

SINBON ELECTRONICS CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS**

**FOR THE SIX-MONTH PERIODS ENDED
30 JUNE 2018 AND 2017**

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

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

To Sinbon Electronics Co., Ltd.

Introduction

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

Scope of Review

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

Basis for Qualified Conclusion

As explained in Note 4(3), the financial statements of certain insignificant subsidiaries were not reviewed by independent accountants. Those statements reflected total assets of NT\$3,027,602 thousand and NT\$3,193,757 thousand, constituting 22% and 28% of the consolidated total assets, and total liabilities of NT\$797,494 thousand and NT\$964,602 thousand, constituting 11% and 16% of the consolidated total liabilities as of 30 June 2018 and 2017, respectively; and total comprehensive income of NT\$20,858 thousand, NT\$49,553 thousand, NT\$63,199 thousand and NT\$212,446 thousand, constituting 4%, 12%, 8% and 45% of the consolidated total comprehensive income for the three-month and six-month periods ended 30 June 2018 and 2017, respectively. As explained in Note 6(8), the financial statements of certain associates and joint ventures accounted for under the equity method were not reviewed by independent accountants. Those associates and joint ventures under equity method amounted to NT\$382,394 thousand and NT\$366,538 thousand as of 30 June 2018 and 2017, respectively. The related shares of profits from the associates and joint ventures under the equity method amounted to NT\$11,919 thousand, NT\$9,605 thousand, NT\$21,136 thousand and NT\$14,369 thousand, and the related shares of other comprehensive income from the associates and joint ventures under the equity method amounted to NT\$4,335 thousand, NT\$(5,052) thousand, NT\$890 thousand and NT\$1,062 thousand for the three-month and six-month periods ended 30 June 2018 and 2017, respectively. The information related to the above subsidiaries, and associates and joint ventures accounted for under the equity method disclosed in Note 13 was also not reviewed by independent accountants.

Qualified Conclusion

Based on our reviews, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of certain insignificant subsidiaries, associates and joint ventures accounted for using equity method been reviewed by independent accountants, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as at 30 June 2018 and 2017, and their consolidated financial performance and cash flows for the three-month and six-month periods ended 30 June 2018 and 2017, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Emphasis of Matter – Application of New Accounting Standards

As described in Note 3 of the consolidated financial statements, the Company and its subsidiaries applied the International Financial Reporting Standard 9, “Financial Instruments” and 15, “Revenue from Contracts with Customers” starting 1 January 2018, and elected not to restate the consolidated financial statements for prior periods. Our conclusion is not modified in respect of this matter.

/s/Huang, Tzu Ping

/s/Lin, Hung Kang

Ernst & Young, Taiwan
27 July 2018

Notice to Readers

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
SINBON ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
30 June 2018, 31 December 2017 and 30 June 2017 (30 June 2018 and 2017 are unaudited)
(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As of	
		30 June 2018	30 June 2017
Current assets			
Cash and cash equivalents		\$3,134,074	\$3,125,187
Financial assets at fair value through profit or loss, current	4,6(1)	-	\$2,996,768
Available-for-sale financial assets, current	4,6(2)	103,386	5,758
Notes receivable, net	4,6(3)(19)	429,932	-
Accounts receivable, net	4,6(4)(19),7	3,944,872	389,800
Other receivables		183,932	3,085,120
Current income tax assets		47,203	168,627
Inventories	4,6(5)	2,877,714	-
Prepayments		190,595	2,692,294
Other current assets		9,778	180,179
Total current assets		10,921,486	9,716,118
Non-current assets			
Financial assets at fair value through other comprehensive income, noncurrent	4,6(6)	291,421	-
Available-for-sale financial assets, noncurrent	4,6(7)	-	132,170
Financial assets measured at cost, noncurrent	4,6(8)	-	369,608
Investments accounted for under the equity method	4,6(9)	382,394	373,871
Property, plant and equipment	4,6(10)	1,687,752	1,486,310
Other intangible assets		80,884	59,529
Deferred tax assets	4	53,509	71,748
Other non-current assets	4,6(11)	173,755	310,123
Total non-current assets		2,669,715	2,803,359

Total assets		\$13,591,201	\$12,519,477	\$11,283,692
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English Translation of Consolidated Financial Statements Originally Issued in Chinese
SINBON ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (Continued)
30 June 2018, 31 December 2017 and 30 June 2017 (30 June 2018 and 2017 are unaudited)
(Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	As of	
		30 June 2018	30 June 2017
Current liabilities			
Short-term loans			\$971,927
Financial liabilities at fair value through profit or loss, current		\$1,713,458	44,427
Contract liabilities, current	4,6(12)	150	33,497
Notes payable	4,6(13)	167,909	101,482
Accounts payable	6(18)	87,344	84,090
Other payables	7	2,840,117	2,209,760
Current tax liabilities		1,675,449	1,540,809
Current portion of bonds payable		161,408	176,203
Current portion of long-term loans	4,6(14)	488,560	-
Other current liabilities	4	1,118	7,950
Total current liabilities		40,031	3,171
		7,175,544	5,128,889
Non-current liabilities			
Financial liabilities at fair value through profit or loss, noncurrent		-	2,750
Bonds payable	4,6(13)	-	478,300
Long-term loans	4,6(14)	-	13,171
Deferred tax liabilities	4	3,516	133,743
Long-term deferred revenue	4	186,064	160,718
Net defined benefit obligation, noncurrent	4,6(15)	16,138	16,256
Other non-current liabilities-others	4,6(16)	89,296	83,354
Total non-current liabilities		2	2
Total liabilities		295,016	727,428
		7,470,560	5,856,317
Equity attributable to the parent company			
Capital	6(17)		
Common stock		2,254,162	2,254,162
Additional Paid-in Capital	6(17)	829,745	828,030
Retained earnings			
Legal reserve		966,802	844,155
Special reserve		233,441	181,024
Unappropriated earnings	6(22)	1,836,189	1,609,095
Subtotal		3,036,432	2,634,274
Other components of equity			
Exchange differences on translation of foreign operations		(220,253)	(312,637)
Unrealized gains (losses) measured at fair value through other comprehensive income		1,719	-
Unrealized gains or losses on available-for-sale financial assets		-	-
Subtotal		(218,534)	(28,272)
Non-controlling interests			
Total equity	4,6(17)	218,836	(340,909)
Total liabilities and equity		6,120,641	5,427,375
		\$13,591,201	\$11,283,692

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
SINBON ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the three-month and six-month periods ended 30 June 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

	Notes	3-month periods ended 30 June		6-month periods ended 30 June	
		2018	2017	2018	2017
Operating revenues	4,6(18),7	\$3,940,772	\$3,331,157	\$7,426,990	\$6,545,058
Operating costs	6(20),7	(2,971,217)	(2,479,748)	(5,581,750)	(4,896,698)
Gross profit-net		<u>969,555</u>	<u>851,409</u>	<u>1,845,240</u>	<u>1,648,360</u>
Operating expenses	6(20)				
Sales and marketing expenses		(234,688)	(171,091)	(432,642)	(317,434)
General and administrative expenses		(238,619)	(169,037)	(436,230)	(327,011)
Research and development expenses		(146,955)	(117,556)	(286,919)	(215,558)
Expected credit loss	4,6(19)	(2,407)	(26,993)	(2,407)	(26,993)
Subtotal		<u>(622,669)</u>	<u>(484,677)</u>	<u>(1,158,198)</u>	<u>(886,996)</u>
Operating income		<u>346,886</u>	<u>366,732</u>	<u>687,042</u>	<u>761,364</u>
Non-operating income and expenses	6(21)				
Other income		48,383	96,361	101,589	158,150
Other gains and losses		165,685	8,310	89,800	(69,069)
Finance costs		(9,659)	(5,603)	(17,294)	(10,748)
Share of profit or loss of associates and joint ventures	4,6(9)	11,919	9,605	21,136	14,369
Subtotal		<u>216,328</u>	<u>108,673</u>	<u>195,231</u>	<u>92,702</u>
Income from continuing operations before income tax		<u>563,214</u>	<u>475,405</u>	<u>882,273</u>	<u>854,066</u>
Income tax expense	4,6(23)	<u>(143,328)</u>	<u>(130,938)</u>	<u>(191,239)</u>	<u>(224,491)</u>
Net income		<u>419,886</u>	<u>344,467</u>	<u>691,034</u>	<u>629,575</u>
Other comprehensive income (loss)	6(22)				
Items that may not be reclassified to profit or loss					
Unrealized gains on equity instruments measured at fair value through other comprehensive income		67,514	-	118,179	-
Income tax related to items that may not be reclassified subsequently		-	-	1,390	-
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		(14,330)	87,999	31,948	(189,128)
Unrealized (losses) gains on available-for-sale financial assets		-	(3,287)	-	(4,849)
Share of other comprehensive (loss) income of associates and joint ventures		4,335	(5,052)	890	1,062
Income tax related to items that may be reclassified subsequently		2,044	(14,543)	(3,662)	30,672
Total other comprehensive income (loss), net of tax		<u>59,563</u>	<u>65,117</u>	<u>148,745</u>	<u>(162,243)</u>
Total comprehensive income		<u>\$479,449</u>	<u>\$409,584</u>	<u>\$839,779</u>	<u>\$467,332</u>
Net income attributable to:	4,6(24)				
Stockholders of the parent		\$428,876	\$340,161	\$705,437	\$622,098
Non-controlling interests		(8,990)	4,306	(14,403)	7,477
		<u>\$419,886</u>	<u>\$344,467</u>	<u>\$691,034</u>	<u>\$629,575</u>
Comprehensive income (loss) attributable to:					
Stockholders of the parent		\$491,832	\$405,241	\$857,536	\$462,213
Non-controlling interests		(12,383)	4,343	(17,757)	5,119
		<u>\$479,449</u>	<u>\$409,584</u>	<u>\$839,779</u>	<u>\$467,332</u>
Earnings per share (NTD)					
Earnings per share-basic	4,6(24)	<u>\$1.90</u>	<u>\$1.51</u>	<u>\$3.13</u>	<u>\$2.76</u>
Earnings per share-diluted		<u>\$1.85</u>	<u>\$1.50</u>	<u>\$3.05</u>	<u>\$2.75</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
SINBON ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the six-month periods ended 30 June 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

	Equity Attributable to the Parent Company										
	Retained earnings					Other components of equity					
						Unrealized gains (losses) on equity instruments measured at fair value through other comprehensive income	Exchange Differences on Translation of Foreign Operations	Unrealized Gain or Loss on Available-For-Sale Financial Assets	Non-Controlling Interests	Total	
Common stock	Certificates of Bond-to-Stock Conversion	Additional Paid-in Capital	Legal Reserve	Special Reserve	Unappropriated Earnings	Gain (losses)					
Balance as of 1 January 2017	\$8,094	\$858,462	\$728,416	\$134,446	\$1,938,270	\$ -	\$(156,539)	\$(24,485)	\$46,699	\$5,732,732	
Appropriation and distribution of 2016 retained earnings											
Legal reserve			115,739		(115,739)						
Special reserve				46,578	(46,578)						
Cash dividends					(788,956)					(788,956)	
Other changes in additional paid-in capital											
Embedded conversion options derived from convertible bonds											
Additional paid-in capital at stock dividends											
Net income for the six-month period ended 30 June 2017					622,098		(156,098)	(3,787)	7,477	629,575	
Other comprehensive income (loss), net of tax for the six-month period ended 30 June 2017									(2,358)	(162,243)	
Total comprehensive income (loss) for the six-month period ended 30 June 2017					622,098		(156,098)	(3,787)	5,119	467,332	
Bonds converted to stock											
Balance as of 30 June 2017	\$8,094	\$828,030	\$844,155	\$181,024	\$1,609,095	\$ -	\$(312,637)	\$(28,272)	\$51,818	\$5,427,375	
Balance as of 1 January 2018	\$2,254,162	\$830,265	\$844,155	\$181,024	\$2,208,472	\$ -	\$(251,893)	\$18,452	\$211,619	\$6,296,256	
Impact of retroactive applications					825	(120,557)		(18,452)		(138,184)	
Adjusted balance as of 1 January 2018	2,254,162	830,265	844,155	181,024	2,209,297	(120,557)	(251,893)	-	211,619	6,138,072	
Appropriation and distribution of 2017 retained earnings											
Legal reserve			122,647		(122,647)						
Special reserve				52,417	(52,417)						
Cash dividends					(901,664)					(901,664)	
Other changes in additional paid-in capital											
From differences between equity purchase price and carrying amount arising from actual acquisition or disposal of subsidiaries		(520)								(520)	
Net income for the six-month period ended 30 June 2018					705,437						
Other comprehensive income (loss), net of tax for the six-month period ended 30 June 2018					1,390	119,069	31,640		(14,403)	691,034	
Total comprehensive income (loss) for the six-month period ended 30 June 2018					706,827	119,069	31,640	-	(3,354)	148,745	
Increase in non-controlling interests									(17,757)	839,779	
Disposal of financial assets at fair value through other comprehensive income											
Balance as of 30 June 2018	\$2,254,162	\$829,745	\$966,802	\$233,441	\$1,836,189	3,207	\$(220,253)	\$ -	\$218,836	\$6,120,641	

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
SINBON ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six-month periods ended 30 June 2018 and 2017
(Reviewed, Not Audited)
(Expressed in Thousands of New Taiwan Dollars)

	6-month periods ended 30 June	
	2018	2017
Cash flows from operating activities:		
Net income before tax	\$882,273	\$854,066
Adjustments to reconcile net income before tax to net cash provided by operating activities:		
Income and expense adjustments:		
Depreciation	78,485	67,698
Amortization	22,134	17,221
Interest expense	17,294	10,748
Interest income	(4,598)	(5,058)
Dividends income	(13,603)	(12,974)
Expected credit loss	2,407	26,993
Share of profit of associates and joint ventures	(21,136)	(14,369)
Loss on disposal of property, plant and equipment	423	3,596
Loss from market value decline, obsolete and slow-moving of inventories	57,609	13,098
Gain on disposal of investments	-	(41)
Gain of financial assets/ liabilities at fair value through profit or loss	(86,326)	(17,909)
Changes in operating assets and liabilities:		
(Increase) decrease in notes receivable	(40,132)	40,493
Increase in accounts receivable	(862,594)	(495,690)
Increase in other receivables	(1,470)	(15,428)
(Increase) decrease in inventories, net	(243,029)	190,900
Increase in prepayments	(10,416)	(20,703)
Increase in other current assets	(2,227)	(37,632)
Increase in other noncurrent assets	(38,191)	(71,681)
(Decrease) increase in notes payable	(22,767)	43,697
Increase (decrease) in accounts payable	229,270	(61,037)
Increase in contract liabilities	14,596	26,408
Decrease in other payables	(9,077)	(80,141)
Increase (decrease) in other current liabilities	13,293	(12,810)
Cash (used in) generated from operations	(37,782)	449,445
Interest received	4,651	5,058
Dividends received	13,603	12,974
Interest paid	(12,665)	(10,047)
Income tax paid	(200,525)	(253,098)
Net cash (used in) provided by operating activities	(232,718)	204,332

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English Translation of Consolidated Financial Statements Originally Issued in Chinese
SINBON ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
For the six-month periods ended 30 June 2018 and 2017
(Reviewed, Not Audited)
(Expressed in Thousands of New Taiwan Dollars)

	6-month periods ended 30 June	
	2018	2017
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	\$(646)	\$ -
Proceeds from disposal of financial assets at fair value through other comprehensive income	189,004	-
Decrease in financial assets at fair value through other comprehensive income	1,995	-
Acquisition of for trading financial assets	-	(5,000)
Proceeds from disposal of financial asset for trading	-	5,910
Proceeds from disposal of available-for-sale financial assets	-	430
Proceeds from disposal of financial assets at fair value through profit or loss	5,730	-
Acquisition of financial assets measured at cost	-	(40,443)
Proceeds from disposal of financial assets measured at cost	-	279
Acquisition of investments accounted for under the equity method	-	(25,004)
Decrease in investments accounted for under the equity method	17,600	40,000
Acquisition of property, plant and equipment	(129,285)	(44,960)
Proceeds from disposal of property, plant and equipment	302	1,377
Decrease in other intangible assets	5,645	247
Dividends received from investee company	800	8,160
Acquisition of non-controlling interests	(1,426)	-
Net cash provided by (used in) investing activities	89,719	(59,004)
Cash flows from financing activities:		
Proceeds from bonds issued	-	500,000
Increase in short-term loans	118,834	(620,390)
Increase (decrease) in long-term loans (include current portion)	4,634	(5,163)
Decrease in long-term deferred revenue	(192)	(185)
Net cash provided by (used in) financing activities	123,276	(125,738)
Effect of exchange rate changes on cash and cash equivalents	28,610	(153,122)
Net increase (decrease) in cash and cash equivalents	8,887	(133,532)
Cash and cash equivalents at beginning of period	3,125,187	3,130,300
Cash and cash equivalents at end of period	\$3,134,074	\$2,996,768

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

SINBON ELECTRONICS CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Six-Month Periods Ended 30 June 2018 and 2017

(Reviewed, Not Audited)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

1. History and organization

Sinbon Electronics Co., Ltd. (“the Company”) was incorporated in Republic of China (R.O.C) in December 1989. The main activities of the Company include manufacturing and selling computer peripherals, connectors, wires and other parts. The shares of the Company commenced trading on Taiwan’s Over-the-Counter Market in May 2001 and were listed on the Taiwan Stock Exchange in August 2002.

