Coxon Precise Industrial Co., Ltd. and Subsidiaries

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

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

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

Very truly yours,

COXON PRECISE INDUSTRIAL CO., LTD.

By:

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CHANG, WEN-TUNG
Director

March 19, 2018

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Coxon Precise Industrial Co., Ltd.

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC) and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

The descriptions of the key audit matters of the consolidated financial statements for the year ended December 31, 2017 are as follows:

<u>Impairment of Trade Receivables</u>

For the year ended December 31, 2017, the Group's trade receivables less the impairment loss of $21,438 thousand amounted to $2,032,696 thousand, and the overdue receivables less the impairment loss of $23,004 thousand amounted to $0. Refer to Notes 5, 10 and 17 to the accompanying consolidated financial statements.

Since the recognition of the impairment of trade receivables is subject to the judgment of the management, such as the evaluation of the Group's previous experience with collecting payments, the increase in the number of delayed payments exceeding the average credit period, etc., which involves significant uncertainty, we deemed the impairment of trade receivables as a key audit matter.

For the above key audit matter, we considered the adequacy of the impairment recognized for trade receivables overdue individually by their significance. We performed the major audit procedures as follows:

1. Understand the Group's policy in terms of estimating impairment of trade receivables and test the aging of trade receivables to calculate the impairment of trade receivables estimated by the management; and

2. Compare the aging classification of trade receivables with the percentage of impairment recognized and examine the trade receivables written off between the current year and the previous year to evaluate the adequacy of the impairment recognized for trade receivables; and

3. Review the Group's processing of past due trade receivables and evaluate the recoverability of past due trade receivables to determine whether the recognition of impairment of trade receivables is appropriate and sufficient.

<u>Impairment of Inventory</u>

For the year ended December 31, 2017, the Group's inventory less the allowance of impaired inventory of $207,248 thousand amounted to $682,613 thousand, accounting for 7% of the Group's total assets, and hence was considered significant. As for the information about the accounting policies and related disclosures of the impairment of inventory, refer to Notes 5 and 11 to the accompanying consolidated financial statements.

Since the recognition of the impairment of inventory is subject to the judgment of the management, such as the evaluation of the net realizable value of inventory and the percentage of impairment, which involve significant uncertainty, we deemed the impairment of inventory as a key audit matter.

For the above key audit matter, we evaluated the adequacy of the allowance of impaired inventory by performing the following audit procedures:

1. Understand the management's policy on inventory evaluation, including the periodic assessment of the allowance of impaired inventory approved by the management and the documentation of entries; and

2. Select samples from the year end list of inventory to examine the purchase price of raw materials and the selling price of finished goods, to perform our own calculation of the net realizable value and to compare our determined the net realizable value of inventories with the Group's carrying amounts so as to assess the reasonableness of the impairment loss of inventories; and

3. Obtain and check the correctness of the aging of inventory and check whether the Group has recognized the allowance of impaired inventory based on its policy; and

4. At the end of the year, observe the storage of inventory of the Group in order to understand the inventory of waste, obsolete goods and other distinctions and assess the adequacy of the allowance of impaired inventory as evaluated by the management.

The Impairment of Property, Plant and Equipment

For the year ended December 31, 2017, the carrying amount of property, plant and equipment in the consolidated balance sheet was $2,985,645 thousand. The Group should assess whether there is any indication that an asset might be impaired at the end of each reporting period. If there is an indication that an asset might be impaired, the asset's recoverable amount must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. As the total carrying amount of property, plant and equipment accounts for 32% of the Group's combined total assets in the consolidated balance sheet, it is considered material to the consolidated financial statements as a whole. Moreover, the estimation of the recoverable amount involves a number of assumptions and estimates which directly affect the amount of impairment loss recognized; hence, we deemed the recognized impairment of property, plant and equipment as a key audit matter of the consolidated financial statements.

For the key audit matter above, to evaluate whether the recognized impairment of property, plant and equipment is reasonable, the main auditing procedures performed are as follows:

1. Obtain the report of asset impairment assessment made by the management, which is based on cash-generating units.

2. Evaluate the rationality of indications of impairment recognized by the management and identify whether the assumptions of the impairment test, including the difference between cash-generating units, cash flow forecasts and discount rates, are appropriate.

Other Matters

The investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2017 and 2016 were based on the associates' financial statements audited by other auditors for the same years.

As of December 31, 2017 and 2016, the amount of investment accounted for using the equity method were $324,133 thousand and $336,185 thousand, respectively, which both accounted for 3% of the total consolidated asset, respectively. For the years of 2017 and 2016, the share of profit or loss of associate and joint ventures were $3,575 thousand and $188,538 thousand, respectively, which accounted for 1% and 44% of the loss before income tax.

