	<u>Stocks</u>							
	DynaColor, Inc.	-	Available for sale financial assets - non-current	6,050	224,467	6.1	224,467	-
	Chunghwa Telecom Co., Ltd.	-	Available for sale financial assets - non-current	412	43,713	-	43,713	-
	China Communications Media Group Co., Ltd.	-	Available for sale financial assets - non-current	26	402	-	402	-
	WK Technology Fund IX Ltd.	-	Financial assets measured at cost - non-current	4,614	46,140	4.6	-	-
	Twoway Catv Service Inc.	-	Financial assets measured at cost - non-current	3,561	39,218	4.4	-	-
	Tian Zheng International Precision Machinery Co., Ltd.	-	Financial assets measured at cost - non-current	2,220	31,852	9.4	-	-
	WK Technology Fund IV Ltd.	-	Financial assets measured at cost - non-current	1,152	11,520	1.9	-	-
	WK Technology Fund VI Ltd.	-	Financial assets measured at cost - non-current	903	9,032	1.4	-	-
	TFBS Bioscience Inc.	-	Financial assets measured at cost - non-current	2,000	20,000	15.7	20,000	-
Chroma New Material Corp.	<u>Fund</u>							
	Fuh Hwa You Li Money Market Fund	-	Available-for-sale financial assets - current	6,829	91,535	-	91,535	-
	The RSIT Enhanced Money Market Fund	-	Available-for-sale financial assets - current	734	8,732	-	8,732	-
Chroma Investment Co., Ltd.	<u>Fund</u>							
	Hua Nan Kirin Money Market Fund	-	Available-for-sale financial assets - current	5,768	68,681	-	68,681	-
	<u>Stocks</u>							
	Greatek Electronics Inc.	-	Financial assets at fair value through profit or loss - current	85	4,431	-	4,431	-
	Adlink Technology Inc.	-	Financial assets at fair value through profit or loss - current	68	4,332	-	4,332	-
	Chroma ATE Inc.	The Corporation	Available for sale financial assets - non-current	1,916	310,324	0.5	310,324	-
	Fei Hong Industrial Co., Ltd.	-	Financial assets measured at cost - non-current	4,174	17,175	7.6	-	-
	Cosmactive Broadband Networks Co., Ltd.	-	Financial assets measured at cost - non-current	26	-	1.5	-	-
	Prance System Technology Co., Ltd.	-	Financial assets measured at cost - non-current	111	-	5.1	-	-
Adivic Technology Co.	<u>Fund</u>							
	Cathay Taiwan Money Market Fund	-	Available for sale financial assets - current	3,402	42,125	-	42,125	-
Chen Hwa Technology Inc.	<u>Stocks</u>							
	Hangzhou New Material Chroma Co., Ltd.	-	Financial assets measured at cost - non-current	-	8,482	19.0	-	-

Note: The fair value of open-end beneficiary certificates and listed market securities based on the net asset value and closing price as of December 31, 2017.

TABLE 4

CHROMA ATE INC. AND SUBSIDIARIES

**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares (Thousands)	Amount (Note)	Number of Shares (Thousands)	Amount	Number of Shares (Thousands)	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares (Thousands)	Amount (Note)
Chroma ATE Inc. (the “Corporation”)	<u>Fund</u> Mega Diamond Money Market Fund	Available for sale financial assets - current	-	-	36,520	\$ 453,518	20,095	\$ 250,000	36,243	\$ 450,997	\$ 450,000	\$ 997	20,372	\$ 253,960

Note: The beginning and ending balances included adjustments for financial assets valuation gain or loss.