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

The consolidated financial statements of the Company and its subsidiaries (“the Group”) for the six-month periods ended 30 June 2018 and 2017 were authorized for issue in accordance with a resolution of the Board of Directors’ meeting on 27 July 2018.

3. Newly issued or revised standards and interpretations

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

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are endorsed by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after 1 January 2018. The nature and the impact of each new standard and amendment that has a material effect on the Group is described below:

- (1) *IFRS 15 “Revenue from Contracts with Customers” (including Amendments to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”)*

IFRS 15 replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations. In accordance with the transition provision in IFRS 15, the Group elected to recognize the cumulative effect of initially applying IFRS 15 at the date of initial application (1 January 2018). The Group also elected to apply this standard retrospectively only to contracts that are not completed contracts at the date of initial application.

SINBON ELECTRONICS CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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

- A. Please refer to Note 4 for the accounting policies before or after 1 January 2018.
- B. Before 1 January 2018, revenue from sale of goods was recognized when goods have been delivered to the buyer. Starting from 1 January 2018, in accordance with IFRS 15, the Group recognized revenue when (or as) the Group satisfies a performance obligation by transferring a promised good to a customer. IFRS 15 has no impact on the Group's revenue recognition from sale of goods. However, for some contracts, if the Group has the right to transfer the goods to customers but does not has a right to an amount of consideration that is unconditional, these contracts should be presented as contract assets, which is different from the accounting treatment of recognizing trade receivables before the date of initial application. In addition, loss allowance for contract assets was assessed in accordance with IFRS 9. To compare with the requirements of IAS 18, the abovementioned differences have no impact on the Group as at 30 June 2018.
- C. Before 1 January 2018, revenue from rendering of services was recognized by reference to the stage of completion which was measured by reference to the proportion that contract cost incurred for work performed to date bear to the estimated total contract costs. Starting from 1 January 2018, in accordance with IFRS 15, the Group recognized revenue when (or as) the Group satisfies a performance obligation by transferring a promised service to a customer and also by reference to the stage of completion. IFRS 15 has no significant impact on the Group's revenue recognition from rendering of services.
- D. For some rendering of services contracts, part of the consideration was received from customers upon signing the contract, then the Group has the obligation to provide the services subsequently. Before 1 January 2018, the Group recognized the consideration received in advance from customers under other current liabilities (Advanced Receipts). Starting from 1 January 2018, in accordance with IFRS 15, it should be recognized as contract liabilities. The amount reclassified from other current liabilities to contracts liabilities of the Group as at the date of initial application was NT\$153,313 thousand. In addition, compared with the requirements of IAS 18, other current liabilities decreased by NT\$167,909 thousand and the contract liabilities increased by NT\$167,909 thousand as at 30 June 2018.
- E. Please refer to Notes 4, 5 and 6 for additional disclosure notes required by IFRS 15.

SINBON ELECTRONICS CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(2) *IFRS 9 "Financial Instruments"*

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement*. In accordance with the transition provision in IFRS 9, the Group elected not to restate prior periods at the date of initial application (1 January 2018). The adoption of IFRS 9 has the following impacts on the Group:

A. The Group adopted IFRS 9 on 1 January 2018 and it adopted IAS 39 before 1 January 2018. Please refer to Note 4 for more details on accounting policies.

B. In accordance with the transition provision in IFRS 9, the assessment of the business model and classification of financial assets into the appropriate categories are based on the facts and circumstances that existed as at 1 January 2018. The classifications of financial assets and its carrying amounts as at 1 January 2018 are as follows:

IAS 39		IFRS 9	
Measurement categories	Carrying amounts	Measurement categories	Carrying amounts
Fair value through profit or loss	\$61,630	Fair value through profit or loss	\$67,360
Fair value through other comprehensive income		Fair value through other comprehensive income	363,594
Available-for-sale financial assets - current	5,730		
Available-for-sale financial assets - noncurrent (including NT\$369,608 thousand measured at cost)	501,778		
Subtotal	507,508	Subtotal	363,594
At amortized cost		At amortized cost (including cash and cash equivalents, notes receivables, trade receivables and other receivables)	6,697,725
Loans and receivables (including cash and cash equivalents, notes receivables, trade receivables and other receivables)	6,697,725		
Total	\$7,266,863	Total	\$7,128,679

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C. The transition adjustments from IAS 39 to IFRS 9 for the classifications of financial assets and financial liabilities as at 1 January 2018 are as follows:

IAS 39		IFRS 9		Difference	Retained earnings Adjustment	Other components of equity Adjustment
Class of financial instruments	Carrying amounts	Class of financial instruments	Carrying amounts			
Financial assets at fair value through profit or loss (Note 1)						
Held-for-trading	\$61,630	Measured at fair value through profit or loss	\$61,630	\$ -	\$ -	\$ -
Fair value through other comprehensive income						
Available-for-sale financial assets - current	5,730	Measured at fair value through profit or loss	5,730	-	-	-
Available-for-sale financial assets - noncurrent (including investments measured at cost with initial investment cost of NT\$369,608 thousand, reported as a separate line item) (Note 2)	501,778	Measured at fair value through other comprehensive income (equity instruments)	363,594	138,184	(825)	139,009
Subtotal	507,508	Subtotal	369,324	138,184	(825)	139,009
Loans and receivables (Note 3)		Financial assets measured at amortized costs				
Cash and cash equivalents (exclude cash on hand)	3,054,178	Cash and cash equivalents (exclude cash on hand)	3,054,178	-	-	-
Notes receivables	389,800	Notes receivables	389,800	-	-	-
Trade receivables	3,085,120	Trade receivables	3,085,120	-	-	-
Other receivables	168,627	Other receivables	168,627	-	-	-
Subtotal	6,697,725	Subtotal	6,697,725	-	-	-
Total	\$7,266,863	Total	\$7,128,697	\$138,184	\$(825)	\$139,009

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Notes:

- (1) In accordance with IAS 39, financial assets classified as held for trading which are measured at fair value through profit or loss might include investments in funds and stocks of listed companies. In accordance with IFRS 9, as the cash flow characteristics for funds are not solely payments of principal and interest on the principal amounts outstanding and the Group assessed the facts and circumstances existed as at 1 January 2018, and determined they were held-for-trading; therefore, they were classified as financial assets mandatorily measured at fair value through profit or loss.
- (2) In accordance with of IAS 39, the Group's available-for-sale financial assets include investments in funds, stocks of listed companies and stocks of unlisted companies. Adjustment details are described as follows:

a. Funds

As the cash flow characteristics for funds are not solely payments of principal and interest on the principal amount outstanding, so funds are classified as financial assets mandatorily measured at fair value through profit or loss in accordance with IFRS 9. As at 1 January 2018, the Group reclassified available-for-sale financial assets of NT\$5,730 thousand to financial assets mandatorily measured at fair value through profit or loss.

b. Stocks (including listed and unlisted companies)

The Group assessed the facts and circumstances existed as at 1 January 2018, and determined these stocks were not held-for-trading; therefore, the Group elected to designate them as financial assets measured at fair value through other comprehensive income. As at 1 January 2018, the Group reclassified available-for-sale financial assets (including measured at cost) to financial assets measured at fair value through other comprehensive income in the amount of NT\$363,594 thousand. Other related adjustments are described as follows:

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- (a) The stocks of unlisted companies previously measured at cost in accordance with IAS 39 had an original cost of NT\$825 thousand, which was fully impaired. However, in accordance with IFRS 9, stocks of unlisted companies must be measured at fair value and shall not recognize impairment. The fair value of the stocks of unlisted companies was NT\$231,424 thousand as at 1 January 2018. Accordingly, the Group adjusted the carrying amount of financial assets measured at fair value through other comprehensive income of NT\$231,424 thousand and also adjusted the retained earnings and other equity by NT\$825 thousand and NT\$139,009 thousand, respectively.
- (b) As at 1 January 2018, the Group reclassified the stocks of listed companies of NT\$132,170 thousand measured at fair value from available-for-sale financial assets to financial assets measured at fair value through other comprehensive income. This adjustment did not result in any differences in the carrying amounts of assets, but reclassified within equity accounts.
- (3) In accordance with IAS 39, the cash flow characteristics for held-to-maturity investments and loans and receivables are solely payments of principal and interest on the principal amount outstanding. The assessment of the business model is based on the facts and circumstances that existed as at 1 January 2018. These financial assets were measured at amortized cost as they were held within a business model whose objective was to hold financial assets in order to collect contractual cash flows. Besides, in accordance with IFRS 9, there was no adjustment arising from the assessment of impairment losses for the aforementioned assets as at 1 January 2018. Therefore, there is no impact on the carrying amount as at 1 January 2018.

D. Please refer to Notes 4, 5, 6 and 12 for the related disclosures required by IFRS 7 and IFRS 9.

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

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

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The Group originally recorded their foreign currency sales transactions based on the exchange rate on the date of revenue recognition and converted into its functional currency. The exchange difference was recognized when the foreign currency advance payment was written off. The Group elected to apply this interpretation prospectively on 1 January 2018. This change in accounting principle did not significantly impact the Group's recognition and measurement.

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below:

Items	New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
a	IFRS 16 "Leases"	1 January 2019
b	IFRIC 23 "Uncertainty Over Income Tax Treatments"	1 January 2019
c	IAS 28 "Investments in Associates and Joint Ventures" –Amendments to IAS28	1 January 2019
d	Prepayment Features with Negative Compensation (Amendments to IFRS9)	1 January 2019
e	Improvements to International Financial Reporting Standards (2015 – 2017 cycle)	1 January 2019
f	Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	1 January 2019

(a) *IFRS 16 "Leases"*

The new standard requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions). Lessor accounting still uses the dual classification approach: operating lease and finance lease.

(b) *IFRIC 23 "Uncertainty Over Income Tax Treatments"*

The interpretation clarifies application of recognition and measurement requirements in IAS 12 "Income Taxes" when there is uncertainty over income tax treatments.

(c) *IAS 28 "Investment in Associates and Joint Ventures" — Amendments to IAS 28*

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The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture before it applies IAS 28, and in applying IFRS 9, does not take account of any adjustments that arise from applying IAS 28.

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

The amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract, to be measured at amortized cost or at fair value through other comprehensive income.

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

IFRS 3 “Business Combinations”

The amendments clarify that an entity that has joint control of a joint operation shall remeasure its previously held interest in a joint operation when it obtains control of the business.

IFRS 11 “Joint Arrangements”

The amendments clarify that an entity that participates in, but does not have joint control of, a joint operation does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

IAS 12 “Income Taxes”

The amendments clarify that an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

IAS 23 “Borrowing Costs”

The amendments clarify that an entity should treat as part of general borrowings any borrowing made specifically to obtain an asset when the asset is ready for its intended use or sale.

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

The amendments clarify that when a change in a defined benefit plan is made (such as amendment, curtailment or settlement, etc.), the entity should use the updated assumptions to remeasure its net defined benefit liability or asset.

The abovementioned standards and interpretations issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 2019. As the Group is evaluating the impact of the standards and interpretations have no material impact on the Group.

(3) Standards or interpretations issued, revised or amended, by IASB but not yet endorsed by FSC are listed below:

Items	New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
a	IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 "Insurance Contracts"	1 January 2021

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

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

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IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

(b) *IFRS 17 "Insurance Contracts"*

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

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

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

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Group is evaluating the impact of the standards and interpretations have no material impact on the Group.

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4. Summary of significant accounting policies

(1) Statement of Compliance

The consolidated financial statements of the Group for the six-month periods ended 30 June 2018 and 2017 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and IAS 34 Interim Financial Reporting as endorsed and became effective by the FSC.

(2) Basis of Preparation

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

(3) Basis of Consolidation

Preparation principle of consolidated financial statement

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

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

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

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- (a) the contractual arrangement with the other vote holders of the investee
- (b) rights arising from other contractual arrangements
- (c) the Group's voting rights and potential voting rights

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

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

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

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

If the Group loses control of a subsidiary, it:

- (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- (b) derecognizes the carrying amount of any non-controlling interest;
- (c) recognizes the fair value of the consideration received;
- (d) recognizes the fair value of any investment retained;
- (e) recognizes any surplus or deficit in profit or loss; and
- (f) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

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The consolidated entities are listed as follows:

Investor	Subsidiary	Main businesses	Percentage of ownership (%)			Note
			30 June 2018	31 December 2017	30 June 2017	
The Company	Sinbon International Enterprise Co., Ltd. (SB(B.V.I))	Holding company	100.00%	100.00%	100.00%	
The Company	Hong Kong Sinbon Electronics Co., Ltd. (HKSB)	Selling a wide variety of connectors, wires and cables	100.00%	100.00%	100.00%	
The Company	Super Elite Ltd. (SEL)	General investment	64.48%	64.48%	64.48%	
The Company	Beijing Sinbon Electronics Co., Ltd. (BJSB)	Manufacturing and selling a wide variety of connectors, wires and cables	100.00%	100.00%	100.00%	
The Company	Japan Sinbon Electronics Co., Ltd. (JPSB)	Selling a wide variety of connectors, wires and cables	15.00%	15.00%	70.00%	Note1
The Company	Worldwide Wire Harnesses Co., Ltd.	Holding company	50.00%	50.00%	50.00%	
The Company	Kwan-Ze Corporation Ltd. (Kwan-Ze)	Selling a wide variety of electronic materials and holding company	100.00%	100.00%	100.00%	
The Company	Sinbon USA L.L.C. (Sinbon USA)	Logistic center	100.00%	100.00%	100.00%	
The Company	Beijing Sinbon Tongan Electronics Co., Ltd.(BJSB Tongan)	Manufacturing and selling a wide variety of connectors, wires and cables	100.00%	100.00%	100.00%	
The Company	Sinbon Europe GmbH (EuropeSB)	Logistic center	100.00%	100.00%	100.00%	
The Company	Radbon Avionics Inc. (Radbon)	Manufacturing and selling signal cables and cabin wiring.	55.00%	90.00%	90.00%	Note2
The Company	T-CONN Precision Co., Ltd.(T-CONN)	Manufacturing and selling a wide variety of connectors, wires and cables	64.48%	64.48%	64.48%	
B V I	Jiangyin Sinbon Electronics Co., Ltd. (JYSB)	Manufacturing and selling a wide variety of connectors, wires and cables	100.00%	100.00%	100.00%	
B V I	Shenzhen Sinbon Electronics Co., Ltd. (SZSB)	Selling a wide variety of connectors, wires and cables	100.00%	100.00%	100.00%	

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Investor	Subsidiary	Main businesses	Percentage of ownership (%)			Note
			30 June 2018	31 December 2017	30 June 2017	
B V I	Shanghai Sinbon Electronics Co., Ltd. (SHSB)	Selling a wide variety of connectors and cables	100.00%	100.00%	100.00%	
B V I	Tong Cheng Sinbon Electronics Co., Ltd. (TCSB)	Manufacturing and selling a wide variety of connectors, wires and cables	100.00%	100.00%	100.00%	
T - C O N N	T-CONN Precision (Zhongshan) Co., Ltd.(T-CONN Zhongshan)	Manufacturing and selling a wide variety of connectors, wires and cables	64.48%	64.48%	64.48%	
T - C O N N	Super Progressive Ltd. (SPL)	Logistic center	64.48%	64.48%	64.48%	
Worldwide Wire Harnesses Co., Ltd.	Sinbon Technologies Tennessee L.L.C. (STT)	Logistic Center	50.00%	50.00%	50.00%	
K w a n - Z e	Digi O2 International Co., Ltd. (Digi O2)	Selling a wide variety of connectors and cables	-	98.83%	98.83%	Note3
Sinbon Europe	Sinbon Electronic Holding GmbH (Sinbon Electronic)	Holding company	51.00%	51.00%	-	Note4
Sinbon Elcotronic	Sinbon Elcotronic Kft (ET Hungary)	Manufacturing and selling a wide variety of connectors, wires and cables	51.00%	51.00%	-	Note4
Sinbon Elcotronic	Sinbon Electronic GmbH (ET Germany)	Logistic center	51.00%	51.00%	-	Note4
B J S B T o n g a n	Jiangsu EnMai Energy and Technology Co., Ltd. (EM)	Selling a wide variety of connectors, wires and cables	100.00%	100.00%	-	Note5

Note 1: On 30 September 2017, the Company sold JPSB's 55% shares. The Company will not incorporate JPSB's gain or loss in its consolidated financial statement from the day the Company ceased to have control over JPSB.