We have also audited the parent company only financial statements of Coxon Precise Industrial Co. as of and for the years ended December 31, 2017 and 2016 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRS, IAS, IFRIC and SIC endorsed and issued into effect by the FSC of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the supervisors) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Su-Huan You and Bo-Ren Weng.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 19, 2018

<u>*Notice to Readers*</u>

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

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

COXON PRECISE INDUSTRIAL CO., LTD. AND SUBSIDIARIES

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

	2017		2016	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6 and 32)	$ 1,889,851	20	$ 2,921,812	28
Available-for-sale financial assets - current (Notes 4, 8 and 32)	19,780	-	17,328	-
Trade receivables (Notes 4, 5, 10 and 32)	2,032,398	22	1,996,004	19
Trade receivables from related parties (Notes 4, 5, 10, 32 and 33)	298	-	19,739	-
Other receivables (Notes 4 and 32)	32,698	1	44,480	-
Other receivables from related parties (Notes 4, 32 and 33)	31,909	-	53,116	1
Current tax assets (Note 26)	-	-	27	-
Inventories (Notes 4, 5 and 11)	682,613	7	693,432	7
Prepayments (Notes 16 and 34)	140,191	2	152,553	1
Other financial assets - current (Notes 4, 17, 32 and 34)	678,944	7	248,433	2
Other current assets (Note 17)	5,852	-	6,223	-
Total current assets	5,514,534	59	6,153,147	58
NON-CURRENT ASSETS				
Financial assets measured at cost - non-current (Notes 4, 5 and 9)	101,398	1	56,345	1
Investments accounted for using the equity method (Notes 4 and 13)	324,133	3	336,185	3
Property, plant and equipment (Notes 4, 5, 14 and 34)	2,985,645	32	3,513,518	33
Intangible assets (Notes 4 and 15)	43,354	-	50,744	-
Deferred tax assets (Notes 4, 5 and 26)	207,321	2	164,503	2
Prepayments for equipment (Note 35)	149,742	2	271,506	3
Long-term prepayments for leases (Notes 16 and 34)	50,084	1	53,125	-
Other non-current assets (Notes 4, 10 and 17)	7,877	-	6,880	-
Total non-current assets	3,869,554	41	4,452,806	42
TOTAL	$ 9,384,088	100	$ 10,605,953	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - current (Notes 4, 7, 19 and 32)	$ 2,425	-	$ 33,760	-
Notes payable (Notes 20 and 32)	484	-	650	-
Trade payables (Notes 20 and 32)	969,939	10	918,163	9
Payables on equipment (Note 32)	47,478	1	46,890	-
Other payables (Notes 21, 32 and 35)	775,202	8	790,897	8
Other payables to related parties (Notes 21, 32 and 33)	228	-	1,588	-
Current tax liabilities (Notes 4, 26 and 32)	47,417	1	13,408	-
Provisions - current (Notes 4 and 22)	16,261	-	19,533	-
Receipts in advance (Note 33)	51,618	1	53,754	1
Current portion of long-term borrowings and bonds payable (Notes 18, 19, 29 and 32)	796,534	8	4,167	-
Other current liabilities (Notes 21 and 33)	11,498	-	39,212	-
Total current liabilities	2,719,084	29	1,922,022	18
NON-CURRENT LIABILITIES				
Bonds payable (Notes 4, 19 and 32)	-	-	745,238	7
Long-term borrowings (Notes 18 and 32)	1,200,000	13	1,495,833	14
Deferred tax liabilities (Notes 4 and 26)	140,284	2	294,010	3
Net defined benefit liabilities - non-current (Notes 4, 5 and 23)	40,705	-	32,710	-
Other non-current liabilities (Note 21)	7,566	-	33,695	1
Total non-current liabilities	1,388,555	15	2,601,486	25
Total liabilities	4,107,639	44	4,523,508	43
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4, 24, 26 and 28)				
Share capital				
Ordinary shares	1,216,622	13	1,251,512	12
Capital surplus	2,749,231	29	3,017,023	28
Retained earnings				
Legal reserve	671,798	7	671,798	6
Special reserve	28,722	-	-	-
Unappropriated earnings	657,852	7	1,102,247	11
Total retained earnings	1,358,372	14	1,774,045	17
Other equity	(221,728)	(2)	(28,722)	-
Treasury shares	-	-	(81,084)	(1)
Total equity attributable to owners of the Company	5,102,497	54	5,932,774	56
NON-CONTROLLING INTERESTS	173,952	2	149,671	1
Total equity	5,276,449	56	6,082,445	57
TOTAL	$ 9,384,088	100	$ 10,605,953	100

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

(With Deloitte & Touche auditors' report dated March 19, 2018)