TABLE 5**CHROMA ATE INC. AND SUBSIDIARIES**

**TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017**

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase (Sale)	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Corporation	Newworld Electronics Ltd.	Subsidiary	(Sale)	\$ (1,880,032)	(23)	Net 90 days after delivery	-	-	\$ 870,209	28	-
Newworld Electronics Ltd.	The Corporation	Parent company	Purchase	1,880,032	100	Net 90 days after delivery	-	-	(870,209)	(100)	-
The Corporation	Chroma USA	Subsidiary	(Sale)	(898,453)	(11)	Net 180 days after delivery	-	Note	363,520	12	-
Chroma USA	The Corporation	Parent company	Purchase	898,453	100	Net 180 days after delivery	-	Note	(363,520)	(100)	-
The Corporation	Chroma Systems Solutions, Inc.	Subsidiary	(Sale)	(389,189)	(5)	Net 90 days after delivery	-	-	110,169	4	-
Chroma Systems Solutions, Inc.	The Corporation	Parent company	Purchase	389,189	100	Net 90 days after delivery	-	-	(110,169)	(100)	-
The Corporation	Chroma ATE Inc. (Shenzhen) Co., Ltd.	Subsidiary	(Sale)	(544,060)	(7)	Net 90 days after monthly closing	-	-	186,932	6	-
Chroma Electronics (Shenzhen) Co., Ltd.	The Corporation	Parent company	Purchase	544,060	100	Net 90 days after monthly closing	-	-	(186,932)	(100)	-
The Corporation	Chroma ATE Europe B.V.	Subsidiary	(Sale)	(344,865)	(4)	Net 90 days after delivery	-	-	184,154	6	-
Chroma ATE Europe B.V.	The Corporation	Parent company	Purchase	344,865	100	Net 90 days after delivery	-	-	(184,154)	(100)	-
The Corporation	Chroma ATE (Suzhou) Co., Ltd.	Subsidiary	(Sale)	(233,685)	(3)	Net 120 days after delivery	-	-	121,743	4	-
Chroma ATE (Suzhou) Co., Ltd.	The Corporation	Parent company	Purchase	233,685	100	Net 120 days after delivery	-	-	(121,743)	(100)	-
The Corporation	Chroma Japan Corp.	Subsidiary	(Sale)	(170,781)	(2)	Net 90 days after delivery	-	-	163,825	5	-
Chroma Japan Corp.	The Corporation	Parent company	Purchase	170,781	100	Net 90 days after delivery	-	-	(163,825)	(100)	-
The Corporation	Quantel Private Ltd.	Subsidiary	(Sale)	(136,967)	(2)	Net 90 days after delivery	-	-	35,422	1	-
Quantel Private Ltd.	The Corporation	Parent company	Purchase	136,967	100	Net 90 days after delivery	-	-	(35,422)	(100)	-
The Corporation	Chroma Electronics (Shanghai) Co., Ltd.	Subsidiary	(Sale)	(211,563)	(3)	Net 120 days after delivery	-	-	104,538	3	-
Chroma Electronics (Shanghai) Co., Ltd.	The Corporation	Parent company	Purchase	211,563	100	Net 120 days after delivery	-	-	(104,538)	(100)	-
Newworld Electronics Ltd.	Chroma Electronics (Shenzhen) Co., Ltd.	Subsidiary	(Sale)	(842,342)	(37)	Net 90 days	-	-	463,578	43	-
Chroma Electronics (Shenzhen) Co., Ltd.	Newworld Electronics Ltd.	Parent company	Purchase	842,342	58	Net 90 days	-	-	(463,578)	(67)	-