Note 2: On 18 January 2018, the Company acquired additional 300 thousand shares of Radbon. On 27 June 2018, Radbon raised capital; however, the company did not acquire share according to the shareholding percentage of shareholding. Therefore, its ownership dropped from 100% to 55%. Refer to Note 6(25) for the changes.

Note 3: On 5 January 2018, the Ministry of Economic Affairs approved the dissolution of the case. The Company will not incorporate Digi O2's gain or loss in its consolidated financial statement from the day the Company ceased to have control over Digi O2.

Note 4: On 20 July 2017, the Company invested EUR3,525 thousand in Sinbon Electronic and obtained control of the company. Accordingly, Sinbon Electronic and its subsidiaries were consolidated.

Note 5: On 20 September 2017, the Company invested RMB5,000 thousand in EM and obtained control of the company. Accordingly, EM was consolidated.

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The financial statements of some of the consolidated subsidiaries listed above had not been reviewed by auditors. As of 30 June 2018 and 2017, the related assets of the subsidiaries which were unreviewed by auditors amount to NT\$3,027,602 thousand and NT\$3,193,757 thousand, respectively, and the related liabilities amount to NT\$797,494 thousand and NT\$964,602 thousand, respectively. The comprehensive income of these subsidiaries amounted to NT\$20,858 thousand, NT\$49,553 thousand, NT\$63,199 thousand and NT\$212,446 thousand for the three-month and six-month periods ended 30 June 2018 and 2017, respectively.

(4) Foreign Currency Transactions

The Group's consolidated financial statements are presented in New Taiwan Dollars (NT\$), which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

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

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

- (a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

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- (b) Foreign currency items within the scope of IFRS 9 *Financial Instruments* (Before 1 January 2018: IAS 39 *Financial Instruments: Recognition and Measurement*) are accounted for based on the accounting policy for financial instruments.
- (c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

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

(5) Translation of Foreign Currency Financial Statements

The assets and liabilities of foreign operations are translated into NT\$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals:

- (a) when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and
- (b) when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

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On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(6) Current and non-current distinction

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

- (a) The Group expects to settle the liability in its normal operating cycle
- (b) The Group holds the liability primarily for the purpose of trading
- (c) The liability is due to be settled within twelve months after the reporting period

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

All other liabilities are classified as non-current.

(7) Cash Equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 3 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Financial Instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* (Before 1 January 2018: IAS 39 *Financial Instruments: Recognition and Measurement*) are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(1) Financial instruments: Recognition and Measurement

The accounting policy from 1 January 2018 is as follows:

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

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

A. the Group's business model for managing the financial assets

B. the contractual cash flow characteristics of the financial asset

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Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

- A. the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- B. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- A. purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition
- B. financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods

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Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- A. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- B. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- (a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- (b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- (c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
 - (i) Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
 - (ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

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In addition, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Group made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

The accounting policy before 1 January 2018 is as follows:

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

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

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Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets as at fair value through profit or loss. A financial asset is classified as held for trading if:

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

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

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

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

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

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Available-for-sale financial assets

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

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

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

Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold it to maturity, other than those that are designated as available-for-sale, classified as financial assets at fair value through profit or loss, or meet the definition of loans and receivables.

After initial measurement held-to-maturity financial assets are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

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Loans and receivables

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

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

(2) Impairment of financial assets

The accounting policy from 1 January 2018 is as follows:

The Group recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

The Group measures expected credit losses of a financial instrument in a way that reflects:

- (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes
- (b) the time value of money
- (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions

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The loss allowance is measured as follows:

- A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- B. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- C. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

The accounting policy before 1 January 2018 is as follows:

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

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

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Other loss events include:

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

For held-to-maturity financial assets and loans and receivables measured at amortized cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial asset that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. Interest income is accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

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

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

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

(3) Derecognition of financial assets

A financial asset is derecognized when:

- i. The rights to receive cash flows from the asset have expired
- ii. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- iii. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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(4) Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

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

Compound instruments

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

For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled. For the embedded derivative that is not closely related to the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal on each exercise date to the amortized cost of the host debt instrument), it is classified as a liability component and subsequently measured at fair value through profit or loss unless it qualifies for an equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Its carrying amount is not remeasured in the subsequent accounting periods. If the convertible bond issued does not have an equity component, it is accounted for as a hybrid instrument in accordance with the requirements under IFRS 9 Financial Instruments (before 1 January 2018: IAS 39 Financial Instruments: Recognition and Measurement).

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

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

Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments (before 1 January 2018: IAS 39 Financial Instruments: Recognition and Measurement) are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss. A financial liability is classified as held for trading if:

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

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

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

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

Before 1 January 2018, if the financial liabilities at fair value through profit or loss do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial liabilities measured at cost on balance sheet and carried at cost as at the reporting date.

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

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(5) Offsetting of financial instruments

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

(9) Derivative financial instruments

The Group uses derivative financial instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as assets or liabilities at fair value through profit or loss except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

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

Before 1 January 2018, derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. These embedded derivatives are separated from the host contract and accounted for as a derivative. The aforementioned policy are applicable to host contracts as financial liabilities or non-financial assets since 1 January 2018.

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(10) Fair value measurement

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

- (a) In the principal market for the asset or liability, or
- (b) In the absence of a principal market, in the most advantageous market for the asset or liability

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

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

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

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

(11) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials - Purchase cost on a first in, first out basis

Finished goods and work in progress - Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

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Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Starting from 1 January 2018, rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

(12) Investments accounted for under the equity method

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

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

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

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

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

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 *Investments in Associates and Joint Ventures* (before 1 January 2018: IAS 39 *Financial Instruments: Recognition and Measurement*). If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 *Impairment of Assets*. In determining the value in use of the investment, the Group estimates:

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

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

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

(13) Property, plant and equipment

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

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

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Items	Useful Lives
Buildings	5~50 years
Machinery and equipment	3~15 years
Transportation equipment	5~10 years
Office equipment	3~10 years
Other equipment	2~15 years
Leasehold improvements	Lower of leasehold years or useful lives

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

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

(14) Leases

Group as a lessee

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

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(15) Intangible Assets

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

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

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

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

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

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

	Computer software
Useful lives	1~15 years
Amortization method used	Amortized on a straight- line basis over the estimated useful life
Internally generated or acquired	Acquired

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(16) Impairment of non-financial assets

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

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

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

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

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(17) Provisions

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

Provision for decommissioning, restoration and rehabilitation costs

The provision for decommissioning, restoration and rehabilitation costs arose on construction of a property, plant and equipment. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of that particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

Sales returns and allowances

Starting from 1 January 2018, sales returns and allowances are accounted in accordance with IFRS 15. Before 1 January 2018, a provision has been recognized for sales returns and allowances based on past experience and other known factors.

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(18) Revenue recognition

The accounting policy from 1 January 2018 is as follows:

The Group's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follows:

Sale of goods

The Group manufactures and sells machinery. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Group are computer peripherals, connectors, wires and other parts and revenue is recognized based on the consideration stated in the contract.

The credit period of the Group's sale of goods is from 60 to 120 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Group usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Group has transferred the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Group measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

Rendering of services

The Group provides maintenance services for the sale of construction for solar photovoltaic power generation system. Such services are separately priced or negotiated, and provided based on contract periods.

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Most of the contractual considerations of the Group are collected evenly throughout the contract periods. When the Group has performed the services to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. However, for some rendering of services contracts, part of the consideration was received from customers upon signing the contract, and the Group has the obligation to provide the services subsequently; accordingly, these amounts are recognized as contract liabilities.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component has arisen.

The accounting policy before 1 January 2018 is as follows:

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

Sale of goods

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

- (a) the significant risks and rewards of ownership of the goods have passed to the buyer
- (b) neither continuing managerial involvement nor effective control over the goods sold have been retained
- (c) the amount of revenue can be measured reliably
- (d) it is probable that the economic benefits associated with the transaction will flow to the entity
- (e) the costs incurred in respect of the transaction can be measured reliably

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Rendering of services

Revenue from construction for solar photovoltaic power generation system is recognized by reference to the stage of completion. Stage of completion is measured by reference to the proportion that contract cost incurred for work performed to date bear to the estimated total contract costs. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered.

Interest income

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

Dividends

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

(19) Borrowing costs

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

(20) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

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Where the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the statement of comprehensive income over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as additional government grant.

(21) Post-employment benefits

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

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

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

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- (a) the date of the plan amendment or curtailment, and
- (b) the date that the Group recognizes restructuring-related costs

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

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted and disclosed for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

(22) Income taxes

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

Current income tax

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

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

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Deferred tax

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

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

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

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

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

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Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

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

Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period. The estimated average annual effective income tax rate only includes current income tax. The recognition and measurement of deferred tax follows annual financial reporting requirements in accordance with IAS 12. The Group recognizes the effect of change in tax rate for deferred taxes in full if the new tax rate is enacted by the end of the interim reporting period, by charging to profit or loss, other comprehensive income, or directly to equity.

(23) Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred, the identifiable assets acquired and liabilities assumed are measured at acquisition date fair value. For each business combination, the acquirer measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are accounted for as expenses in the periods in which the costs are incurred and are classified under administrative expenses.

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When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at the acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IFRS 9 *Financial Instruments* (before 1 January 2018: IAS 39 "Financial Instruments: Recognition and Measurement" either in profit or loss or as a change to other comprehensive income. However, if the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured as the amount of the excess of the aggregate of the consideration transferred and the non-controlling interest over the net fair value of the identifiable assets acquired and the liabilities assumed. If this aggregate is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purpose and is not larger than an operating segment before aggregation.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation. Goodwill disposed of in this circumstance is measured based on the relative recoverable amounts of the operation disposed of and the portion of the cash-generating unit retained.

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5. Significant accounting judgments, estimates and assumptions

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

Estimates and assumptions

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

(1) Fair value of financial instruments

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

(2) Pension benefits

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

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(3)Income tax

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

Deferred tax assets are recognized for all carry forward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

(4)Accounts receivables—estimation of impairment loss

Starting from 1 January 2018:

The Group estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

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Before 1 January 2018:

The Group considers the estimation of future cash flows when there is objective evidence showing indications of impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. However, as the impact from the discounting of short-term receivables is not material, the impairment of short-term receivables is measured as the difference between the asset's carrying amount and the estimated undiscounted future cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

(5) Inventories

Estimates of net realizable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for more details.

6. Contents of significant accounts

(1) Cash and cash equivalents

	As of		
	30 June 2018	31 December 2017	30 June 2017
Cash on hand	\$34,346	\$71,009	\$17,004
Demand deposits	3,074,246	2,884,382	2,673,425
Time deposits	25,482	169,796	306,339
Total	<u>\$3,134,074</u>	<u>\$3,125,187</u>	<u>\$2,996,768</u>

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

	As of		
	30 June 2018	31 December 2017(note)	30 June 2017 (note)
Financial assets mandatorily at fair value through profit or loss:			
Funds	\$58,706		
Cross currency swap	41,865		
Stocks	2,378		
Currency option contracts	437		
Total	<u>\$103,386</u>		

	As of		
	30 June 2018(note)	31 December 2017	30 June 2017
Held for trading:			
Non-derivative financial assets			
Funds		\$57,849	\$1,356
Stocks		3,781	4,402
Total		<u>\$61,630</u>	<u>\$5,758</u>

Note: The Group adopted IFRS 9 on 1 January 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

Financial assets at fair value through profit or loss were not pledged.

(3) Notes receivables

	As of		
	30 June 2018	31 December 2017	30 June 2017
Notes receivables arising from operating activities	\$429,932	\$389,800	\$412,058
Notes receivables arising from non-operating activities	-	-	-
Less: loss allowance	-	-	-
Total	<u>\$429,932</u>	<u>\$389,800</u>	<u>\$412,058</u>

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The discounted notes receivable which were derecognized by the Group amounted to NT\$135,313 thousand, NT\$20,236 thousand and NT\$215,489 thousand as of 30 June 2018, 31 December 2017 and 30 June 2017, respectively.

Notes receivables were not pledged.

The Group adopted IFRS 9 for impairment assessment on 1 January 2018. Please refer to Note 6(19) for more details on loss allowance. Please refer to Note 12 for more details on credit risk.

(4) Trade receivables

	As of		
	30 June 2018	31 December 2017	30 June 2017
Trade receivables	\$3,967,533	\$3,125,907	\$3,386,468
Less: loss allowance	(28,971)	(51,620)	(57,579)
Subtotal	3,938,562	3,074,287	3,328,889
Trade receivables from related parties	6,310	10,833	212
Total	<u>\$3,944,872</u>	<u>\$3,085,120</u>	<u>\$3,329,101</u>

Trade receivables were not pledged.

Trade receivables are generally on 60-120 day terms. The Group adopted IFRS 9 for impairment assessment on 1 January 2018. Please refer to Note 6(19) for more details on impairment of trade receivables. The Group adopted IAS 39 for impairment assessment before 1 January 2018. The movements in the provision for impairment of trade receivables and trade receivables-related parties for the six months ended 30 June 2017 are as follows: (Please refer to Note 12 for more details on credit risk management.)

	Individually impaired	Collectively impaired	Total
As of 1 January 2017	\$ -	\$31,041	\$31,041
Write off	-	(4)	(4)
Charge/(reversal) for the current period	-	26,993	26,993
Exchange differences	-	(451)	(451)
As of 30 June 2017	<u>\$ -</u>	<u>\$57,579</u>	<u>\$57,579</u>

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There was no impairment loss of individual trade receivable for the three-month periods ended 30 June 2017.

Ageing analysis of trade receivables that are past due as at the end of the reporting period but not impaired is as follows:

As of	Neither past due nor impaired	Past due but not impaired					Total
		<=30 days	31~60 days	61~90 days	91~120 days	>=121 days	
31 December 2017	\$2,925,718	\$138,080	\$12,609	\$63	\$1,499	\$7,151	\$3,085,120
30 June 2017	3,229,360	70,226	17,820	5,381	1,375	4,939	3,329,101

(5) Inventories

	As of		
	30 June 2018	31 December 2017	30 June 2017
Raw materials	\$1,131,378	\$961,404	\$787,022
Supplies & parts	39,074	1,455	828
Work in progress	304,444	168,215	204,972
Finished goods	806,345	865,793	430,074
Merchandise	596,473	695,427	477,164
Total	<u>\$2,877,714</u>	<u>\$2,692,294</u>	<u>\$1,900,060</u>

The cost of inventories recognized in expenses for the three-month periods ended 30 June 2018 and 2017 were NT\$2,917,217 thousand and NT\$2,479,748 thousand; for the six-month periods ended 30 June 2018 and 2017 were NT\$5,581,750 thousand and NT\$4,896,698 thousand, respectively. The price (recovery) reduction of inventories related to cost of goods sold were NT\$52,140 thousand and NT\$(2,552) thousand for the three-month periods ended 30 June 2018 and 2017; NT\$57,609 thousand and NT\$13,098 thousand for the six-month periods ended 30 June 2018 and 2017.

Gain from price recovery of inventories was due to the sale of obsolete products and the net realized value recovery in the second quarter of 2017.

No inventories were pledged.