COXON PRECISE INDUSTRIAL CO., LTD. AND SUBSIDIARIES

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

	2017		2016	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 33)	$ 6,024,092	100	$ 6,144,911	100
OPERATING COSTS (Notes 11, 25 and 33)	(5,675,461)	(94)	(5,681,146)	(92)
GROSS PROFIT	348,631	6	463,765	8
OPERATING EXPENSES (Note 25)				
Selling and marketing expenses	(209,463)	(3)	(203,021)	(3)
General and administrative expenses	(575,676)	(10)	(511,533)	(9)
Research and development expenses	(30,144)	(1)	(63,289)	(1)
Total operating expenses	(815,283)	(14)	(777,843)	(13)
OTHER OPERATING INCOME AND EXPENSES (Notes 25 and 33)	33,052	1	27,087	-
LOSS FROM OPERATIONS	(433,600)	(7)	(286,991)	(5)
NONOPERATING INCOME AND EXPENSES (Notes 4, 13, 14, 19, 25 and 33)				
Other income	10,463	-	9,296	-
Other gains and losses	(63,238)	(1)	71,955	1
Finance costs	(36,889)	(1)	(36,415)	-
Share of loss of associate and joint ventures	(3,575)	-	(188,538)	(3)
Total nonoperating income and expenses	(93,239)	(2)	(143,702)	(2)
LOSS BEFORE INCOME TAX FROM CONTINUING OPERATIONS	(526,839)	(9)	(430,693)	(7)
INCOME TAX BENEFIT (Notes 4, 5 and 26)	94,834	2	89,419	1
NET LOSS FOR THE YEAR	(432,005)	(7)	(341,274)	(6)
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 13, 23, 24 and 26)				
Items that will not be reclassified subsequently to profit or loss:				
Actuarial loss arising from defined benefit plans	(8,125)	-	(8,278)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	1,381	-	1,407	-

(Continued)

COXON PRECISE INDUSTRIAL CO., LTD. AND SUBSIDIARIES

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

	2017		2016	
	Amount	**%**	**Amount**	**%**
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	$ (232,683)	(4)	$ (665,744)	(11)
Unrealized gain (loss) on available-for-sale financial assets	(2,325)	-	5,848	-
Income tax relating to item that may be reclassified subsequently to profit or loss	39,057	-	112,219	2
Other comprehensive loss for the year, net of income tax	(202,695)	(4)	(554,548)	(9)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	$ (634,700)	(11)	$ (895,822)	(15)
NET LOSS ATTRIBUTABLE TO:				
Owners of the Company	$ (395,810)	(6)	$ (316,476)	(5)
Non-controlling interests	(36,195)	(1)	(24,798)	(1)
	$ (432,005)	(7)	$ (341,274)	(6)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:				
Owners of the Company	$ (595,560)	(10)	$ (865,366)	(14)
Non-controlling interests	(39,140)	(1)	(30,456)	(1)
	$ (634,700)	(11)	$ (895,822)	(15)
LOSSES PER SHARE (NEW TAIWAN DOLLARS; Note 27)				
Basic	$ (3.25)		$ (2.53)	
Diluted	$ (3.25)		$ (2.53)	

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

(With Deloitte & Touche auditors' report dated March 19, 2018) (Concluded)