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase (Sale)	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Newworld Electronics Ltd.	Wei Kuang Automatic Equipment (Nanjin) Co., Ltd.	Same parent company	(Sale)	\$ (153,887)	(7)	Net 90 days	-	-	\$ 84,919	8	-
Wei Kuang Automatic Equipment (Nanjin) Co., Ltd.	Newworld Electronics Ltd.	Same parent company	Purchase	153,887	72	Net 90 days	-	-	(84,919)	(59)	-
Newworld Electronics Ltd.	Chroma ATE (Suzhou) Co., Ltd.	Same parent company	(Sale)	(105,152)	(5)	Net 90 days	-	-	43,058	4	-
Chroma ATE (Suzhou) Co., Ltd.	Newworld Electronics Ltd.	Same parent company	Purchase	105,152	24	Net 90 days	-	-	(43,058)	(14)	-
Wei Kuang Automatic Equipment Co., Ltd.	Newworld Electronics Ltd.	Same parent company	(Sale)	(147,309)	(6)	Net 180 days after delivery	-	-	77,732	14	-
Newworld Electronics Ltd.	Wei Kuang Automatic Equipment Co., Ltd.	Same parent company	Purchase	147,309	13	Net 180 days after delivery	-	-	(77,732)	(8)	-
Chroma Electronics (Shenzhen) Co., Ltd.	Chroma ATE (Suzhou) Co., Ltd.	Same parent company	(Sale)	(110,036)	(6)	Net 90 days after monthly closing	-	-	128,756	19	-
Chroma ATE (Suzhou) Co., Ltd.	Chroma Electronics (Shenzhen) Co., Ltd.	Same parent company	Purchase	110,036	25	Net 90 days after monthly closing	-	-	(128,756)	(42)	-
Wei Kuang Automatic Equipment (Ximen) Co., Ltd.	Wei Kuang Automatic Equipment Co., Ltd.	Same parent company	(Sale)	(121,214)	(46)	Net 120 days after monthly closing	-	-	114,442	70	-
Wei Kuang Automatic Equipment Co., Ltd.	Wei Kuang Automatic Equipment (Ximen) Co., Ltd.	Same parent company	Purchase	121,214	25	Net 120 days after monthly closing	-	-	(114,442)	(13)	-

Note: The actual credit period longer than other customers, approximate 12 months.

TABLE 6**CHROMA ATE INC. AND SUBSIDIARIES****RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL****DECEMBER 31, 2017****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period (Note)	Allowance for Impairment Loss
					Amount	Action Taken		
The Corporation	Newworld Electronics Ltd.	Subsidiary	Trade receivables \$ 870,209	2.44	\$ -	-	\$ 400,434	\$ -
	Chroma USA	Subsidiary	Trade receivables 363,520	3.14	-	-	7,933	-
	Chroma Electronics (Shenzhen) Co., Ltd.	Subsidiary	Trade receivables 186,932	4.32	-	-	101,687	-
	Chroma ATE Europe B.V.	Subsidiary	Trade receivables 184,154	2.25	-	-	31,603	-
	Chroma System Solutions, Inc.	Subsidiary	Trade receivables 110,169	2.94	-	-	55,858	-
			Other receivables - financing provided 115,664	-	-	-	-	-
			Trade receivables 163,825	1.21	-	-	28,620	-
	Chroma Japan Corp.	Subsidiary	Trade receivables 121,743	2.18	-	-	79,821	-
	Chroma ATE (Suzhou) Co., Ltd.	Subsidiary	Trade receivables 104,538	3.93	-	-	29,352	-
Newworld Electronics Ltd.	Chroma Electronics (Shenzhen) Co., Ltd.	Same parent company	Trade receivables 463,578	6.17	-	-	43,842	-
Chroma Electronics (Shenzhen) Co., Ltd.	Chroma ATE (Suzhou) Co., Ltd.	Same parent company	Trade receivables 128,756	5.43	-	-	9,533	-
Wei Kuang Automatic Equipment (Ximen) Co., Ltd.	Wei Kuang Automatic Equipment Co., Ltd.	Same parent company	Trade receivables 114,442	4.70	-	-	114,442	-

Note: As of February 22, 2018.