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

	As of		
	30 June 2018	31 December 2017 (note)	30 June 2017 (note)
Equity instrument investments measured at fair value through other comprehensive income – Non-current			
Emerging companies stocks	\$15,381		
Unlisted companies stocks	276,040		
Total	<u>\$291,421</u>		

Note: The Group adopted IFRS 9 on 1 January 2018. The Group elected not to restate period periods in accordance with the transition provision in IFRS 9.

The Group disposed of the unlisted stocks of General Research of Electronics Inc. which were reported under equity instrument investments measured at fair value through other comprehensive income on 29 June 2018. Upon derecognition, the fair value of the investments was NT\$0 thousand, and the cumulative disposal loss of NT\$23,184 thousand was transferred from other components of equity to retained earnings.

The Group disposed of the listed stocks of INPAQ Technology Co., Ltd. which were reported under equity instrument investments measured at fair value through other comprehensive income on 18 April 2018 and 2 May 2018. Upon derecognition, the fair values of the investments were NT\$913 thousand and NT\$187,300 thousand and the cumulative disposal gain of NT\$107 thousand and NT\$19,725 thousand was transferred from other components of equity to retained earnings.

On 23 April 2018, the Group invested NT\$646 thousand in Gongwin Biopharm Holdings Co., Ltd. In consideration of the Group's investment strategy, the Group disposed of the emerging stocks of Gongwin Biopharm Holdings Co., Ltd., which were reported under equity instrument investments measured at fair value through other comprehensive income during the period. Upon derecognition, the fair value of the investments was NT\$791 thousand, and the cumulative disposal gain of NT\$145 thousand was transferred from other components of equity to retained earnings.

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The return of paid-in capital for capital reduction from Top Taiwan II Venture Capital Co., Ltd. and Top Taiwan III Venture Capital Co., Ltd. for the six-month period ended 30 June 2018 were NT\$775 thousand and NT\$1,220 thousand.

Financial assets at fair value through other comprehensive income were not pledged.

(7) Available-for-sale financial assets – noncurrent

	As of		
	30 June 2018(note)	31 December 2017	30 June 2017
INPAQ Technology Co., Ltd.		\$168,381	\$168,381
Gongwin Biopharm Holdings Co., Ltd.		18,296	18,296
Less: unrealized loss on available -for-sale financial assets		(46,516)	(80,338)
Less: accumulated impairment		(7,991)	(7,991)
Total		\$132,170	\$98,348

Note: The Group adopted IFRS 9 on 1 January 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

On 8 February 2017, Gongwin Biopharm Holdings Co., Ltd. was listed on the TPEX Emerging Stock Market. The Group investment was previously measured at cost but later changed to fair value while the investment was recognized as available-for-sale financial assets-noncurrent in accordance with IAS 39 adopted before 1 January 2018. The Group disposed of 5,000 shares on 23 February 2017. A cash consideration of NT\$430 thousand was received and the Group has recognized gain on disposal of investment amounting to NT\$41 thousand.

The Group adopted IAS 39 before 1 January 2018 and classified certain financial assets as available-for-sale financial assets. Available-for-sale financial assets were not pledged.

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(8) Financial assets measured at cost- noncurrent

	30 June 2018(note)	As of 31 December 2017	30 June 2017
Financial assets at fair value through profit or loss			
Chengding Venture Capital Co., Ltd.		\$200,000	\$ -
Top Taiwan Venture Capital Co., Ltd.		60,000	60,000
HOTWIRE Development LLC		32,653	32,653
Top Taiwan VII Venture Capital Co., Ltd.		24,934	31,362
General Research of Electronics Inc.		23,184	23,184
Top Taiwan III Venture Capital Co., Ltd.		8,130	13,415
Top Taiwan II Venture Capital Co., Ltd.		7,750	8,750
Dynahz Technologies Co., Ltd.		6,150	6,150
Bandrich, Inc.		4,125	4,125
Japan Sinbon Electronics Co., Ltd.		2,066	-
Actmax Technologies Inc.		1,441	1,441
Sinbon Electronic Holding GmbH		-	57,616
Cayman Lan-Cheng Fund		-	40,443
Subtotal		370,433	279,139
Less: accumulated impairment - financial assets measured at cost		(825)	(825)
Net amount		\$369,608	\$278,314

Note: The Group adopted IFRS 9 on 1 January 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

The Group adopted IAS 39 before 1 January 2018. The above investments in the equity instruments of unlisted entities are measured at cost as the fair value of these investments are not reliably measurable due to the fact that the variability in the range of reasonable fair value measurements is significant for that investment and that the probabilities of the various estimates within the range cannot be reasonably assessed and used when measuring fair value.

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On 31 March 2017, the Group invested NT\$40,443 thousand in Cayman Lan-Chen Fund.

The shareholdings of Gongwin Biopharm Holdings Co., Ltd. by the Group please refer to Note 6.(7).

The shareholdings of Circuits & Cables L.L.C by the Group please refer to Note 6.(9).

On 24 May 2017, the Group disposed of the shares of Sinbon Czech a.s. and a cash consideration of NT\$279 thousand was received.

Financial assets measured at cost were not pledged.

(9) Investments accounted for using the equity method

The following table lists the investments accounted for using the equity method of the Group:

Investees	As of					
	30 June		31 December		30 June	
	2018		2017		2017	
	Carrying	Percentage	Carrying	Percentage	Carrying	Percentage
	amount	of ownership	amount	of ownership	amount	of ownership
		(%)		(%)		(%)
Investments in associates:						
<u>Listed company</u>						
Argocy Research Inc.	\$316,499	21.40%	\$284,652	21.40%	\$272,675	21.40%
<u>Unlisted companies</u>						
Circuits & Cables L.L.C	43,125	40.00%	47,303	40.00%	50,283	40.00%
Top Taiwan IV Venture Capital Co., Ltd.	22,770	20.00%	41,916	20.00%	43,580	20.00%
Sardines Wisdom Technology Co., Ltd.	-	24.59%	-	24.59%	-	24.59%
Total	<u>\$382,394</u>		<u>\$373,871</u>		<u>\$366,538</u>	

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Because Sardines Wisdom Technology Co., Ltd. (Sardines Wisdom) suffered losses and the Group didn't intend to support Sardines Wisdom, the Group reduced the book value of the investment of Sardines Wisdom to zero through recognizing loss.

On 13 March 2017, the Group invested NT\$25,004 thousand in Circuits & Cables LLC. The Group's ownership in the company rose to 40%. The Group originally used cost method as measurement but later changed to equity method while the investments were accounted for using the equity method.

The return of paid-in capital for capital reduction from Top Taiwan IV Venture Capital Co., Ltd. for the six-month periods ended 30 June 2018 and 2017 were NT\$17,600 thousand and NT\$40,000 thousand.

Fair value of the investment in the associate when there is a quoted market price for the investment: Argocy Research Inc. is a listed entity on the Taiwan Stock Exchange (TWSE). The fair value of the investment in Argocy Research Inc. was NT\$708,919 thousand, NT\$561,337 thousand and NT\$465,585 thousand as of 30 June 2018, 31 December 2017 and 30 June 2017, respectively.

The Group's investments in Argocy Research Inc., Top Taiwan IV Venture Capital Co., Ltd., Circuits & Cables LLC and Sardines Wisdom Technology Co., Ltd. are not individually material. The aggregate financial information of the Group's share of its associates is as follows:

	3-month periods ended 30 June		6-month periods ended 30 June	
	2018	2017	2018	2017
Profit or loss from continuing operations	\$11,919	\$9,605	\$21,136	\$14,369
Other comprehensive income (post-tax)	4,335	(5,052)	890	1,062
Total comprehensive income	<u>\$16,254</u>	<u>\$4,553</u>	<u>\$22,026</u>	<u>\$15,431</u>

The associates had no contingent liabilities or capital commitments as of 30 June 2018, 31 December 2017 and 30 June 2017.

As of 30 June 2018 and 2017, the carrying amount of investments accounted for under the equity method and the share of the profit or loss and other comprehensive income of these associates and joint ventures accounted for using the equity method amounts were based on unreviewed financial statements of the investees.

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(10) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Office equipment	Transportation equipment	Other equipment	Leasehold improvements	Construction in progress and equipment awaiting examination	Total
Cost:									
As of 1 January 2018	\$150,429	\$1,495,173	\$760,073	\$127,138	\$32,603	\$206,706	\$11,249	\$33,349	\$2,816,720
Additions	-	1,565	52,991	5,118	1,176	20,092	-	48,343	129,285
Disposals	-	(367)	(3,018)	(2,324)	(1,271)	(1,199)	-	-	(8,179)
Exchange differences	-	2,222	571	(285)	171	679	101	(1,994)	1,465
Other changes	-	148,692	4,580	934	-	41	-	(2,480)	151,767
As of 30 June 2018	<u>\$150,429</u>	<u>\$1,647,285</u>	<u>\$815,197</u>	<u>\$130,581</u>	<u>\$32,679</u>	<u>\$226,319</u>	<u>\$11,350</u>	<u>\$77,218</u>	<u>\$3,091,058</u>
As of 1 January 2017	\$156,669	\$1,324,362	\$743,947	\$94,174	\$35,356	\$180,575	\$5,394	\$345	\$2,540,822
Additions	-	1,815	19,321	5,470	430	7,830	5,467	4,627	44,960
Disposals	-	(25)	(31,142)	(1,615)	(1,514)	(729)	-	-	(35,025)
Exchange differences	(92)	(37,143)	(20,460)	(2,373)	(1,162)	(6,848)	-	(12)	(68,090)
Other changes	-	-	62	16	-	4,239	479	(4,397)	399
As of 30 June 2017	<u>\$156,577</u>	<u>\$1,289,009</u>	<u>\$711,728</u>	<u>\$95,672</u>	<u>\$33,110</u>	<u>\$185,067</u>	<u>\$11,340</u>	<u>\$563</u>	<u>\$2,483,066</u>
Depreciation and impairment:									
As of 1 January 2018	\$ -	\$572,938	\$509,381	\$96,297	\$26,424	\$118,488	\$6,882	\$ -	\$1,330,410
Depreciation	-	31,579	25,063	6,276	1,061	13,538	968	-	78,485
Disposals	-	(368)	(2,737)	(2,136)	(1,144)	(1,069)	-	-	(7,454)
Exchange differences	-	1,470	167	(371)	135	411	53	-	1,865
As of 30 June 2018	<u>\$ -</u>	<u>\$605,619</u>	<u>\$531,874</u>	<u>\$100,066</u>	<u>\$26,476</u>	<u>\$131,368</u>	<u>\$7,903</u>	<u>\$ -</u>	<u>\$1,403,306</u>
As of 1 January 2017	\$ -	\$514,716	\$479,257	\$66,087	\$26,421	\$109,964	\$5,269	\$ -	\$1,201,714
Depreciation	-	27,238	22,907	4,763	1,148	11,040	602	-	67,698
Disposals	-	(10)	(26,629)	(1,446)	(1,363)	(604)	-	-	(30,052)
Exchange differences	-	(13,815)	(3,908)	(1,694)	(872)	(12,545)	(5)	-	(32,839)
As of 30 June 2017	<u>\$ -</u>	<u>\$528,129</u>	<u>\$471,627</u>	<u>\$67,710</u>	<u>\$25,334</u>	<u>\$107,855</u>	<u>\$5,866</u>	<u>\$ -</u>	<u>\$1,206,521</u>
Net carrying amount as of:									
30 June 2018	<u>\$150,429</u>	<u>\$1,041,666</u>	<u>\$283,323</u>	<u>\$30,515</u>	<u>\$6,203</u>	<u>\$94,951</u>	<u>\$3,447</u>	<u>\$77,218</u>	<u>\$1,687,752</u>
31 December 2017	<u>\$150,429</u>	<u>\$922,235</u>	<u>\$250,692</u>	<u>\$30,841</u>	<u>\$6,179</u>	<u>\$88,218</u>	<u>\$4,367</u>	<u>\$33,349</u>	<u>\$1,486,310</u>
30 June 2017	<u>\$156,577</u>	<u>\$760,880</u>	<u>\$240,101</u>	<u>\$27,962</u>	<u>\$7,776</u>	<u>\$77,212</u>	<u>\$5,474</u>	<u>\$563</u>	<u>\$1,276,545</u>

Property, plant and equipment was not pledged.

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There is no capitalization of interest due to purchase of property, plant and equipment.

Components of building that have different useful lives are the main building structure and air conditioning, which are depreciated over 50 years and 25 years, respectively.

(11) Other non-current assets

	As of		
	30 June 2018	31 December 2017	30 June 2017
Long-term deferred charges	\$66,408	\$68,292	\$65,569
Prepayment for equipment	51,322	180,228	92,692
Long-term prepaid rent	38,359	38,272	38,427
Refundable deposits	16,912	22,577	13,513
Other assets	754	754	754
Total	<u>\$173,755</u>	<u>\$310,123</u>	<u>\$210,955</u>

Long-term prepaid rents were payments for land use rights as of 30 June 2018, 31 December 2017 and 30 June 2017.

No other non-current asset was pledged.

(12) Short-term loans

	As of		
	30 June 2018	31 December 2017	30 June 2017
Unsecured bank loans	<u>\$1,713,458</u>	<u>\$1,594,624</u>	<u>\$971,927</u>
6-month periods ended 30 June			
	2018	2017	
Interest rates applied	<u>0.70%-5.66%</u>	<u>0.70%-5.00%</u>	

The Group's unused short-term lines of credits amounted to NT\$1,062,111 thousand, NT\$794,828 thousand and NT\$1,038,987 thousand as of 30 June 2018, 31 December 2017 and 30 June 2017, respectively.

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(13) Financial liabilities at fair value through profit or loss

	As of		
	30 June 2018	31 December 2017	30 June 2017
Held for trading:			
Derivatives not designated as hedging Instruments			
Embedded derivative-bond	\$150	\$300	\$2,750
Cross currency swap	-	44,427	27,534
Currency option contracts	-	-	5,963
Total	\$150	\$44,727	\$36,247
Current	\$150	\$44,427	\$33,497
Non-current	-	300	2,750
Total	\$150	\$44,727	\$36,247

(14) Bonds payable

	As of		
	30 June 2018	31 December 2017	30 June 2017
Liability component			
Principal amount	\$500,000	\$500,000	\$500,000
Discounts on bonds payable	(11,440)	(16,379)	(21,700)
Subtotal	488,560	483,621	478,300
Less: current portion	(488,560)	-	-
Net	\$ -	\$483,621	\$478,300
Embedded derivative	\$150	\$300	\$2,750
Equity component	\$14,652	\$14,652	\$14,652

Issuance of convertible bonds:

On 8 June 2017, the Company issued the sixth zero coupon unsecured convertible bonds. The terms of the convertible bonds were evaluated to include a liability component, embedded derivatives (a call option and a put option) and an equity component (an option for conversion into issuer's ordinary shares). The terms of the bonds are as follows:

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Issue amount: NT\$500,000 thousand

Period: 8 June 2017 ~ 8 June 2020

Redemption clauses:

- a. The Company may redeem the bonds, in whole or in part, after 3 months of the issuance (9 September 2017) and prior to 40 days before the maturity date (29 April 2020), at the principal amount of the bonds with an interest calculated at the rate of 0% per annum (early redemption conversion price) if the closing price of the Company's ordinary shares on the Taiwan Stock Exchange (TWSE) for a period of 30 consecutive trading days, is at least 130% of the conversion price.
- b. The Company may redeem the bonds, in whole or in part, after 3 months of the issuance (9 September 2017) and prior to 40 days before the maturity date (29 April 2020), at the early redemption conversion price if at least 90% in principal amount of the bonds has already been exchanged, redeemed, purchased or cancelled.
- c. The Company may redeem the bonds in cash, within 5 trading days after the base date of withdrawing the bonds as stated on the "Withdrawal of Convertible Bonds Notice", at the par value if the bondholders do not reply to the share affair agency in writing before the base date.

Reversal clauses:

- a. The bondholders have the right to require the Company to redeem all or any portion of the bonds, 30 days prior to 2 year anniversary (8 June 2019) of the issuance, at the principal amount of the bonds with an interest calculated at the rate of 0.5% per annum.

Terms of Exchange:

- a. Underlying Securities: Common shares of the Company
- b. Exchange Period: The bonds are exchangeable at any time on or after 9 September 2017 and prior to 8 June 2020 into common shares of the Company.

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- c. Exchange Price and Adjustment: The exchange price was originally NT\$76.6 per share. The exchange price will be subject to adjustments upon the occurrence of certain events set out in the indenture.