COXON PRECISE INDUSTRIAL CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company											
							Other Equity					
	Ordinary Shares			Retained Earnings								
	Shares Issued (In Thousands)	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Treasury Shares	Total	Non-controlling Interests	Total Equity
BALANCE, JANUARY 1, 2016	125,151	$ 1,251,512	$ 2,940,462	$ 605,355	$ -	$ 2,017,672	$ 506,214	$ 7,083	$ -	$ 7,328,298	$ 35,290	$ 7,363,588
Appropriation of the 2015 earnings												
Legal reserve	-	-	-	66,443	-	(66,443)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(525,635)	-	-	-	(525,635)	-	(525,635)
Net loss for the year ended December 31, 2016	-	-	-	-	-	(316,476)	-	-	-	(316,476)	(24,798)	(341,274)
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	-	(6,871)	(547,867)	5,848	-	(548,890)	(5,658)	(554,548)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	(323,347)	(547,867)	5,848	-	(865,366)	(30,456)	(895,822)
Buy-back of treasury shares	-	-	-	-	-	-	-	-	(81,084)	(81,084)	-	(81,084)
Changes in percentage of ownership interests in subsidiaries	-	-	76,561	-	-	-	-	-	-	76,561	-	76,561
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	144,837	144,837
BALANCE, DECEMBER 31, 2016	125,151	1,251,512	3,017,023	671,798	-	1,102,247	(41,653)	12,931	(81,084)	5,932,774	149,671	6,082,445
Appropriation of the 2016 earnings												
Special reserve	-	-	-	-	28,722	(28,722)	-	-	-	-	-	-
Cash dividends from capital surplus	-	-	(182,493)	-	-	-	-	-	-	(182,493)	-	(182,493)
Buy-back of convertible bonds	-	-	(12,790)	-	-	-	-	-	-	(12,790)	-	(12,790)
Net loss for the year ended December 31, 2017	-	-	-	-	-	(395,810)	-	-	-	(395,810)	(36,195)	(432,005)
Other comprehensive loss for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(6,744)	(190,681)	(2,325)	-	(199,750)	(2,945)	(202,695)
Total comprehensive loss for the year ended December 31, 2017	-	-	-	-	-	(402,554)	(190,681)	(2,325)	-	(595,560)	(39,140)	(634,700)
Buy-back of treasury shares	-	-	-	-	-	-	-	-	(31,489)	(31,489)	-	(31,489)
Retirement of treasury shares	(3,489)	(34,890)	(64,564)	-	-	(13,119)	-	-	112,573	-	-	-
Changes in percentage of ownership interests in subsidiaries	-	-	(7,945)	-	-	-	-	-	-	(7,945)	7,945	-
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	55,476	55,476
BALANCE, DECEMBER 31, 2017	121,662	$ 1,216,622	$ 2,749,231	$ 671,798	$ 28,722	$ 657,852	$ (232,334)	$ 10,606	$ -	$ 5,102,497	$ 173,952	$ 5,276,449

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

(With Deloitte & Touche auditors' report dated March 19, 2018)

COXON PRECISE INDUSTRIAL CO., LTD. AND SUBSIDIARIES

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

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	$ (526,839)	$ (430,693)
Adjustments for:		
Depreciation expenses	720,207	740,980
Amortization expenses	17,643	18,153
Impairment loss recognized on trade receivables	25,022	8,621
Net loss on fair value changes of financial assets and liabilities designated as at fair value through profit or loss	3,648	21,920
Finance costs	36,889	36,415
Interest income	(10,285)	(9,296)
Dividend income	(178)	-
Share of loss of associates and joint ventures	3,575	188,538
Gain on disposal of property, plant and equipment	(3,258)	(5,721)
Gain on disposal of investments	(17,542)	(8,861)
(Reversal of) impairment loss recognized on property, plant and equipment	7,469	(15)
(Reversal of) write-down of inventories	30,340	(6,161)
Unrealized gain on the foreign currency exchange	(5,456)	(82)
Changes in operating assets and liabilities		
Notes receivable	-	3,747
Trade receivables	(48,638)	247,452
Other receivables	27,037	(12,920)
Inventories	(16,358)	(80,161)
Prepayments	14,323	119,253
Other current assets	371	1,278
Notes payable	(166)	(651)
Trade payables	64,074	85,008
Other payables	(18,909)	(58,364)
Provisions	(3,272)	8,263
Receipt in advance	(2,136)	22,238
Other current liabilities	(27,714)	22,098
Net defined benefit liabilities	(130)	(89)
Cash generated from operations	269,717	910,950
Interest received	10,285	9,296
Dividends received	178	-
Interest paid	(26,304)	(32,198)
Income tax paid	(68,018)	(163,069)
Net cash generated from operating activities	185,858	724,979
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of available-for-sale financial assets	(1,645)	-
Proceeds from sale of available-for-sale financial assets	19,159	-
Purchase of financial assets measured at cost	(45,053)	-
Proceeds from sale of financial assets measured at cost	1,203	-

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COXON PRECISE INDUSTRIAL CO., LTD. AND SUBSIDIARIES

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

	2017	2016
Acquisition of investments accounted for using the equity method	$ -	$ (177,023)
Disposal of investments accounted for using the equity method	-	204,555
Net cash inflow on acquisition of subsidiaries	-	144,837
Payments for property, plant and equipment	(227,389)	(270,991)
Proceeds from disposal of property, plant and equipment	67,555	100,980
Increase in refundable deposits	(997)	(916)
Payments for intangible assets	(12,162)	(5,869)
(Increase) decrease in other financial assets	(430,511)	3,014
Increase in prepayments for equipment	(144,162)	(207,432)
Net cash used in investing activities	(774,002)	(208,845)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	-	(32,825)
Repayments of bonds	(701,041)	-
Proceeds from long-term borrowings	500,000	1,450,000
Repayments of long-term borrowings	(104,167)	(1,000,000)
Increase in guarantee deposits received	3,021	-
Refunds of guarantee deposits received	-	(215)
Dividends paid to owners of the Company	(182,493)	(525,635)
Payments to acquire treasury shares	(31,489)	(81,084)
Changes in non-controlling interests	55,476	-
Net cash used in financing activities	(460,693)	(189,759)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	16,876	(78,479)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,031,961)	247,896
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	2,921,812	2,673,916
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 1,889,851	$ 2,921,812

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

(With Deloitte & Touche auditors' report dated March 19, 2018) (Concluded)

1. GENERAL INFORMATION

Coxon Precise Industrial Co., Ltd. (the Company) was incorporated in the Republic of China (ROC) in June 1989. The Company mainly manufactures, packages and sells all kinds of molds, metal and plastic components and makes relevant investments.