TABLE 7

CHROMA ATE INC. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Company Name	Counterparty	Flow of Transactions (Note 1)	Transaction Details			Percentage to Consolidated Total Operating Revenue or Total Assets
				Account	Amount	Transaction Terms	
0	Chroma ATE Inc. (the “Corporation”)	Newworld Electronics Ltd.	a	Operating revenue	\$ 1,880,032	Note 2	13
		Chroma USA	a	Operating revenue	898,453	Note 2	6
		Chroma Electronics (Shenzhen) Co., Ltd.	a	Operating revenue	544,060	Note 2	4
		Chroma Systems Solutions, Inc.	a	Operating revenue	389,189	Note 2	3
		Chroma Europe	a	Operating revenue	344,865	Note 2	2
		Chroma ATE (Suzhou) Co., Ltd.	a	Operating revenue	233,685	Note 2	2
		Chroma Electronics (Shanghai) Co., Ltd.	a	Operating revenue	211,563	Note 2	1
		Chroma Japan	a	Operating revenue	170,781	Note 2	1
		Quantel Private Ltd.	a	Operating revenue	136,967	Note 2	1
		Testar Electronics Co.	a	Operating revenue	48,905	Note 2	-
		Chroma USA	a	Operating costs	78,417	Based on regular terms	1
		Wei Kuang Automatic Equipment Co., Ltd.	a	Operating costs	47,031	Based on regular terms	-
		Chroma ATE (Suzhou) Co., Ltd.	a	Operating costs	35,413	Based on regular terms	-
		Testar Electronics Co.	a	Rental revenue	13,815	Based on regular terms	-
		Chroma Electronics (Shanghai) Co., Ltd.	a	Commissions expense	11,836	Based on regular terms	-
		Chroma ATE (Suzhou) Co., Ltd.	a	Commissions expense	11,146	Based on regular terms	-
		Newworld Electronics Ltd.	a	Other revenue	19,732	Based on regular terms	-
		Newworld Electronics Ltd.	a	Trade receivables	870,209	Based on regular terms	4
		Chroma USA	a	Trade receivables	363,520	Based on regular terms	2
		Chroma Electronics (Shenzhen) Co., Ltd.	a	Trade receivables	186,932	Based on regular terms	1
		Chroma Europe	a	Trade receivables	184,154	Based on regular terms	1
		Chroma Japan	a	Trade receivables	163,825	Based on regular terms	1
		Chroma ATE (Suzhou) Co., Ltd.	a	Trade receivables	121,743	Based on regular terms	1
		Chroma Systems Solutions, Inc.	a	Trade receivables	110,169	Based on regular terms	1
		Chroma Electronics (Shanghai) Co., Ltd.	a	Trade receivables	104,538	Based on regular terms	-
		Testar Electronics Co.	a	Trade receivables	98,514	Note 3	-
		Quantel Private Ltd.	a	Trade receivables	35,422	Based on regular terms	-
		Chroma Systems Solutions, Inc.	a	Other receivables - financing provided	115,664	Based on regular terms	1
		Chroma Japan	a	Other receivables - financing provided	38,993	Based on regular terms	-
		Testar Electronics Co.	a	Other receivables	53,543	Based on regular terms	-
		Newworld Electronics Ltd.	a	Other receivables	10,317	Based on regular terms	-
1	Chroma USA	Chroma Japan	b	Operating revenue	19,771	Based on regular terms	-
		Chroma Japan	b	Operating costs	68,382	Based on regular terms	-
		Chroma Systems Solutions, Inc.	a	Dividends receivable	11,904	Based on regular terms	-
		Chroma Japan	b	Prepayments	29,786	Based on regular terms	-
		Chroma Japan	b	Trade payables	41,647	Based on regular terms	-

(Continued)