In accordance with IFRS 9, said financial instrument is classified as an embedded derivative so the exercise price of the embedded put option is allocated to the liability component and equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. The difference between the equity component and the book value was recognized in profit or loss. The difference between the liability component and the book value was recognized in "Share premium-warrants". The financial liabilities of convertible bonds are measured at amortized cost, fair value through profit or loss amounted to NT\$150 thousand, NT\$300 thousand and NT\$2,750 thousand, as at 30 June 2018, 31 December 2017 and 30 June 2017, respectively.

(15) Long-term deferred revenue

	As of		
	30 June 2018	31 December 2017	30 June 2017
Beginning balance	\$16,256	\$16,858	\$16,858
Amortization	(192)	(373)	(185)
Exchange differences	74	(229)	(565)
Ending balance	<u>\$16,138</u>	<u>\$16,256</u>	<u>\$16,108</u>

	As of		
	30 June 2018	31 December 2017	30 June 2017
Deferred revenue - related to assets	<u>\$16,138</u>	<u>\$16,256</u>	<u>\$16,108</u>

Government grants have been received for the purchase of certain items of property, plant and equipment. There are no unfulfilled conditions or contingencies attached to these grants.

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(16) Post-employment benefits

Defined contribution plan

Expenses under the defined contribution plan for the three-month and six-month periods ended 30 June 2018 and 2017 were NT\$7,409 thousand, NT\$4,940 thousand, NT\$13,973 thousand and NT\$10,040 thousand, respectively.

Defined benefits plan

Expenses under the defined benefits plan for the three-month and six-month periods ended 30 June 2018 and 2017 are NT\$1,140 thousand, NT\$934 thousand, NT\$2,201 thousand and NT\$1,656 thousand, respectively.

(17) Equities

(a) Common stock

The Company's authorized capital was NT\$4,500,000 thousand as of 30 June 2018, 31 December 2018 and 30 June 2017. The issued capital was NT\$2,254,162 thousand, divided into 225,416 thousand shares with par value of NT\$ 10 each, respectively. Each share has one voting right and a right to receive dividends.

As of 1 January 2018, the accumulated book value of certificates of bond - to - stock conversion that had completed the registration process amounted to NT\$8,094 thousand in a total of 809 thousand shares as of 31 March 2017.

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(b) Capital surplus

	As of		
	30 June 2018	31 December 2017	30 June 2017
Premium on convertible bonds	\$813,537	\$813,537	\$813,537
Treasury share transactions	5,749	5,749	5,749
Share of changes in net assets of associates and joint ventures accounted for using the equity method	(1,690)	(1,690)	(3,925)
From differences between equity purchase price and carrying amount arising from actual acquisition or disposal of subsidiaries	(3,208)	(2,688)	(2,688)
Premium from merger	705	705	705
Share options	14,652	14,652	14,652
Total	<u>\$829,745</u>	<u>\$830,265</u>	<u>\$828,030</u>

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

(c) Retained earnings and dividend policies

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

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

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As the Company is undergoing a growth stage, the policy of dividend distribution should reflect its long-term financial planning. The Board of Directors shall make the distribution proposal annually and present it at the Shareholder's meeting every year. The distribution of shareholders dividend shall be allocated cash dividends to be distributed may not be less than 10% of total dividends to be distributed.

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

Pursuant to existing regulation, the Company is required to appropriate addition special reserve in the amount equal to the net debit balance of the other components of shareholders' equity. However, if any of the debit elements is reversed, the special reverse in the amount equal to the reversal maybe released for earnings distribution or offsetting accumulated deficit.

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

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

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The Company did not reverse any special reserve as a result of use, disposal or reclassification of related assets during the six-month periods ended 30 June 2018 and 2017.

Details of the 2017 and 2016 earnings distribution and dividends per share as approved by the shareholders' meeting on 8 June 2018 and 16 June 2017, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NT\$)	
	2017	2016	2017	2016
Common stock -cash dividend	\$901,664	\$788,956	\$4	\$3.5
Legal reserve	122,647	115,739		
Special reserve	52,417	46,578		
Total	<u>\$1,076,728</u>	<u>\$951,273</u>		

On 16 June 2017, the Company's shareholders' meeting resolved to convert paid-in capital to capital increase of NT\$45,084 thousand (\$0.2 per share).

Please refer to Note 6(20) for details on employees' compensation and remuneration to directors and supervisors.

(d)Non-controlling interests

	6-month periods ended 30 June	
	2018	2017
Beginning balance	\$211,619	\$46,699
Profits (Losses) attributable to non-controlling interests	(14,403)	7,477
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of foreign operations	(3,354)	(2,358)
Acquisition of new shares in a subsidiary not in proportionate to ownership interest	27,000	-
Disposal of the shares of the subsidiary	(1,120)	-
Acquisition of the shares of the subsidiary	(906)	-
Ending balance	<u>\$218,836</u>	<u>\$51,818</u>

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(18) Operating revenue

	3-month periods ended		6-month periods ended	
	30 June		30 June	
	2018	2017	2018	2017
Revenue from contracts with customers				
Sale of goods	\$3,900,085	\$3,279,685	\$7,343,693	\$6,448,655
Rendering of service	35,463	47,553	74,910	88,820
Other operating revenue	5,224	3,919	8,387	7,583
Total	<u>\$3,940,772</u>	<u>\$3,331,157</u>	<u>\$7,426,990</u>	<u>\$6,545,058</u>

Note: The Group adopted IFRS 15 on 1 January 2018. The Group elected to apply the standard retrospectively by recognizing the cumulative effect of initially applying the standard at the date of initial application (1 January 2018).

The Group adopted IFRS 15 on 1 January 2018. Analysis of revenue from contracts with customers during the year is as follows:

(1) Disaggregation of revenue

For the three-month period ended 30 June 2018

	Cable Segment	Electronic Segment	Management Operation Segment	Total
Sale of goods	\$2,627,988	\$935,523	\$336,574	\$3,900,085
Rendering of services	27,584	7,879	-	35,463
Other operating revenues	5,034	190	-	5,224
Total	<u>\$2,660,606</u>	<u>\$943,592</u>	<u>\$336,574</u>	<u>\$3,940,772</u>
Timing of revenue recognition :				
At a point in time	\$2,660,606	\$943,592	\$336,574	\$3,940,772
Over time	-	-	-	-
Total	<u>\$2,660,606</u>	<u>\$943,592</u>	<u>\$336,574</u>	<u>\$3,940,772</u>

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For the six-month period ended 30 June 2018

	Cable Segment	Electronic Segment	Management Operation Segment	Total
Sale of goods	\$5,028,803	\$1,648,003	\$666,887	\$7,343,693
Rendering of services	60,953	13,957	-	74,910
Other operating revenues	8,080	307	-	8,387
Total	<u>\$5,097,836</u>	<u>\$1,662,267</u>	<u>\$666,887</u>	<u>\$7,426,990</u>
Timing of revenue recognition :				
At a point in time	\$5,097,836	\$1,648,003	\$666,887	\$7,426,990
Over time	-	-	-	-
Total	<u>\$5,097,836</u>	<u>\$1,648,003</u>	<u>\$666,887</u>	<u>\$7,426,990</u>

(2) Contract balances

Contract liabilities - current

	Beginning balance	Ending balance	Difference
Sales of goods	<u>\$153,313</u>	<u>\$167,909</u>	<u>\$14,596</u>

For the six-month period ended 30 June 2018, contract liabilities increased as the consideration received from customers did not satisfy its performance obligations.

(3) Transaction price allocated to unsatisfied performance obligations

As at 30 June 2018, the Group expected that all of the transaction price allocated to unsatisfied performance obligations will be recognized as revenue within one year.

(4) Assets recognized from costs to fulfil a contract

None

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(19) Expected credit losses (gains)

	3-month periods ended 30 June		6-month periods ended 30 June	
	2018	2017	2018	2017
Operation expense- Expected credit losses (gains)				
Trade receivables	\$2,407	\$26,993	\$2,407	\$26,993

Please refer to Note 12 for more details on credit risk.

The Group measures the loss allowance of its trade receivables (including note receivables and trade receivables) at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as at 30 June 2018 is as follows:

	Not yet due (note)	Overdue					Total
		<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	
Gross carrying amount	\$4,159,449	\$128,263	\$27,344	\$19,735	\$2,708	\$66,276	\$4,403,775
Loss ratio	-%	-%	-%	-%	-%	30-50%	
Lifetime expected credit losses	-	-	-	-	-	(28,971)	(28,971)
Carrying amount	<u>\$4,159,449</u>	<u>\$128,263</u>	<u>\$27,344</u>	<u>\$19,735</u>	<u>\$2,708</u>	<u>\$37,305</u>	<u>\$4,374,804</u>

Note: The Group's note receivables are not overdue.

The movement in the provision for impairment of contract assets, note receivables, trade receivables and other receivables during the six-month period ended 30 June 2018 is as follows:

	Note receivables	Trade receivables
Beginning balance (in accordance with IAS 39)	\$ -	\$51,620
Transition adjustment to retained earnings	-	-
Beginning balance (in accordance with IFRS 9)	-	51,620
Write off	-	(25,491)
Addition/(reversal) for the current period	-	2,407
Exchange difference	-	435
Ending balance	<u>\$ -</u>	<u>\$28,971</u>

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(20) Summary of employee benefits, depreciation and amortization expenses by function for the three-month and six-month periods ended 30 June 2018 and 2017

	3-month periods ended 30 June					
	2018			2017		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$269,734	\$302,007	\$571,741	\$165,717	\$223,010	\$388,727
Labor and health insurance	23,039	27,326	50,365	21,642	29,161	50,803
Pension	1,702	6,847	8,549	1,416	4,458	5,874
Other employee benefits expense	17,988	12,796	30,784	15,124	14,088	29,212
Depreciation	27,359	12,320	39,679	20,533	13,199	33,732
Amortization	2,116	9,769	11,885	2,188	6,665	8,853

	6-month periods ended 30 June					
	2018			2017		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$462,062	\$536,806	\$998,868	\$314,140	\$453,265	\$767,405
Labor and health insurance	51,001	59,899	110,900	43,296	58,872	102,168
Pension	3,209	12,965	16,174	2,775	8,921	11,696
Other employee benefits expense	35,059	25,956	61,015	28,824	27,910	56,734
Depreciation	48,912	29,573	78,485	41,104	26,594	67,698
Amortization	4,199	17,935	22,134	3,981	13,240	17,221

The number of employees for Company and its subsidiaries are 5,728 and 5,274 for the three-month periods ended 30 June 2018 and 2017.

According to the Articles of Incorporation, 1% to 15% of profit of the current year is distributable as employees' compensation and no higher than 3% of profit of the current year is distributable as remuneration to directors and supervisors. However, the company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

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Based on the profit of the first half of 2018, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the six-month period ended 30 June 2018 to be 1.66% and 1.13% of profit of the current six-month period, respectively, recognized as employee benefits expense. As such, employees' compensation and remuneration to directors and supervisors for the three-month period ended 30 June 2018 amount to NT\$9,000 thousand and NT\$6,000 thousand respectively. Employees' compensation and remuneration to directors and supervisors for the six-month period ended 30 June 2018 amount to NT\$14,000 thousand and NT\$9,500 thousand respectively. Based on the profit of the first half of 2017, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the six-month period ended 30 June 2017 to be 1.71% and 1.14% of profit of the current six-month period, respectively, recognized as employee benefits expense. Employees' compensation and remuneration to directors and supervisors for the three-month period ended 30 June 2017 amount to \$9,000 thousand and \$5,000 thousand, respectively. Employees' compensation and remuneration to directors and supervisors for the six-month period ended 30 June 2017 amount to \$12,000 thousand and \$8,000 thousand, respectively.

A resolution was passed at a Board of Directors meeting held on 12 March 2018 to distribute NT\$16,000 thousand and NT\$11,000 thousand in cash as employees' compensation and remuneration to directors and supervisors of 2017, respectively.

No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended 31 December 2017.

(21) Non-operating income and expenses

(a) Other income

	3-month periods ended 30 June		6-month periods ended 30 June	
	2018	2017	2018	2017
Sample income	\$13,349	\$6,522	\$27,210	\$11,951
Dividend income	13,603	12,974	13,603	12,974
Interest income	2,898	2,653	4,598	5,058
Others	18,533	74,212	56,178	128,167
Total	<u>\$48,383</u>	<u>\$96,361</u>	<u>\$101,589</u>	<u>\$158,150</u>

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(b) Other gains and losses

	3-month periods ended		6-month periods ended	
	30 June		30 June	
	2018	2017	2018	2017
Foreign exchange (losses) gains, net	\$118,181	\$(11,742)	\$23,807	\$(77,127)
Gains on disposal of investments	-	-	-	41
Losses on disposal of property, plant and equipment	(252)	(449)	(423)	(3,596)
Gains of financial asset at fair value through profit or loss(Note1)	43,770	10,457	41,749	4,973
Gains of financial liabilities at fair value through profit or loss(Note2)	20,652	15,766	44,577	12,936
Others	(16,666)	(5,722)	(19,910)	(6,296)
Total	<u>\$165,685</u>	<u>\$8,310</u>	<u>\$89,800</u>	<u>\$(69,069)</u>

Note:

1. Balance in current period arose from financial assets mandatorily measured at fair value through profit or loss and balance in prior period arose from held for trading investment.

2. Balances in both periods arose from held for trading investment.

(c) Finance costs

	3-month periods ended		6-month periods ended	
	30 June		30 June	
	2018	2017	2018	2017
Interest on loans from bank	\$8,195	\$4,829	\$14,365	\$9,974
Interest on bonds payable	1,464	774	2,929	774
Total	<u>\$9,659</u>	<u>\$5,603</u>	<u>\$17,294</u>	<u>\$10,748</u>

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(22) Components of other comprehensive income

For the three-month period ended 30 June 2018

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Unrealized gains from equity instruments investments measured at fair value through other comprehensive income	\$67,514	\$ -	\$67,514	\$ -	\$67,514
Remeasurements of defined benefit plans	-	-	-	-	-
To be reclassified to profit or loss in subsequent periods					
Exchange differences resulting from translating the financial statements of a foreign operation	(14,330)	-	(14,330)	2,044	(12,286)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	4,335	-	4,335	-	4,335
Total of other comprehensive income	<u>\$57,519</u>	<u>\$ -</u>	<u>\$57,519</u>	<u>\$2,044</u>	<u>\$59,563</u>

For the three-month period ended 30 June 2017

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	\$87,999	\$ -	\$87,999	\$(14,543)	\$73,456
Unrealized losses from available-for-sale financial assets	(3,287)	-	(3,287)	-	(3,287)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(5,052)	-	(5,052)	-	(5,052)
Total of other comprehensive income	<u>\$79,660</u>	<u>\$ -</u>	<u>\$79,660</u>	<u>\$(14,543)</u>	<u>\$65,117</u>

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For the six-month period ended 30 June 2018

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Unrealized gains from equity instruments investments measured at fair value through other comprehensive income	\$118,179	\$ -	\$118,179	\$ -	\$118,179
Remeasurements of defined benefit plans (Note)	-	-	-	1,390	1,390
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	31,948	-	31,948	(3,662)	28,286
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	890	-	890	-	890
Total of other comprehensive income	<u>\$151,017</u>	<u>\$ -</u>	<u>\$151,017</u>	<u>\$(2,272)</u>	<u>\$148,745</u>

Note: The Company's applicable corporate income tax rate for the year ended 31 December 2018 has changed from 17% to 20%.

For the six-month period ended 30 June 2017

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	\$(189,128)	\$ -	\$(189,128)	\$30,672	\$(158,456)
Unrealized losses from available-for-sale financial assets	(4,849)	-	(4,849)	-	(4,849)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	1,062	-	1,062	-	1,062
Total of other comprehensive income	<u>\$(192,915)</u>	<u>\$ -</u>	<u>\$(192,915)</u>	<u>\$30,672</u>	<u>\$(162,243)</u>

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(23) Income tax

Based on the amendments to the Income Tax Act announced on 7 February 2018, the Company's applicable corporate income tax rate for the year ended 31 December 2018 has changed from 17% to 20%. The corporate income surtax on undistributed retained earnings has changed from 10% to 5%.