The Company's shares were previously listed on the Taipei Exchange (formerly the Taiwan GreTai Securities Market) since January 2008 and has now been listed on the Taiwan Stock Exchange (TWSE) since October 2009.

The consolidated financial statements of the Company and its subsidiaries, collectively referred to as the Group, are presented in the Company's functional currency, New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on March 19, 2018.

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

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

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

   1) Amendments to IAS 36 "Recoverable Amount Disclosures for Non-financial Assets"

      The amendments clarify that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount of an item of property, plant and equipment for which impairment loss has been recognized or reversed is the fair value less costs of disposal, the Group is required to disclose the fair value hierarchy. If the fair value measurements are categorized within Level 2/Level 3, the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured by using the present value technique. The amendments should be applied retrospectively starting from January 1, 2017.

   2) Annual Improvements to IFRSs 2010-2012 Cycle

      Several standards, including IFRS 2 "Share-based Payment", IFRS 3 "Business Combinations" and IFRS 8 "Operating Segments", were amended in this annual improvement.

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

IFRS 3 was amended to clarify that contingent consideration should be measured at fair value, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39. Changes in fair value should be recognized in profit or loss. The amendment should be applied prospectively to business combinations with acquisition dates on or after January 1, 2017.

The amended IFRS 8 requires the Group to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have "similar economic characteristics". The amendment also clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segments' assets are regularly provided to the chief operating decision-maker.

When the amended IFRS 13 becomes effective in 2017, the short-term receivables and payables with no stated interest rate should be measured at their invoice amounts without discounting, if the effect of not discounting is immaterial.

IAS 24 "Related Party Disclosures" was amended to clarify that a management entity providing key management personnel services to the Group is a related party of the Group. Consequently, the Group is required to disclose as related party transactions the amounts incurred for the services paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

3) Annual Improvements to IFRSs 2011-2013 Cycle

Several standards, including IFRS 3, IFRS 13 and IAS 40 "Investment Property", were amended in this annual improvement.

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even those contracts which do not meet the definitions of financial assets or financial liabilities within IAS 32.

4) Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"

An entity should use the appropriate depreciation and amortization method to reflect the pattern in which the future economic benefits of property, plant and equipment and intangible assets are expected to be consumed by the entity.

The amended IAS 16 "Property, Plant and Equipment" stipulates that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. The amended standard does not provide any exception from this requirement.

The amended IAS 38 "Intangible Assets" clarifies that there is a rebuttable presumption that an amortization method that is based on revenue that is generated by an activity that includes the use of an intangible asset is not appropriate. This presumption can be overcome only in the following limited circumstances when:

a) The intangible asset is expressed as a measure of revenue (for example, when there is a contract that specifies the entity's use of the intangible asset will expire upon the achievement of a revenue threshold); or

b) It can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

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

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

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

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

(Concluded)

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

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

1) Annual Improvements to IFRSs 2014-2016 Cycle

Several standards, including IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures," were amended in this annual improvement.

The amendment to IFRS 12 clarifies that when an entity's interest in a subsidiary, a joint venture or an associate is classified as held for sale or is included in a disposal group that is classified as held for sale, the entity is not required to disclose summarized financial information of that subsidiary, joint venture or associate in accordance with IFRS 12. However, all other requirements in IFRS 12 apply to interests in entities classified as held for sale in accordance with IFRS 5. The Group will apply the aforementioned amendment retrospectively.

2) IFRS 9 "Financial Instruments" and related amendments

<u>Classification, measurement and impairment of financial assets</u>

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

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

a) For debt instruments, if they are held within a business model whose objective is to collect contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with any impairment loss recognized in profit or loss. Interest revenue is recognized in profit or loss by using the effective interest method;

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

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

The Group analyzed the facts and circumstances of its financial assets that exist at December 31, 2017 and performed the assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9:

a) Listed shares, emerging market shares, and unlisted shares classified as available-for-sale will be classified as at fair value through profit or loss. Listed shares, emerging market shares, and unlisted shares classified as available-for-sale will be designated as at fair value through other comprehensive income and the fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal. Besides this, unlisted shares measured at cost will be measured at fair value instead;

b) Mutual funds classified as available-for-sale will be classified as at fair value through profit or loss because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments.