No.	Company Name	Counterparty	Flow of Transactions (Note 1)	Transaction Details			Percentage to Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
2	Newworld Electronics Ltd.	Chroma Electronics (Shenzhen) Co., Ltd.	a	Operating revenue	\$ 842,342	Based on regular terms	6
		Wei Kuang Automatic Equipment (Nanjin) Co., Ltd.	b	Operating revenue	153,887	Based on regular terms	1
		Chroma ATE (Suzhou) Co., Ltd.	b	Operating revenue	105,152	Based on regular terms	1
		Chroma Electronics (Shanghai) Co., Ltd.	a	Operating revenue	47,920	Based on regular terms	-
		Wei Kuang Automatic Equipment (Xiamen) Co., Ltd.	b	Operating revenue	19,418	Based on regular terms	-
		Wei Kuang Automatic Equipment Co., Ltd.	b	Operating costs	147,309	Based on regular terms	1
		Chroma Electronics (Shenzhen) Co., Ltd.	a	Commissions expense	39,444	Based on regular terms	-
		Chroma ATE (Suzhou) Co., Ltd.	b	Commissions expense	37,656	Based on regular terms	-
		Chroma Electronics (Shanghai) Co., Ltd.	a	Commissions expense	23,338	Based on regular terms	-
		Chroma Electronics (Shenzhen) Co., Ltd.	a	Trade receivables	463,578	Based on regular terms	2
		Wei Kuang Automatic Equipment (Nanjin) Co., Ltd.	b	Trade receivables	84,919	Based on regular terms	-
		Chroma ATE (Suzhou) Co., Ltd.	b	Trade receivables	43,058	Based on regular terms	-
		Chroma Electronics (Shanghai) Co., Ltd.	a	Trade receivables	10,449	Based on regular terms	-
		Chroma Electronics (Shenzhen) Co., Ltd.	a	Other receivables	99,531	Based on regular terms	-
		Wei Kuang Automatic Equipment Co., Ltd.	b	Prepayments	20,347	Based on regular terms	-
		Wei Kuang Automatic Equipment Co., Ltd.	b	Trade payables	77,732	Based on regular terms	-
		Wei Kuang Automatic Equipment (Nanjin) Co., Ltd.	b	Receipts in advance	23,937	Based on regular terms	-
3	Chroma Electronics (Shenzhen) Co., Ltd.	Chroma ATE (Suzhou) Co., Ltd.	b	Operating revenue	110,036	Based on regular terms	1
		Chroma Electronics (Shanghai) Co., Ltd.	b	Operating revenue	76,345	Based on regular terms	1
		Chroma Electronics (Shanghai) Co., Ltd.	b	Operating costs	30,476	Based on regular terms	-
		Chroma ATE (Suzhou) Co., Ltd.	b	Operating costs	16,064	Based on regular terms	-
		Sajet System Technology (Suzhou) Co., Ltd.	b	Operating costs	15,832	Based on regular terms	-
		Chroma ATE (Suzhou) Co., Ltd.	b	Trade receivables	128,756	Based on regular terms	1
		Chroma Electronics (Shanghai) Co., Ltd.	b	Trade receivables	61,034	Based on regular terms	-
4	Chroma Electronics (Shanghai) Co., Ltd.	Chroma ATE (Suzhou) Co., Ltd.	b	Operating costs	26,970	Based on regular terms	-
		Chroma ATE (Suzhou) Co., Ltd.	b	Trade payables	16,123	Based on regular terms	-
5	Wei Kuang Automatic Equipment (Xiamen) Co., Ltd.	Wei Kuang Automatic Equipment Co., Ltd.	b	Operating revenue	121,214	Based on regular terms	1
		Wei Kuang Automatic Equipment (Nanjin) Co., Ltd.	b	Operating revenue	34,128	Based on regular terms	-
		Wei Kuang Automatic Equipment Co., Ltd.	b	Operating costs	33,182	Based on regular terms	-
		Wei Kuang Automatic Equipment Co., Ltd.	b	Trade receivables	114,442	Based on regular terms	1
		Wei Kuang Automatic Equipment (Nanjin) Co., Ltd.	b	Trade receivables	24,227	Based on regular terms	-
6	Wei Kuang Automatic Equipment (Nanjin) Co., Ltd.	Wei Kuang Automatic Equipment Co., Ltd.	b	Operating costs	24,092	Based on regular terms	-

Note 1: a. From parent to subsidiary.
b. Between subsidiaries.

Note 2: The prices were determined after taking the selling and post-sale service expenses into consideration.

Note 3: The collection periods of about 12 months were longer than those for third parties.

(Concluded)