The major components of income tax expense (income) are as follows:

Income tax expense recognized in profit or loss

	3-month periods ended 30 June		6-month periods ended 30 June	
	2018	2017	2018	2017
Current income tax expense :				
Current income tax charge	\$118,806	\$130,310	\$149,116	\$189,735
Deferred tax expense:				
Deferred tax expense relating to origination and reversal of temporary differences	24,522	628	22,117	34,756
Deferred tax expense (income) relating to changes in tax rate or the imposition of new taxes	-	-	20,006	-
Total income tax expense	<u>\$143,328</u>	<u>\$130,938</u>	<u>\$191,239</u>	<u>\$224,491</u>

Income tax relating to components of other comprehensive income

	3-month periods ended 30 June		6-month periods ended 30 June	
	2018	2017	2018	2017
Deferred tax expense (income):				
Exchange differences on translation of foreign operations	\$(2,044)	\$14,543	\$3,662	\$(30,672)
Remeasurements of defined benefit plans	-	-	(1,390)	-
Income tax relating to components of other comprehensive income	<u>\$(2,044)</u>	<u>\$14,543</u>	<u>\$2,272</u>	<u>\$(30,672)</u>

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The assessment of income tax returns

As of 30 June 2018, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

	<u>The assessment of income tax returns</u>
The Company	Assessed and approved up to 2014
Subsidiary- Kwan-Ze Corporation Ltd.	Assessed and approved up to 2016
Subsidiary- T-CONN Precision Co., Ltd.	Assessed and approved up to 2015
Subsidiary- Ray Service ADA Co., Ltd.	Assessed and approved up to 2016

(24) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	<u>3-month periods ended</u> <u>30 June</u>		<u>6-month periods ended</u> <u>30 June</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
(a) Basic earnings per share				
Profit attributable to ordinary equity holders of the Company	<u>\$428,876</u>	<u>\$340,161</u>	<u>\$705,437</u>	<u>\$622,098</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	<u>225,416</u>	<u>225,416</u>	<u>225,416</u>	<u>225,416</u>
Basic earnings per share (NT\$)	<u>\$1.90</u>	<u>\$1.51</u>	<u>\$3.13</u>	<u>\$2.76</u>

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	3-month periods ended 30 June		6-month periods ended 30 June	
	2018	2017	2018	2017
(b) Diluted earnings per share				
Profit attributable to ordinary equity holders of the Company	\$428,876	\$340,161	\$705,437	\$622,098
Add: Interest expense from convertible bonds	1,172	642	2,343	642
Profit attributable to ordinary equity holders of the Company after dilution	<u>\$430,048</u>	<u>\$340,803</u>	<u>\$707,780</u>	<u>\$622,740</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	225,416	225,416	225,416	225,416
Effect of dilution:				
Convertible bonds (in thousands)	6,528	1,760	6,528	875
Employee compensation -stock (in thousands)	108	125	168	167
Weighted average number of ordinary shares outstanding after dilution (in thousands)	<u>232,052</u>	<u>227,301</u>	<u>232,112</u>	<u>226,458</u>
Diluted earnings per share (NT\$)	<u>\$1.85</u>	<u>\$1.50</u>	<u>\$3.05</u>	<u>\$2.75</u>

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date of completion of the financial statements.

(25) Change of Ownership of subsidiaries

Acquisition of issued shares of subsidiaries

On 18 January 2018, the Group further acquired 10% shares with voting rights from Radbon which is a sub-subsidiary of the Group. Thus, the Group increased its ownership in the entity to 100%. Cash paid to non-controlling interest shareholder amounted to NT\$1,426 thousand. Net asset of Ray Service was NT\$9,060 thousand. The additional equity information such as reduction of non-controlling interests and adjustment of other comprehensive income or loss are as follows:

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	Amount
Cash consideration paid to the non-controlling shareholders	\$1,426
Reduction of non-controlling interests	(906)
Difference in additional paid-in capital from investee under equity method	\$520

Acquisition of new shares in a subsidiary not proportionate to ownership interest

Radbon issued new shares on 27 June 2018, however the Group did not purchase the new shares according to its shareholding percentage, consequently the ownership interest in Radbon was reduced to 55%. The Group received additional intangible assets from the issuance of new shares in the amount of NT\$27,000 thousand. The carrying amount of Radbon's net assets was NT\$60,000 thousand. The following table is a schedule of interest disposed of by Radbon including changes in non-controlling interests:

	Amount
Additional intangible assets received from the issuance of new shares	\$(27,000)
Increase to non-controlling interests	27,000
Difference recognized in capital surplus or retained earning within equity	\$ -

7. Related party transactions

Information of the related parties that had transactions with the Group during the financial reporting period is as follows:

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
Argosy Research Inc.	Associate
Hebang Electron (Suzhou) Co. (Note)	Substantive related party
Shanghai Huangze Electronic Co., Ltd.	Substantive related party
Hebang Electron (China) Co. (Note)	Substantive related party
INPAQ Technology Co., Ltd. (Note)	Associate
Circuits & Cables LLC	Associate

Note: On 30 June 2017, the Company stepped down as a board director of the company and became a nonrelated party.

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Significant transactions with related parties

(a) Sales

	3-month periods ended		6-month periods ended	
	30 June		30 June	
	2018	2017	2018	2017
Associates				
Others	\$6,083	\$127	\$7,850	\$485
Other related parties				
Others	-	-	-	2
Total	<u>\$6,083</u>	<u>\$127</u>	<u>\$7,850</u>	<u>\$487</u>

The sales price to the above related parties was determined through mutual agreement based on the market rates. The collection periods for domestic sales to related parties were month-end 60~120 days, while the term for overseas sales were 45~75 days from FOB shipping point. The outstanding balance as of 30 June 2018 and 2017 was unsecured, non-interest bearing and must be settled in cash. The receivables from the related parties were not guaranteed.

(b) Purchases

	3-month periods ended		6-month periods ended	
	30 June		30 June	
	2018	2017	2018	2017
Associates				
Others	\$483	\$78	\$678	\$82
Other related parties				
Others	17	4,559	53	20,827
Total	<u>\$500</u>	<u>\$4,637</u>	<u>\$731</u>	<u>\$20,909</u>

The purchase price from the above related parties was determined through mutual agreement based on the market rates. The payment terms from the related party suppliers are comparable with third party suppliers and are set between one to four months.

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(c) Amounts owed by related parties

	As of		
	30 June	31 December	30 June
	2018	2017	2017
Associates			
Others	\$6,310	\$10,833	\$212

(d) Others Receivable-Related Parties

	As of		
	30 June	31 December	30 June
	2018	2017	2017
Associates			
Others	\$749	\$47	\$ -

(e) Account Payable-Related Parties

	As of		
	30 June	31 December	30 June
	2018	2017	2017
Associates			
Others	\$331	\$228	\$17
Other related parties			
Others	19	12	4,633
Total	\$350	\$240	\$4,650

(f) Key management personnel compensation

	3-month periods ended		6-month periods ended	
	30 June		30 June	
	2018	2017	2018	2017
Short-term employee benefits	\$44,780	\$44,268	85,546	\$84,203
Post-employment benefits	8,549	5,874	16,174	11,696
Total	\$53,329	\$50,142	\$101,720	\$95,899

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8. Assets pledged as security

None.

9. Significant contingencies and unrecognized contract commitments

The Company provided guarantees for subsidiaries' financing to banks for the three-month period ended 30 June 2018. Please refer to Note 13.(1)(b).

10. Significant disaster loss

None.

11. Significant subsequent events

None.

12. Others

(1) Categories of financial instruments

Financial assets

	As of		
	30 June 2018	31 December 2017	30 June 2017
Financial assets at fair value through profit or loss:			
Mandatorily measured at Fair value through profit or loss	\$103,386	(Note 1)	(Note 1)
Held for trading	(Note 1)	\$61,630	\$5,758
Financial assets at fair value through other comprehensive income	291,421	(Note 1)	(Note 1)
Available-for-sale financial assets :			
Financial assets measured at fair value	(Note 1)	137,900	98,348
Financial assets measured at cost-noncurrent	(Note 1)	369,608	278,314
Subtotal	(Note 1)	507,508	376,662
Financial assets measured at amortized cost (Note 2)	7,658,464	(Note 1)	(Note 1)
Loans and receivables (Note 2)	(Note 1)	6,697,725	6,869,326
Total	<u>\$8,053,271</u>	<u>\$7,266,863</u>	<u>\$7,251,746</u>

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Financial liabilities

	As of		
	30 June 2018	31 December 2017	30 June 2017
Financial liabilities at amortized cost:			
Short-term loans	\$1,713,458	\$1,594,624	\$971,927
Notes and accounts payable	2,927,461	2,720,958	2,293,850
Bonds payable (including current portion with maturity less than 1 year)	488,560	483,621	478,300
Long-term loans (including current portion with maturity less than 1 year)	4,634	-	21,121
Others payables	1,675,449	783,172	1,540,809
Subtotal	<u>6,809,562</u>	<u>5,582,375</u>	<u>5,306,007</u>
Financial liabilities at fair value through profit or loss:			
Embedded derivative - bond	150	300	2,750
Held for trading	-	44,427	33,497
Subtotal	<u>150</u>	<u>44,727</u>	<u>36,247</u>
Total	<u>\$6,809,712</u>	<u>\$5,627,102</u>	<u>\$5,324,254</u>

Note:

(1)The Group adopted IFRS 9 on 1 January 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

(2)Including cash and cash equivalents, notes receivable, trade receivables and other receivables.

(2)Financial risk management objectives and policies

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

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

(3)Market risk

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

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

Foreign currency risk

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

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Group also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for USD and RMB.

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Interest rate risk

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

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit.

Pre-tax sensitivity analysis of changes in related risk factors for the six-month periods ended 30 June 2018 and 2017 are as follows:

For the six-month period ended 30 June 2018 (in thousand)

<u>Main Risk</u>	<u>Fluctuation</u>	<u>Sensitivity of profit/loss</u>	<u>Sensitivity of equity</u>
Foreign currency risk	NTD/USD rate +/- 1%	+/- 21,118	+/- (122)
	NTD/RMB rate +/- 1%	+/- 423	+/-2,206
Interest rate risk	Market rate +/- 10 basis points	+/- 1,703	-

For the six-month period ended 30 June 2017

<u>Main Risk</u>	<u>Fluctuation</u>	<u>Sensitivity of profit/loss</u>	<u>Sensitivity of equity</u>
Foreign currency risk	NTD/USD rate +/- 1%	+/- 19,470	+/- (96)
	NTD/RMB rate +/- 1%	+/-987	+/- 10,163
Interest rate risk	Market rate +/- 10 basis points	+/-1,021	-

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Equity price risk

The fair value of the Group's listed and unlisted equity securities and conversion rights of the Euro-convertible bonds issued are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's listed and unlisted equity securities are classified under held for trading financial assets or available-for-sale financial assets, while conversion rights of the Euro-convertible bonds issued are classified as financial liabilities at fair value through profit or loss as it does not satisfy the definition of an equity component. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, a change of 10% in the price of the listed equity securities, mandatorily measured at held for trading could increase/decrease the Group's profit for the six-month period ended 30 June 2017 by NT\$9,835 thousand.

At the reporting date, a change of 10% in the price of the listed equity securities, equity instrument measured at fair value through other comprehensive income could increase/decrease the Group's equity for the six-month period ended 30 June 2018 by NT\$1,538 thousand.

Please refer to Note (12)9 for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

(4) Credit risk management

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

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

As of 30 June 2018, 31 December 2017 and 30 June 2017, amounts receivables from top ten customers represented 28.49%, 21.09% and 27.69% of the total accounts receivables of the Group, respectively. The credit concentration risk of other accounts receivables is insignificant.

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

(5) Liquidity risk management

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

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Non-derivative financial liabilities

	<u>Less than 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
As of 30 June 2018					
Loans	\$1,739,487	\$2,267	\$1,289	\$ -	\$1,743,043
Account payables	2,927,461	-	-	-	2,927,461
Other payables	1,675,449	-	-	-	1,675,449
Convertible bonds	505,013	-	-	-	505,013
As of 31 December 2017					
Loans	\$1,613,940	\$ -	\$ -	\$ -	\$1,613,940
Account payables	2,720,958	-	-	-	2,720,958
Other payables	783,172	-	-	-	783,172
Convertible bonds	-	505,013	-	-	505,013
As of 30 June 2017					
Loans	\$993,741	\$6,836	\$3,906	\$2,609	\$1,007,092
Account payables	2,293,850	-	-	-	2,293,850
Convertible bonds	10,277	489,723	-	-	500,000

Derivative financial liabilities

	<u>Less than 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
As of 30 June 2018					
Currency option contracts					
Inflows	\$509	\$ -	\$ -	\$ -	\$509
Outflows	(72)	-	-	-	(72)
Net	<u>\$437</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$437</u>
Cross currency swap					
Inflows	\$1,639,360	\$ -	\$ -	\$ -	\$1,639,360
Outflows	(1,637,365)	-	-	-	(1,637,365)
Net	<u>\$1,995</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,995</u>

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	<u>Less than 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
As of 31 December 2017					
Cross currency swap					
Inflows	\$1,750,269	\$ -	\$ -	\$ -	\$1,750,269
Outflows	(1,629,072)	-	-	-	(1,629,072)
Net	<u>\$121,197</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$121,197</u>
As of 30 June 2017					
Currency option contracts					
Inflows	\$583	\$ -	\$ -	\$ -	\$583
Outflows	(6,546)	-	-	-	(6,546)
Net	<u>\$(5,963)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$(5,963)</u>
Cross currency swap					
Inflows	\$1,428,626	\$ -	\$ -	\$ -	\$1,428,626
Outflows	(607,534)	-	-	-	(607,534)
Net	<u>\$821,092</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$821,092</u>

The table above contains the undiscounted net cash flows of derivative liabilities instruments.

(6) Fair values of financial instruments

Reconciliation of liabilities for the six-month period ended 30 June 2018:

	Short-term	Long-term	Long-term	Total liabilities
	loans	deferred	loan(including	from financing
		income	maturity within	activities
			a year	
As of 1 January 2018	\$1,594,624	\$16,256	\$ -	\$1,610,880
Cash flow	118,834	(192)	4,634	123,276
Currency change	-	74	-	74
As of 30 June 2018	<u>\$1,713,458</u>	<u>\$16,138</u>	<u>\$4,634</u>	<u>\$1,734,230</u>

Reconciliation of liabilities for the six-month period ended 30 June 2017:

Not applicable

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(7) Fair values of financial instruments

- (a) The methods and assumptions applied in determining the fair value of financial instruments:

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

- a. The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.
- b. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.
- c. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).
- d. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

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- e. The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

(b) Fair value of financial instruments measured at amortized cost

The carrying amount of the Group's financial assets and liabilities measured at amortized cost approximate their fair value.

(c) Fair value measurement hierarchy for financial instruments

Please refer to Note 12(9) for fair value measurement hierarchy for financial instruments of the Group.

(8) Derivative financial instruments

The Group's derivative financial instruments include forward currency contracts, cross currency swap, currency option contracts and embedded derivatives. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as of 30 June 2018, 31 December 2017 and 30 June 2017 is as follows:

Cross currency swaps and currency option contracts

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

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Items (by contract)	Notional Amount			Contract Period
As of 30 June 2018				
Forward exchange agreement	Buy call option	USD	650	From 10 May 2018 to 25 June 2019
Forward exchange agreement	Sell call option	USD	1,300	From 10 May 2018 to 25 June 2019
Cross currency swaps		USD	55,000	From 2 January 2018 to 7 February 2019
As of 31 December 2017				
Cross currency swaps		USD	53,000	From 14 January 2016 to 22 March 2018
As of 31 March 2017				
Currency option contracts	Buy call option	USD	300	From 7 June 2017 to 7 June 2018
Currency option contracts	Buy put option	USD	875	From 4 October 2016 to 10 November 2017
Currency option contracts	Sell call option	USD	1,750	From 4 October 2016 to 10 November 2017
Currency option contracts	Sell put option	USD	600	From 7 June 2017 to 7 June 2018
Cross currency swaps		USD	2,700	From 14 January 2016 to 16 January 2018

Embedded derivatives

The embedded derivatives arising from issuing convertible bonds have been separated from the host contract and carried at fair value through profit or loss. Please refer to Note 6(14) for further information on this transaction.