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

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

The Group has performed a preliminary assessment in which it will apply the simplified approach to recognize full-lifetime expected credit losses for trade receivables, contract assets and lease receivables. In relation to debt instrument investments and financial guarantee contracts, the Group will assess whether there has been a significant increase in credit risk to determine whether to recognize 12-month or full-lifetime expected credit losses. In general, the Group anticipates that the application of the expected credit losses model of IFRS 9 will result in an earlier recognition of credit losses for financial assets.

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

The anticipated impact on assets, liabilities and equity of retrospective application of the requirements for the classification, measurement and impairment of financial assets as of January 1, 2018 is set out below:

	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
Impact on assets, liabilities and equity			
Financial assets at fair value through other comprehensive income - current	$ -	$ 19,780	$ 19,780
Available-for-sale financial assets - current	19,780	(19,780)	-
Financial assets at fair value through other comprehensive income - non-current	-	107,976	107,976
Financial assets measured at cost - non-current	101,398	(101,398)	-
Total effect on assets		$ 6,578	
Retained earnings	1,358,372	$ 22,267	1,380,639
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	-	(5,083)	(5,083)
Unrealized gain/(loss) on available-for-sale financial assets	10,606	(10,606)	-
Total effect on equity		$ 6,578	

3) IFRS 15 “Revenue from Contracts with Customers” and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations.

When applying IFRS 15, the Group recognizes revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when the Group satisfies a performance obligation.

The Group elects to retrospectively apply IFRS 15 to contracts that are not complete on January 1, 2018 and recognize the cumulative effect of the change in retained earnings on January 1, 2018.

The Group’s preliminary evaluation of IFRS 16 shows that the regulation does not have material effect on its recognition of contract revenue of its existing clients. However, the impact of this regulation towards the Group’s 2018 financial report is determined based on the relevant contracts of its clients by the time of IFRS adoption.

4) Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”

The amendments clarify that the difference between the carrying amount of a debt instrument measured at fair value and its tax base gives rise to a temporary difference, even though there are unrealized losses on that asset, irrespective of whether the Group expects to recover the carrying amount of the debt instrument by sale or by holding it and collecting contractual cash flows.

In addition, in determining whether to recognize a deferred tax asset, the Group should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses as deduction against income of a specific type, in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendments also stipulate that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Group’s assets for more than their carrying amount if there is sufficient evidence that it is probable that the Group will achieve the higher amount, and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

In assessing a deferred tax asset, the Group currently assumes it will recover the asset at its carrying amount when estimating probable future taxable profit; the amendments will be applied retrospectively in 2018.

5) IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration.

The Group will apply IFRIC 22 prospectively to all assets, expenses and income recognized on or after January 1, 2018 within the scope of the interpretation.

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

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

New IFRSs	**Effective Date Announced by IASB (Note 1)**
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 16 “Leases”	January 1, 2019 (Note 3)
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 4)

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019

(Concluded)

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

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 4: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

   The amendments stipulate that, when an entity sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when an entity loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

   Conversely, when an entity sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors' interest in the associate or joint venture, i.e. the entity's share of the gain or loss is eliminated. Also, when an entity loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors' interest in the associate or joint venture, i.e. the entity's share of the gain or loss is eliminated.

2) IFRS 16 "Leases"

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

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

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

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

3) IFRIC 23 “Uncertainty Over Income Tax Treatments”

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Group should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Group concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Group should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Group should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the entity expects to better predict the resolution of the uncertainty. The Group has to reassess its judgments and estimates if facts and circumstances change.

On initial application, the Group shall apply IFRIC 23 either retrospectively to each prior reporting period presented, if this is possible without the use of hindsight, or retrospectively with the cumulative effect of the initial application of IFRIC 23 recognized at the date of initial application.

4) Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”

The amendments clarified that IFRS 9 shall be applied to account for other financial instruments in an associate or joint venture to which the equity method is not applied. These included long-term interests that, in substance, form part of the entity’s net investment in an associate or joint venture.

When the amendments become effective, the Group shall apply the amendments retrospectively. However, the Group may elect to recognize the cumulative effect of the initial application of the amendments in the opening carrying amount at the date of initial application, or to restate prior periods if, and only if, it is possible without the use of hindsight.

5) Amendments to IFRS 9 “Prepayment Features with Negative Compensation”

IFRS 9 stipulated that if a contractual term of a financial asset permits the issuer (i.e. the debtor) to prepay a debt instrument or permits the holder (i.e. the creditor) to put a debt instrument back to the issuer before maturity and the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination, the financial asset has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The amendments further explained that reasonable compensation may be paid or received by either of the parties, i.e. a party may receive reasonable compensation when it chooses to terminate the contract early.