TABLE 8

CHROMA ATE INC. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2017			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2017	December 31, 2016	Shares (Thousands)	Percentage of Ownership	Carrying Amount			
The Corporation	Newworld Electronics Ltd.	Hong Kong	Sale and maintenance of electronic test instruments, etc.	\$ 271,873	\$ 271,873	64,013	100.0	\$ 817,757	\$ 212,326	\$ 212,326	Subsidiary
	San Eagle Development Corp.	British Virgin Islands	Investment	186,514	186,514	2,050	100.0	669,747	115,884	115,884	Subsidiary
	Adlink Technology Inc.	New Taipei, Taiwan	Manufacturing, processing and retailing of software/hardware of computers and peripherals	165,146	165,146	24,502	11.3	529,538	380,332	42,960	Associate
	Chroma New Material Corporation	Taoyuan, Taiwan	Sale and processing of gold wire	480,715	480,715	25,000	100.0	420,605	23,234	23,234	Subsidiary
	Wei Kuang Automatic Equipment Co., Ltd.	Hsinchu, Taiwan	Design, manufacturing, installment and testing of automated factory conveyor systems	533,000	533,000	10,000	100.0	860,666	609,624	609,616	Subsidiary
	CHI Incorporation Ltd.	British Virgin Islands	Test of inductance, capacitance and resistance, and sale of parts	122,884	122,884	3,830	100.0	156,232	33,536	33,536	Subsidiary
	Quantel Private Ltd.	Singapore	Sale and maintenance of test instruments, etc.	112,328	112,328	1,914	60.0	115,153	10,797	5,360	Subsidiary
	Chen Hwa Technology Inc.	British Virgin Islands	Test of inductance, capacitance and resistance, and sale of parts	98,217	98,217	3,085	100.0	105,899	2,610	2,610	Subsidiary
	Chroma Investment Co., Ltd.	New Taipei, Taiwan	Investment	80,000	80,000	14,000	100.0	113,954	7,506	1,336	Subsidiary
	Chroma ATE Europe B.V.	The Netherlands	Sale and maintenance of electronic test instruments etc.	54,026	54,026	1	100.0	73,859	18,553	18,553	Subsidiary
	DynaScan Technology Corp.	Taoyuan, Taiwan	Research and manufacture of LED generators	238,746	238,746	9,841	27.3	99,403	22,751	6,211	Associate
	Chroma USA	U.S.A.	Sale and maintenance of electronic test instruments, etc.	29,895	29,895	1,000	100.0	118,957	40,769	40,871	Subsidiary
	Sensational Holding Ltd.	British Virgin Islands	Investment	38,301	38,301	1,200	100.0	50,420	1,209	1,209	Subsidiary
	Adivic Technology Co.	Taipei, Taiwan	Sale and research of RF device	193,800	142,800	12,240	51.0	56,290	(55,499)	(30,314)	Subsidiary
	Chroma Japan Corp.	Japan	Sale and maintenance of electronic test instruments, etc.	147,125	147,125	9	100.0	(35,580)	1,131	1,129	Subsidiary
	Chroma Systems Solutions, Inc.	U.S.A.	Sale and maintenance of electronic test instruments, etc.	29,628	29,628	120	25.0	(31,012)	52,426	13,107	Subsidiary
	Deep Red Holding Co., Ltd.	Mauritius	Investment	12,217	12,217	215	100.0	60,772	12,609	12,609	Subsidiary
	Chih Ho Shun Development Co., Ltd.	Taoyuan, Taiwan	Construction and development of residence, buildings and specialized field; construction and investment of public works	17,500	17,500	1,750	35.0	17,626	94	33	Joint venture
	Testar Electronics Corporation	Taoyuan, Taiwan	Testing of LED products	247,096	247,096	20,160	67.2	17,379	19,459	13,075	Subsidiary
	EVT Technology Co., Ltd.	Taoyuan, Taiwan	Manufacturing of motorcycles and its parts	67,481	27,623	6,644	73.8	22,652	(13,961)	(8,252)	Subsidiary
	Innovative Nanotech Incorporated	Taoyuan, Taiwan	Monitoring instruments of nanoparticles	70,000	-	7,000	89.3	67,777	(2,487)	(2,434)	Subsidiary
	Touch Cloud Incorporation	Taipei, Taiwan	Development of cloud platform and Internet of Things Systems	57,000	-	5,700	78.1	55,342	(2,123)	(1,658)	Subsidiary
Chroma USA	Chroma Systems Solutions, Inc.	U.S.A.	Sale and maintenance of electronic test instruments, etc.	64	64	240	50.0	132,978	52,426	NA	Subsidiary
San Eagle Development Corp.	Wei Kuang Mech. Eng. Inc.	Mauritius	Investments	185,686	185,686	4,475	100.0	662,527	115,961	NA	Subsidiary
EVT Technology Co., Ltd.	Wei Da Electric Vehicle Co., Ltd.	Pingtung, Taiwan	Sale and lease of motorcycles	3,750	3,750	375	75.0	(3,906)	18	NA	Subsidiary
Adivic Technology Co., Ltd.	Adivic Holding Corporation	Samoa	Sale and research of RF device	42,245	15,223	1,000	100.0	11,158	(5,811)	NA	Subsidiary
Quantel Private Ltd	Quantel Technologies India Private Ltd.	India	Sale and maintenance of test instruments, etc.	3,056	-	65	100.0	2,970	(68)	NA	Subsidiary
	Quantel Global Vietnam Co., Ltd.	Vietnam	Sale and maintenance of test instruments, etc.	6,219	-	-	100.0	3,857	(1,524)	NA	Subsidiary
Chroma ATE Europe B.V.	Chroma Germany GmbH	Germany	Sale and maintenance of electronic test instruments, etc.	1,073	-	30	100.0	(4,263)	(5,147)	NA	Subsidiary