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

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

(9) Fair value measurement hierarchy

(a) Fair value measurement hierarchy

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

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

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

Level 3 – Unobservable inputs for the asset or liability

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

(b) Fair value measurement hierarchy of the Group's assets and liabilities

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

As of 30 June 2018

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Funds	\$58,706	\$ -	\$ -	\$58,706
Stocks	2,378	-	-	2,378
Cross currency swaps	-	41,865	-	41,865
Currency option contracts	-	437	-	437
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	15,381	-	276,040	291,421
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Embedded derivative - bond	\$ -	\$150	\$ -	\$150

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As of 31 December 2017

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss				
Funds	\$57,849	\$ -	\$ -	\$57,849
Stocks	3,781	-	-	3,781
Available-for-sale financial assets:				
Stocks	132,170	-	-	132,170
Beneficiary certification	5,730	-	-	5,730
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Cross currency swaps	\$ -	\$44,427	\$ -	\$44,427
Embedded derivative - bond	-	300	-	300

As of 30 June 2017

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss				
Stock	\$4,402	\$ -	\$ -	\$4,402
Fund	1,356	-	-	1,356
Cross currency swaps	-	-	-	-
Available-for-sale financial assets:				
Stock	98,348	-	-	98,348
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward option	\$ -	\$5,963	\$ -	\$5,963
Cross currency swap	-	27,534	-	27,534
Embedded derivative	-	2,750	-	2,750

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Transfers between Level 1 and Level 2 during the period

During the six-month periods ended 30 June 2018 and 2017, there were no transfers between Level 1 and Level 2 fair value measurements.

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

	Assets
	At fair value through other comprehensive income
	Stocks
Beginning balances as of 1 January 2018	\$231,424
Total gains and losses recognized for the six-month period ended 30 June 2018:	
Amount recognized in OCI (presented in “Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	46,611
The return of paid-in capital for capital reduction	(1,995)
Ending balances as of 30 June 2018	\$276,040

Information on significant unobservable inputs to valuation

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

As of 30 June 2018

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
At fair value through profit or loss					
Stocks and others	Market approach	discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in increase (decrease) in the Group's profit or loss by NTS\$27,604 thousand

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

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

- (c) Fair value measurement hierarchy of the Group's assets and liabilities not measured at fair value but for which the fair value is disclosed.

As at 30 June 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investments accounted for using the equity method(please refer to Note 6(9))	\$708,919	\$ -	\$ -	\$708,919

As of 31 December 2017

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investments accounted for using the equity method(please refer to Note 6(9))	\$561,337	\$ -	\$ -	\$561,337

As at 30 June 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investments accounted for using the equity method(please refer to Note 6(9))	\$465,585	\$ -	\$ -	\$465,585

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(10) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	As of 30 June 2018			As of 31 December 2017			As of 30 June 2017		
	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD
Financial assets									
Monetary items:									
USD	\$115,270	30.50	\$3,515,723	\$100,384	29.85	\$2,996,253	\$106,089	30.44	\$3,228,924
RMB	424,027	4.60	1,952,241	490,382	4.58	2,247,687	485,113	4.49	2,177,842
EUR	3,129	35.45	110,937	2,515	35.67	89,733	2,941	34.73	102,148
Financial liabilities									
Monetary items:									
USD	46,427	30.50	1,416,034	48,451	29.85	1,446,171	42,433	30.44	1,291,505
RMB	357,958	4.60	1,648,057	286,322	4.58	1,312,366	236,745	4.49	1,062,833
EUR	505	35.45	17,888	565	35.67	20,167	598	34.73	20,767

The Group has a number of different functional currencies; therefore, we are unable to disclose the exchange loss and gain of monetary financial assets and financial liabilities under each foreign currency that has significant impact. The Group recognized NT\$118,181 thousand, NT\$(11,742) thousand, NT\$23,807 and NT\$(77,127) thousand for foreign exchange gain (loss) for the three-month and six-month periods ended 30 June 2018 and 2017, respectively.

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

(11) Capital management

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

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13. Other disclosure

(1) Information at significant transactions

- (a) Financing provided to others for the six-month periods ended 30 June 2018: Please refer to Attachment 1.
- (b) Endorsement/Guarantee provided to others for the six-month periods ended 30 June 2018: Please refer to Attachment 2.
- (c) Securities held as of 30 June 2018: Please refer to Attachment 3.
- (d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the paid-in capital for the six-month period ended 30 June 2018: None.
- (e) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the paid-in capital for the six-month period ended 30 June 2018: None.
- (f) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the six-month period ended 30 June 2018: None.
- (g) Related party transactions for purchases and sales exceeding the lower of NT\$100 million or 20 percent of the capital stock for the six-month period ended 30 June 2018: Please refer to Attachment 4.
- (h) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of the six-month period ended 30 June 2018: Please refer to Attachment 5.
- (i) Financial instruments and derivative transactions: Please refer to Note 12.
(8).
- (j) The business relationship, significant transactions and amounts between parent company and subsidiaries: Please refer to Attachment 6.

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(2) Information on investees:

Names, locations, main businesses and products, original investment amount, investment as of 30 June 2018, net income (loss) of the investee company and investment income (loss) recognized as of 30 June 2018: Please refer to Attachment 7.

(3) Information on investments in mainland China

(a) Investment in Mainland China: Please refer to Attachment 6.

(b) Significant transactions through third regions with the investees in Mainland China:

- i. Purchases amount and percentage, and related ending balance and percentage of payables: Please refer to Attachment 4.
- ii. Sales amount and percentage, and related ending balance and related ending balance and percentage of receivables: None.
- iii. Property transaction amount and occurred gain (loss): None.
- iv. Ending balance and purpose of endorsement/guarantee provided for notes or collateral: None.
- v. Highest balance, ending balance, interest rate interval and total interest amount in current period of financing: None.
- vi. Other transactions with significant influence on current period income or financial position: Please refer to Attachment 4.

14. Segment information

For management purposes, the Group is organized into business units based on their products and services and has three reportable operating segments as follows:

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- (1) DMIS: The segment focuses on manufacturing and sale of cable assemblies.
- (2) Component: The segment is in charge of selling various electronic connectors and electronic components.
- (3) Headquarter Operating: The segment focuses on managing investment and other businesses beyond the scopes of DMIS and Component segments.

Operating segments are not aggregated to be reported as aforementioned operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured based on accounting policies consistent with those in the consolidated financial statements. However income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segment are on an arm's length basis in a manner similar to transactions with third parties.

Information on profit or loss, assets and liabilities of the reportable segment for three-month periods and six-month periods ended 30 June 2018 and 2017 were as of:

For the three-month period ended 30 June 2018

	Cable Segment	Electronic Segment	Management Operation Segment	Adjustment and elimination (note)	Consolidated
Revenue					
External customer	\$2,660,606	\$943,592	\$336,574	\$ -	\$3,940,772
Inter-segment	761,117	7,504	106,299	(874,920)	-
Total revenue	<u>\$3,421,723</u>	<u>\$951,096</u>	<u>\$442,873</u>	<u>\$(874,920)</u>	<u>\$3,940,772</u>
Segment profit	<u>\$614,706</u>	<u>\$117,169</u>	<u>\$(168,661)</u>	<u>\$ -</u>	<u>\$563,214</u>

Note: Inter-segment revenues were eliminated when consolidated.

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For the three-month period ended 30 June 2017

	Cable Segment	Electronic Segment	Management Operation Segment	Adjustment and elimination (note)	Consolidated
Revenue					
External customer	\$2,201,339	\$878,529	\$251,289	\$ -	\$3,331,157
Inter-segment	573,451	6,099	57,137	(636,687)	-
Total revenue	<u>\$2,774,790</u>	<u>\$884,628</u>	<u>\$308,426</u>	<u>\$(636,687)</u>	<u>\$3,331,157</u>
Segment profit	<u>\$488,209</u>	<u>\$84,282</u>	<u>\$(97,086)</u>	<u>\$ -</u>	<u>\$475,405</u>

Note: Inter-segment revenues were eliminated when consolidated.

For the six-month period ended 30 June 2018

	Cable Segment	Electronic Segment	Management Operation Segment	Adjustment and elimination (note)	Consolidated
Revenue					
External customer	\$5,097,836	\$1,662,267	\$666,887	\$ -	\$7,426,990
Inter-segment	1,488,544	12,009	183,750	(1,684,303)	-
Total revenue	<u>\$6,586,380</u>	<u>\$1,674,276</u>	<u>\$850,637</u>	<u>\$(1,684,303)</u>	<u>\$7,426,990</u>
Segment profit	<u>\$926,418</u>	<u>\$205,202</u>	<u>\$(249,347)</u>	<u>\$ -</u>	<u>\$882,273</u>

Note: Inter-segment revenues were eliminated when consolidated.

For the six-month period ended 30 June 2017

	Cable Segment	Electronic Segment	Management Operation Segment	Adjustment and elimination (note)	Consolidated
Revenue					
External customer	\$4,338,602	\$1,798,903	\$407,553	\$ -	\$6,545,058
Inter-segment	1,068,491	7,721	109,158	(1,185,370)	-
Total revenue	<u>\$5,407,093</u>	<u>\$1,806,624</u>	<u>\$516,711</u>	<u>\$(1,185,370)</u>	<u>\$6,545,058</u>
Segment profit	<u>\$796,076</u>	<u>\$172,673</u>	<u>\$(114,683)</u>	<u>\$ -</u>	<u>\$854,066</u>

Note: Inter-segment revenues were eliminated when consolidated.

SINBON ELECTRONICS CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Information on assets and liabilities of the reportable segment as of 30 June 2018, 31 December 2017 and 30 June 2017 are as follows:

Segment Assets:

	Cable Segment	Electronic Segment	Management Operation Segment	Subtotal	Adjustment and elimination	Consolidated
30 June 2018	\$7,206,690	\$1,679,409	\$1,387,945	\$10,273,594	\$3,317,607	\$13,591,201
31 December 2017	\$6,280,117	\$1,671,415	\$1,125,084	\$9,076,616	\$3,442,861	\$12,519,477
30 June 2017	\$5,676,224	\$1,668,955	\$675,464	\$8,020,643	\$3,263,049	\$11,283,692

Segment Liabilities:

	Cable Segment	Electronic Segment	Management Operation Segment	Subtotal	Adjustment and elimination	Consolidated
30 June 2018	\$3,961,302	\$1,153,937	\$2,266,025	\$7,381,264	\$89,296	\$7,470,560
31 December 2017	\$3,550,080	\$1,326,561	\$1,257,284	\$6,133,925	\$89,296	\$6,223,221
30 June 2017	\$2,758,042	\$1,098,445	\$1,916,476	\$5,772,963	\$83,354	\$5,856,317

Attachment 1: Financing provided to others for the six-month periods ended 30 June 2018

No.	Lender (Note 1)	Counter-party	Financial statement account	Related Party	Maximum balance for the period	Ending balance	Actual amount provided	Interest rate	Nature of financing	Amount of sales to (purchases from) counter-party	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit of financing amount for individual counter-party (Note2)	Limit of total financing amount (Note3)
													Item	Value		
1	BJSB	BJSB Tongan	Other receivables	Y	\$46,836	\$46,041	\$46,041	0.00%	Note 4	\$-	Need for operating	\$ -	-	\$ -	\$92,344	\$92,344
2	Kwan-Ze	Radbon	Other receivables	Y	\$15,000	\$15,000	\$10,000	0.00%	Note 4	\$ -	Need for operating	\$ -	-	\$ -	\$140,428	\$140,428

Note 1: The above transactions were all made between consolidated entities in the Group and have been reversed.

Note 2: BJSB's financing limit for BJSB Tongan was set at 40% of the lender's net worth of the financial which were not reviewed by independent accountants as of 30 June 2018.
\$230,859*40%=\$92,344

Kwan-Ze's financing limit for Radbon was set 40% of the lender's net worth of the financial report which were not reviewed by independent accountants as of 30 June 2018.
\$351,069*40%=\$140,428

Note 3: Total financing limit for individual counterparty was set at 40% of the lender's net worth of the financial report which were not reviewed by independent accountants as of 30 June 2018.

BJSB : \$230,859*40%=\$92,344

Kwan-Ze : \$351,069*40%=\$140,428

Note 4: For short-term financing.

Attachment 2: Endorsement/Guarantees provided to others for the six-month periods ended 30 June 2018

No. (Note 1)	Endorser/ Guarantor	Receiving party		Limit of guarantee/endorsement amount for receiving party (Note 3)	Maximum balance for the period	Ending balance	Actual amount provided	Amount of collateral guarantee/ endorsement	Percentage of accumulated guarantee amount to net assets value from the latest financial statement	Limit of total guarantee/ endorsement amount (Note 4)	Parent company's guarantee/ endorsement amount to subsidiaries (Note 5)	Subsidiaries' guarantee/ endorsement amount to parent company (Note 5)	Guarantee/ endorsement amount to company in Mainland China (Note 5)
		Company name	Relationship (Note 2)										
0	The Company	JYSB	2	\$2,360,722	\$366,000	\$366,000	\$ -	none	6.20%	\$5,901,805	Y	N	Y
0	The Company	BJSB Tongan	2	\$2,360,722	\$729,276	\$640,791	\$69,504	none	10.86%	\$5,901,805	Y	N	Y
0	The Company	SHSB	2	\$2,360,722	\$45,750	\$45,750	\$ -	none	0.78%	\$5,901,805	Y	N	Y
0	The Company	T-CONN Zhongshan	2	\$2,360,722	\$274,500	\$274,500	\$82,481	none	4.65%	\$5,901,805	Y	N	Y
0	The Company	T-CONN Precision	2	\$2,360,722	\$222,000	\$222,000	\$ -	none	3.76%	\$5,901,805	Y	N	N
0	The Company	TCSB	2	\$2,360,722	\$167,750	\$167,750	\$ -	none	2.84%	\$5,901,805	Y	N	Y
0	The Company	SZSB	2	\$2,360,722	\$15,250	\$15,250	\$ -	none	0.26%	\$5,901,805	Y	N	Y
0	The Company	ET Hungary	2	\$2,360,722	\$133,116	\$131,900	\$53,884	none	2.23%	\$5,901,805	Y	N	N

Note 1: The Company and its subsidiaries are coded as follows:

1. The Company is coded "0".

2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: According to the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" issued by the R.O.C. Securities and Futures Bureau, receiving parties should be disclosed as one of the following:

1. A company with which it does business.

2. A company in which the public company directly and indirectly holds more than 50 percent of the voting shares.

3. A company that directly and indirectly holds more than 50 percent of the voting shares in the public company.

4. A company in which the public company holds, directly or indirectly, 90% or more of the voting shares.

5. A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.

6. A company that all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.

7. Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: Limit of guarantee/endorsement amount for receiving party is 40% of the net worth of the financial report reviewed by the certified public accountants as of 30 June 2018.

\$5,901,805*40%=\$2,360,722

Note 4: Limit of total guarantee/ endorsement amount is 100% of the net worth of the financial report reviewed by the certified public accountants as of 30 June 2018.

Note 5: "Y" for the listed (OTC) parent company guarantees/endorsements for subsidiary, subsidiary guarantees/endorsements for the listed (OTC) parent company or guarantee/endorse for companies in Mainland China.

Attachment 3: Securities held as of 30 June 2018. (Excluding subsidiaries, associates and joint ventures)

Holding Company	Type and name of securities	Relationship (Note 1)	Financial statement account	as of 30 June 2018				Note
				Shares	Book value	Percentage of ownership (%)	Fair value	
The Company	Chengding Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income-noncurrent	15,000,000 shares	\$104,889	11.11%	\$104,889	-
The Company	Top Taiwan Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income-noncurrent	6,000,000 shares	55,816	7.50%	55,816	-
The Company	Dynahz Technologies	-	Financial assets at fair value through other comprehensive income-noncurrent	2,771,670 shares	38,372	16.67%	38,372	-
Kwan-Ze	Chengding Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income-noncurrent	5,000,000 shares	34,932	3.70%	34,932	-
The Company	Top Taiwan VII Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income-noncurrent	2,418,368 shares	22,303	3.06%	22,303	-
The Company	Gongwin Biopharm Holdings Co., Ltd.	-	Financial assets at fair value through other comprehensive income-noncurrent	235,000 shares	15,381	0.23%	15,381	-
Kwan-Ze	Actmax Technologies Inc.	-	Financial assets at fair value through other comprehensive income-noncurrent	-	5,386	19.00%	5,386	-
The Company	Top Taiwan III Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income-noncurrent	691,057 shares	5,099	4.07%	5,099	-
The Company	Japen Sinbon Electronics Co., Ltd.	-	Financial assets at fair value through other comprehensive income-noncurrent	75 shares	3,728	15.00%	3,728	-
The Company	Top Taiwan II Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income-noncurrent	697,500 shares	2,730	5.00%	2,730	-
The Company	HOTWIRE Development LLC	-	Financial assets at fair value through other comprehensive income-noncurrent	11,000 shares	1,925	10.00%	1,925	-
The Company	Bandrich, Inc.	-	Financial assets at fair value through other comprehensive income-noncurrent	330,000 shares	860	1.62%	860	-
			Total		\$291,421			

Note 1: Not required if the issuer of securities is not a related party.