When the amendments become effective, the Group shall apply the amendments retrospectively. However, the Group may elect to recognize the cumulative effect of the initial application of the amendments in the opening carrying amount at the date of initial application, or to restate prior periods if, and only if, it is possible without the use of hindsight.

6) Annual Improvements to IFRSs 2015-2017 Cycle

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 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.

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

d. Basis of consolidation

- Principles for preparing consolidated financial statements

  The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries, including structured entities).

  Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

  When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

  All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

  When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

  The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition of an investment in an associate or a jointly controlled entity.

  See Note 12, Tables 5 and 6 for detailed information on subsidiaries (including the percentages of ownership and main businesses).

e. Foreign currencies

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

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

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

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

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

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

f. Inventories

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

g. Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture.

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

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

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

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

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

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

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate and a joint venture. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate and the joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and the joint venture. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate and joint venture on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

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

h. Property, plant and equipment

Property, plant and equipment (including assets held under finance leases and bearer plants) are stated at cost less accumulated depreciation and accumulated impairment loss.

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

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

i. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

j. Impairment of tangible and intangible assets

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

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

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

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

k. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

Financial assets are classified into the following categories: Available-for-sale financial assets, and loans and receivables.

i. Available-for-sale financial assets

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

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

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

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

ii. Loans and receivables

Loans and receivables (including cash and cash equivalents, trade receivables, notes receivable, other financial assets and other receivables) are measured using the effective interest method at amortized cost less any impairment, except for short-term receivables when the effect of discounting is immaterial.

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

b) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

Except the following situations, all financial liabilities are carried at amortized cost using the effective interest method:

Financial liabilities are classified as at fair value through profit or loss when such financial liabilities are either held for trading or is designated as at fair value through profit or loss.

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any interest or dividends paid on the financial liability.

A financial liability may be designated as at fair value through profit or loss upon initial recognition when doing so results in more relevant information and if:

i. Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

ii. The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and has performance evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

iii. The contract contains one or more embedded derivatives so that the entire combined contract (asset or liability) can be designated as at fair value through profit or loss.

For a financial liability designated as at fair value through profit or loss, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and will not be subsequently reclassified to profit or loss. The remaining amount of changes in the fair value of that liability is presented in profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liability is derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in fair value of the liability are presented in profit or loss.

b) Derecognition of financial liabilities

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

4) Convertible bonds

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

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

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

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

l. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

m. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowances for sales returns and liabilities for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

1) Sale of goods

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

a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

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 Group; and

e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

2) Rendering of services

Service income is recognized when services are provided.

a) The amount of revenue can be measured reliably;

b) It is probable that the economic benefits associated with the transaction will flow to the entity;

c) The stage of completion of the transaction at the end of the reporting period can be measured reliably; and

d) The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

The Group recognized the revenue within the scope of recoverable costs, when the results of rendering services cannot be measured reliably; the Group does not recognized the revenue, when the results of rendering services cannot be measured reliably and the cost is likely unrecoverable.

3) Dividend and interest income

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

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

n. Leasing

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

2) The Group as lessee

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

o. Borrowing costs

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

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

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

p. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plans except that remeasurement is recognized in profit or loss.

4) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the Group recognizes any related restructuring costs.

q. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Income taxes

As of December 31, 2017 and 2016, the carrying amount of deferred tax assets in relation to unused tax losses and taxable temporary differences were $207,321 thousand and $164,503 thousand, respectively. As of December 31, 2017 and 2016, no deferred tax assets have been recognized on tax losses and taxable temporary differences of $1,435,825 thousand and $1,118,255 thousand, respectively, due to the unpredictability of future profit streams. The realizability of deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

b. Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of impairment loss is measured as the difference between an asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

c. Write-down of inventories

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

d. Recognition and measurement of defined benefit plans

The net defined benefit liabilities and the resulting defined benefit costs under the defined benefit pension plans are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rates, rates of employee turnover, future salary increases etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of related expenses and liabilities.

e. Impairment of financial asset measured at cost

The Group immediately recognizes impairment loss when there is any indication that the financial asset may be impaired and the carrying amount may not be recoverable. The Group's management evaluates the impairment based on the estimated future cash flow.