TABLE 9

CHROMA ATE INC. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars or Foreign Currency, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (Note 2)	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2017 (Note 3)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2017 (Note 3)	Net Income (Loss) of the Investee	Percentage of Ownership in Investment	Investment Gain (Loss) (Notes 4 and 5)	Carrying Amount as of December 31, 2017 (Note 2)	Accumulated Inward Remittance of Earnings as of December 31, 2017
					Outward	Inward						
Chroma Electronics (Shenzhen) Co., Ltd.	Sale of computerized automatic test systems, peripherals and electronic test instruments	\$ 114,210 (HK\$ 30,000)	b. Subsidiary of Newworld Electronics Ltd.	\$ 132,178 (HK\$ 1,200 US\$ 3,853)	\$ -	\$ -	\$ 132,178 (HK\$ 1,200 US\$ 3,853)	\$ 129,943	100	\$ 129,943	\$ 580,830	\$ -
Chroma Electronics (Shanghai) Co., Ltd.	Sale of computerized automatic test systems, peripherals and electronic test instruments	89,280 (US\$ 3,000)	b. Subsidiary of Newworld Electronics Ltd.	101,993 (US\$ 3,000)	-	-	101,993 (US\$ 3,000)	38,063	100	38,063	105,707	-
Chroma (Shanghai) Trading Co., Ltd.	International and transit trading, commercial simple processing and commercial consulting service and etc.	80,352 (US\$ 2,700)	b. Subsidiary of Chen Hwa Technology Inc.	84,988 (US\$ 2,700)	-	-	84,988 (US\$ 2,700)	(152)	100	(152)	88,056	-
Hangzhou New Material Chroma Co., Ltd.	Production and sale of semiconductor connecting materials	44,640 (US\$ 1,500)	b. Subsidiary of Chen Hwa Technology Inc.	9,091 (US\$ 285)	-	-	9,091 (US\$ 285)	6,461	19	-	8,482	-
Chroma ATE (Suzhou) Co., Ltd.	Sale of computerized automatic test systems, peripherals and electronic test instruments	113,088 (US\$ 3,800)	b. Subsidiary of CHI Incorporation Ltd.	121,115 (US\$ 3,800)	-	-	121,115 (US\$ 3,800)	33,556	100	33,556	202,520	-
Wei Kuang Automatic Equipment (Nanjin) Co., Ltd.	Sale and maintenance of electronic equipment and factory conveyor systems	54,191 (RMB 11,871)	b. Subsidiary of Wei Kuang Mech. Eng. Inc.	43,751 (US\$ 1,338)	-	-	43,751 (US\$ 1,338)	42,960	100	42,960	257,260	-
Wei Kuang Automatic Equipment (Xiamen) Co., Ltd.	Sale and maintenance of electronic equipment and factory conveyor systems	52,119 (RMB 11,417)	b. Subsidiary of Wei Kuang Mech. Eng. Inc.	49,935 (US\$ 1,500)	-	-	49,935 (US\$ 1,500)	70,743	100	70,743	320,090	-
Mou Kuan Technologies (Nanjin) Co., Ltd.	Assembly, sale and maintenance of factory conveyors and related systems and renders related after-sales services	7,929 (RMB 1,737)	b. Subsidiary of Wei Kuang Mech. Eng. Inc.	92,000 (US\$ 2,836)	-	-	92,000 (US\$ 2,836)	1,145	100	1,145	45,602	-
Sajet System Technology (Suzhou) Co., Ltd.	Research, development and design of computer network security systems and information management	38,227 (RMB 8,374)	b. Subsidiary of Deep Red Holding Co., Ltd.	(Note 9)	-	-	(Note 9)	15,237	100	15,237	60,767	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2017	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$635,051 (HK\$1,200, US\$19,312)	\$725,060 (HK\$1,400, US\$22,076) (Note 6)	\$7,938,408 (Note 7)