Attachment 4: Related party transactions for purchases and sales exceeding the lower of NT\$100 million or 20 percent of the capital stock for the three-month periods ended 30 June 2018

Related-party	Counter-party	Relationship	Intercompany Transactions			Details of non-arm's length transaction			Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	Percentage of total consolidated purchase (Sales)	Terms	Unit price	Terms	Carrying amount	Percentage of total consolidated receivables (payable)	
The Company	JYSB	Subsidiary	Purchase	\$778,997	43.26%	Trading condition is as same as other supplier	N/A	N/A	\$ (266,104)	(33.63)%	
HKSB	JYSB	Associate	Purchase	\$263,938	29.20%	Trading condition is as same as other supplier	N/A	N/A	\$ (89,864)	(21.81)%	
T-CONN	SPL	Associate	Purchase	\$128,181	41.64%	Trading condition is as same as other supplier	N/A	N/A	\$ (85,089)	-42.69%	

Attachment 5: Receivables from related parties with accounts exceeding the lower of NT\$100 million or 20 percent of the capital stock as of 30 June 2018

Related-party	Counter-party	Relationship	Amount	Average collection turnover	Overdue account receivable-related parties		Collection in subsequent period	Allowance for doubtful debts
					Amount	Processing method		
JYSB	The Company	Subsidiary	\$266,104	4.47	\$ -	N/A	\$ -	\$ -

Attachment 6: The business relationship, significant transactions and amounts between parent company and subsidiaries

No. (Note 1)	Related-party	Counter-party	Relationship with the Company (Note 2)	Transactions			
				Account	Amount	Terms	Percentage of consolidated operating revenues or consolidated total
0	The Company	JYSB	1	Purchase	\$778,997	(Note 4)	10.49%
1	JYSB	The Company	2	Sales	\$778,997	(Note 4)	10.49%
1	JYSB	HKSB	3	Sales	\$263,938	(Note 4)	3.55%
2	HKSB	JYSB	3	Purchase	\$263,938	(Note 4)	3.55%
3	T-CONN	SPL	3	Purchase	\$128,181	(Note 4)	1.73%
4	SPL	T-CONN	3	Sales	\$128,181	(Note 4)	1.73%

Note 1 : The Company is coded "0". The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2 : Transactions are categorized as follows:

1. The holding company to subsidiary.
2. Subsidiary to holding company.
3. Subsidiary to subsidiary.

Note 3 : The percentage with respect to the consolidated asset/liability for transactions of balance sheet items are based on each item's balance at period-end.

For profit or loss items, interim cumulative balances are used as basis.

Note 4 : The sales price to the above related parties was determined through mutual agreement based on the market conditions.

Attachment 7: Names, locations, main businesses and products, original investment amount, investment as of 30 June 2018, net income (loss) of investee company and investment income (loss) recognized as of 30 June 2018:
(Excluding investment in Mainland China)

Investor	Investee company (Note 1)	Address	Main businesses and products	Initial Investment		Investment as of 30 June 2018			Investment income (loss) recognized	Note
				Ending balance	Beginning balance	Number of shares	Percentage of ownership (%)	Book value		
The Company	HKSB	Hong Kong	Manufacturing and selling a wide variety of connectors, wires and cables.	HKD95,606,000 \$401,262	HKD95,606,000 \$401,262	-	100.00%	\$619,938	\$99,319	Subsidiary
The Company	Kwan-Ze	New Taipei City, Taiwan	Holding company	\$235,600	\$235,600	23,560,000 shares	100.00%	\$351,069	\$22,226	Subsidiary
The Company	Top Taiwan IV Venture Capital Co., Ltd	Taipei City, Taiwan	Holding company	\$22,400	\$40,000	2,240,000 shares	20.00%	\$22,770	\$(400)	Investee under the equity method
The Company	SB BVI	British Virgin Islands	Holding company	USD40,021,000 \$1,368,401	USD40,421,000 \$1,309,185	-	100.00%	\$3,395,707	\$159,597	Subsidiary
The Company	Argosy Technologies Co., Ltd.	Hsinchu City, Taiwan	Produce and sells a variety of electronic components, computers and peripheral equipment	\$30,648	\$30,648	2,945,034 shares	3.59%	\$52,334	\$4,457	Investee under the equity method
The Company	Worldwide Wire Harnesses Co., Ltd.	Samoa	Logistic center.	USD75,000 \$2,451	USD75,000 \$2,451	-	50.00%	\$1,361	\$(10,223)	Subsidiary
The Company	S E L	Mauritius	Holding company	USD4,233,000 \$136,361	USD4,233,000 \$136,361	-	64.48%	\$15,578	\$(19)	Subsidiary
The Company	Sinbon USA LLC	216th street SW, Suite D Lynnwood WA 98036	Logistic center.	USD3,000,000 \$93,412	USD3,000,000 \$93,412	-	100.00%	\$67,198	\$(538)	Subsidiary
The Company	Sinbon Europe GmbH	Pfankirchen, Germany	Logistic center.	EUR5,209,000 \$185,241	EUR5,209,000 \$185,241	-	100.00%	\$147,412	\$(13,266)	Subsidiary
The Company	Radbon	Miaoili County, Taiwan	Manufacturing and selling signal cables and cabin wiring.	\$33,000	\$27,000	3,300,000 shares	55.00%	\$32,739	\$(475)	Subsidiary
The Company	T-CONN	New Taipei City, Taiwan	Manufacturing and selling a wide variety of connectors, wires and cables.	\$56,510	\$56,510	5,633,950 shares	64.48%	\$75,130	\$10,305	Subsidiary
T-CONN	S P L	Mauritius	Logistic center.	\$3,039	\$3,039	-	100.00%	\$25,208	\$6,855	Subsidiary
Sinbon USA LLC	Circuits & Cables LLC (C&C)	815 South Brown School Road Vandalia, OH 45377, USA	Selling a wide variety of connectors and cables.	USD 1,604,000	USD 1,604,000	-	40.00%	USD1,414,000 \$43,125	USD(427,000) \$(12,619)	Investee under the equity method
Kwan-Ze	Digt O2	Miaoili Country, Taiwan	Selling a wide variety of connectors and cables.	\$-	\$108,770	-	-	\$-	\$-	Subsidiary
Kwan-Ze	Argosy Research Inc.	Hsinchu City, Taiwan	Produce and sells a variety of electronic components, computers and peripheral equipment	\$147,175	\$147,175	14,624,200 shares	17.81%	\$264,165	\$124,242	Investee under the equity method

Attachment 7: Names, locations, main businesses and products, original investment amount, investment as of 30 June 2018, net income (loss) of investee company and investment income (loss) recognized as of 30 June 2018:
(Excluding investment in Mainland China)

Investor	Investee company (Note 1)	Address	Main businesses and products	Initial Investment		Investment as of 30 June 2018			Investment income (loss) recognized	Note (Note 1)
				Ending balance	Beginning balance	Number of shares	Percentage of ownership (%)	Book value		
Worldwide Wire Harnesses Co., Ltd.	STT	U.S.A Tennessee	Logistic center.	USD140,000 \$4,542	USD140,000 \$4,542	-	100.00%	USD(161,000) \$(4,905)	USD(346) \$(10,223)	Subsidiary
Argosy Research Inc.	Argosy Technology Inc.(USA)	U.S.A	Sell Multimedia related products, ODM and OED	\$30,347	\$30,347	900 shares	100.00%	\$ -	\$ -	Investee under the equity method
Argosy Research Inc.	Ari International B.V.	The Netherlands	Leasing operations and sell ODM and OED	\$22,314	\$22,314	-	100.00%	\$16,330	\$(178)	Investee under the equity method
Argosy Research Inc.	Ari International (Singapore)Pte.,Ltd. (AIS)	Singapore	Holding company	\$32,697	\$32,697	-	100.00%	\$4,996	\$(15)	Investee under the equity method
Argosy Research Inc.	NOVAC ARGOSY	Tokyo	Sell computer peripheral products	\$4,294	\$4,294	-	49.00%	\$ -	\$ -	Investee under the equity method
Argosy Research Inc.	Global Saber Electronics Co., Ltd.	Mauritius	Selling a wide variety of connectors and cables.	\$ -	\$ -	-	100.00%	\$75,480	\$(1,807)	Investee under the equity method
Argosy Research Inc.	ROTEC LIMITED	British Virgin Islands	Holding company	\$268,479	\$268,479	8,550 shares	77.38%	\$416,183	\$11,111	Investee under the equity method
Global Saber Electronics Co., Ltd	ROTEC LIMITED	British Virgin Islands	Holding company	\$72,918	\$72,918	2,500 shares	22.62%	\$121,660	\$11,111	Investee under the equity method
Sinbon Europe GmbH	Sinbon Electronic Holding GmbH	Germany	Holding company	EUR5,184,000 \$181,113	EUR5,184,000 \$181,113	-	51.00%	EUR4,135,000 \$146,578	EUR(634,000) \$(22,681)	Subsidiary
Sinbon Electronic Holding GmbH	ET Hungary	Hungary	Selling,Producing and Processing a wide variety of connectors and cables.	EUR1,080,000 \$38,364	EUR1,080,000 \$38,364	-	100.00%	EUR2,590,000 \$91,830	EUR(624,000) \$(22,314)	Subsidiary
Sinbon Electronic Holding GmbH	ET Germany	Germany	Logistic center.	EUR1,245,000 \$44,225	EUR1,245,000 \$44,225	-	100.00%	EUR1,397,000 \$49,515	EUR(1,000) \$(46)	Subsidiary

Note 1: (1) "Investee company", "Address", "Main businesses and products", "Initial Investment" and "Investment as of 30 June 2018" shall be filled in the Company's investment.

to the subsidiaries' re-investment in corresponding order, and indicate the relationship in the Notes.

(2) "Net income (loss) of investee company" shall be filled in net income (loss) of investee for the three-month period ended 30 June 2018.

(3) "Investment income (loss) recognized", shall be filled in only investment income (loss) under the equity method, and the investor shall confirm that its investment income (loss) includes the subsidiaries' re-investment.

Attachment 8: Investment in Mainland China

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of 1 January 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of 30 June 2018	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as of 30 June 2018	Accumulated Inward Remittance of Earnings as of 30 June 2018
					Outflow	Inflow						
BJSB	Manufacturing and selling a wide variety of connectors, wires and cables.	USD 4,450,000	Indirectly investment in Mainland China through remittance from a third region.	USD 1,020,000 \$30,719	\$ -	\$ -	USD 1,020,000 \$30,719	\$3,309	100.00%	\$3,309 (Note 2)	\$230,878	USD11,030,000 \$351,623
JY Sinact	Manufacturing and selling a wide variety of connectors, wires and cables.	USD 31,780,000	Indirectly investment in Mainland China through companies registered in a third region.	USD 22,050,000 \$705,108	\$ -	\$ -	USD 22,050,000 \$705,258	USD4,019,000 \$118,769	100.00%	USD4,019,000 \$118,769 (Note 1)	USD81,552,000 \$2,487,333	USD19,761,000 \$608,088
SHSB	Selling a wide variety of connectors, wires and cables.	USD 3,280,000	Indirectly investment in Mainland China through companies registered in a third region.	USD 1,700,000 \$55,358	\$ -	\$ -	USD 1,700,000 \$55,358	USD(300,000) \$8,880	100.00%	USD300,000 \$8,880 (Note 2)	USD6,324,000 \$192,885	USD1,587,000 \$48,389
SZSB	Selling a wide variety of connectors, wires and cables.	USD 2,810,000	Indirectly investment in Mainland China through companies registered in a third region.	USD 2,750,000 \$83,385	\$ -	\$ -	USD 2,750,000 \$83,385	USD712,000 \$21,047	100.00%	USD712,000 \$21,047 (Note 2)	USD9,959,000 \$303,756	USD13,500,000 \$61,261
TCSB	Selling a wide variety of connectors, wires and cables.	USD 6,000,000	Indirectly investment in Mainland China through companies registered in a third region.	USD 3,000,000 \$96,090	USD 2,000,000 \$59,216	\$ -	USD 5,000,000 \$155,306	USD473,000 \$13,990	100.00%	USD473,000 \$13,990 (Note 2)	USD12,948,000 \$394,910	USD196,000 \$5,890
China Digital Library Corp Ltd.	Technology development of computer software, transfer of technology, advisory service	RMB 88,600,000	Indirectly investment in Mainland China through companies registered in a third region.	USD 750,000	\$ -	\$ -	USD 750,000	\$ -	4.85%	\$ -	\$ -	\$ -
Argosy (Beijing) Technologies Co., Ltd.	Selling a wide variety of connectors, wires and cables.	RMB 5,000,000	Indirectly investment in Mainland China through companies registered in a third region.	USD 76,000	\$ -	\$ -	USD 76,000	\$ -	12.00%	\$ -	\$ -	\$ -
Wu Xi S&D	Manufacturing and selling new flat panel displays.	USD 4,000,000	Indirectly investment in Mainland China through companies registered in a third region.	USD 1,900,000 \$61,823	\$ -	\$ -	USD 1,900,000 \$61,823	\$ -	-	\$ -	\$ -	\$ -
Ning Bo Smart and Diligent Co., Ltd.	Manufacturing and selling a new Flat Panel Display.	USD 2,000,000	Indirectly investment in Mainland China through companies registered in a third region.	USD 1,140,000 \$37,025	\$ -	\$ -	USD 1,140,000 \$37,025	\$ -	-	\$ -	\$ -	\$ -
JY Sinact	Manufacturing and selling a wide variety of electronic materials.	USD 9,500,000	Indirectly investment in Mainland China through companies registered in a third region.	USD 5,266,000 \$164,599	\$ -	\$ -	USD 5,266,000 \$164,599	\$ -	-	\$ -	\$ -	\$ -

Attachment 8: Investment in Mainland China

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of 1 January 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of 30 June 2018	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as of 30 June 2018	Accumulated Inward Remittance of Earnings as of 30 June 2018
					Outflow	Inflow						
Shang Hai Comtek Electronics Trading Co., Ltd.	Selling a wide variety of electronic materials.	USD 160,000	Indirectly investment in Mainland China through companies registered in a third region.	USD 104,000 \$3,302	\$ -	\$ -	USD 104,000 \$3,302	\$ -	-	\$ -	\$ -	\$ -
Dong Guan CMK	Manufacturing and selling a wide variety of connectors, wires and cables.	USD 1,000,000	Indirectly investment in Mainland China through companies registered in a third region.	USD 645,000 \$20,768	\$ -	\$ -	USD 645,000 \$20,768	\$ -	-	\$ -	\$ -	\$ -
T-CONN Zhongshan	Manufacturing and selling a wide variety of connectors, wires and cables.	USD 7,100,000	Indirectly investment in Mainland China through companies registered in a third region.	USD 3,086,000 \$99,007	\$ -	\$ -	USD 3,086,000 \$99,007	\$(1,895)	64.48%	\$(1,222) (Note 2)	\$(9,779)	\$ -
BJSB Tongan	Manufacturing and selling a wide variety of connectors, wires and cables.	USD 3,000,000	Indirectly investment in Mainland China through remittance from a third region.	USD 3,000,000 \$89,134	\$ -	\$ -	USD 3,000,000 \$89,134	\$177,351	100.00%	\$177,351 (Note 1)	\$1,125,117	RMB 4,600,000 \$138,528

Accumulated Investment in Mainland China as of 30 June 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
USD 48,487,000	USD 53,420,000	N/A (Note 3)

Note 1: Based on the financial statements certified by the public accountant of the parent company in Taiwan.

Note 2: The financial statements were not reviewed by independent accounts.

Note 3: According to Order No. Shen-Zi-09704604680 issued by Ministry of Economic Affairs, R.O.C., the Company's investment in Mainland China is not limited to 60% of net worth or consolidated net worth specified by the Investment Commission.