(Continued)

Note 1: Methods of investment have following types:

- a. Direct investment in mainland China.
- b. Indirect investment in the Company of Mainland China through a third place.
- c. Other

Note 2: The amounts of paid-in capital and carrying value as of balance sheet date were translated into New Taiwan dollars at the rates of HK\$1=NT\$3.807, US\$1=NT\$29.760, RMB1=NT\$4.565 prevailing on December 29, 2017.

Note 3: The amounts of accumulated outflow of investment from Taiwan as of January 1, 2017 and December 31, 2017 were translated into New Taiwan dollars on the original outflow day.

Note 4: Based on audited financial statements.

Note 5: Investment income (loss) was translated into New Taiwan dollars at the average rate of HK\$1=NT\$3.905, US\$1=NT\$30.432, RMB1=NT\$4.507 for the year ended December 31, 2017.

Note 6:

Approval Letter	Approved Amount	
a. Letter (1998) II-87710585 of Investment Commission of MOEA	NT\$ 5,852	(HK\$ 1,400)
b. Letter (2000) II-89014726 and 89037430 of Investment Commission of MOEA	NT\$ 63,180	(US\$ 2,000)
c. Letter (2001) II-89037430 of Investment Commission of MOEA	NT\$ 33,160	(US\$ 1,000)
d. Letter II-91048640 of Investment Commission of MOEA	NT\$ 63,984	(US\$ 1,853) (Note 8)
e. Letter II-90025170 of Investment Commission of MOEA	NT\$ 60,240	(US\$ 1,750)
f. Letter II-092020235 of Investment Commission of MOEA	NT\$ 19,230	(US\$ 560)
g. Letter II-092043358 of Investment Commission of MOEA	NT\$ 6,748	(US\$ 200)
h. Letter II-093004076 of Investment Commission of MOEA	NT\$ 3,158	(US\$ 95)
i. Letter II-094006092 of Investment Commission of MOEA	NT\$ 6,896	(US\$ 219)
j. Letter II-09500052120 of Investment Commission of MOEA	NT\$ 81,528	(US\$ 2,500)
k. Letter II-09600175700 of Investment Commission of MOEA	NT\$ 120,000	(US\$ 3,699)
l. Letter II-096000006020 of Investment Commission of MOEA	NT\$ 66,580	(US\$ 2,000)
m. Letter II-09600310110 of Investment Commission of MOEA	NT\$ 33,160	(US\$ 1,000)
n. Letter II-09700186010 of Investment Commission of MOEA	NT\$ 46,110	(US\$ 1,500)
o. Letter II-09700403210 of Investment Commission of MOEA	NT\$ 7,096	(US\$ 210) (Note 9)
p. Letter II-10400042770 of Investment Commission of MOEA	NT\$ 78,240	(US\$ 2,500)
q. Letter II-10600164500 of Investment Commission of MOEA	NT\$ 29,898	(US\$ 990)

Note 7: The upper limit on investment was calculated in accordance with the regulations of the Investment Commission of the Ministry of Economic Affairs for 60% of the net equity or consolidated net equity.

Note 8: The Corporation invested accounts receivable amounting to US\$853 thousand in Chroma Electronics (Shenzhen) Co., Ltd. through Newworld Electronics Ltd.

Note 9: The investment in Sajet Technology Inc. (liquidated on September 15, 2008) was authorized by the Investment Commission in 2004.