As of December 31, 2017 and 2016, the carrying amount of financial asset measured at cost are $101,398 thousand and $56,345 thousand, respectively; the carrying amount of the accumulated impairment is $22,267 thousand for both reporting dates.

f. Impairment of property, plant and equipment

The impairment of equipment in relation to the production of handsets was based on the recoverable amounts of those assets, which are the higher of their fair value less costs of disposal and their value in use. Any changes in the market prices or future cash flows will affect the recoverable amounts of those assets and may lead to recognition of additional impairment losses or reversal of impairment losses.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2017	2016
Cash on hand	$ 2,359	$ 2,443
Checking accounts and demand deposits	1,855,264	2,831,600
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	31,000	31,000
Bank acceptances	1,228	56,769
	$ 1,889,851	$ 2,921,812

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2017	2016
Financial liabilities held for trading - current		
Derivative financial liabilities		
Convertible options (Note 19 on convertible options)	$ 2,425	$ 33,760

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2017	2016
Domestic investments		
Listed shares and emerging market shares	$ 13,828	$ 17,328
Foreign investments		
Unlisted shares	5,952	-
	$ 19,780	$ 17,328

9. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT

	December 31	
	2017	2016
Overseas unlisted ordinary shares	$ 101,398	$ 56,345

Management believed the above unlisted equity investments held by the Group had fair values, which cannot be reliably measured, because the range of reasonable fair value estimates was so significant. Therefore, they were measured at cost less impairment at the end of the reporting period.

10. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31	
	2017	2016
Trade receivables		
Unrelated parties	$ 2,053,836	$ 2,012,125
Related parties	298	19,739
Less: Allowance for impairment loss	(21,438)	(16,121)
	$ 2,032,696	$ 2,015,743

The average credit period on sales of goods was 90-120 days. No interest was charged on trade receivables. The Group recognized an allowance for impairment loss of 100% against all receivables over 181 days because historical experience had been that receivables that are past due 181 days and beyond were not recoverable. Allowance for impairment loss were recognized against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience with the counterparties and an analysis of their current financial position.

Trade receivables disclosed above included amounts (the aging analysis is shown below) that were past due at the end of the reporting period but for which the Company did not recognized an allowance for impairment loss because there were no significant changes in their credit quality and the amounts were considered recoverable.

The aging analysis of the trade receivables that were impaired was as follows:

	December 31	
	2017	2016
Not overdue	$ 1,841,185	$ 1,865,562
Overdue with aging of 1-30 days	143,612	84,769
Overdue with aging of 31-60 days	44,193	52,953
Overdue with aging of 61-90 days	7,715	16,788
Overdue with aging of 91-180 days	7,331	7,284
Overdue with aging of 181 days or more	10,098	4,508
	$ 2,054,134	$ 2,031,864

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

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2016	$ -	$ 37	$ 37
Less: Impairment losses reversed	-	(37)	(37)
Balance at December 31, 2016	$ -	$ -	$ -
Balance at January 1, 2017	$ -	$ -	$ -
Less: Impairment losses reversed	-	-	-
Balance at December 31, 2017	$ -	$ -	$ -

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

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2016	$ -	$ 7,508	$ 7,508
Add: Impairment losses recognized on receivables	-	8,968	8,968
Foreign exchange translation gains and losses	-	(355)	(355)
Balance at December 31, 2016	$ -	$ 16,121	$ 16,121
Balance at January 1, 2017	$ -	$ 16,121	$ 16,121
Add: Impairment losses recognized on receivables	-	5,496	5,496
Foreign exchange translation gains and losses	-	(179)	(179)
Balance at December 31, 2017	$ -	$ 21,438	$ 21,438

The movements of the allowance of doubtful overdue receivable were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2016	$ -	$ 3,943	$ 3,943
Less: Impairment losses reversed	-	(312)	(312)
Foreign exchange translation gains and losses	-	(299)	(299)
Balance at December 31, 2016	$ -	$ 3,332	$ 3,332
Balance at January 1, 2017	$ -	$ 3,332	$ 3,332
Less: Impairment losses reversed	-	19,526	19,526
Foreign exchange translation gains and losses	-	146	146
Balance at December 31, 2017	$ -	$ 23,004	$ 23,004

Overdue receivables were classified under other assets.

11. INVENTORIES

	December 31	
	2017	2016
Raw materials	$ 147,175	$ 159,744
Materials	19,080	14,112
Work in progress (including molds)	279,386	246,071
Semifinished products	55,395	77,858
Finished goods	181,577	195,647
	$ 682,613	$ 693,432

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2017 and 2016 was $5,675,461 thousand and $5,681,146 thousand, respectively.

The cost of inventories recognized as the cost of goods sold for the years ended December 31, 2017 and 2016 included inventory write-downs of $30,340 thousand and reversals of inventory write-downs $6,161 thousand, respectively. The allowance for impaired inventory as of December 31, 2017 and 2016 is $207,248 thousand and $180,071 thousand, respectively.

12. SUBSIDIARY

a. Subsidiary included in consolidated financial statements

			% of Ownership December 31	
Investor	**Investee**	**Main Business**	**2017**	**2016**
Coxon Precise Industrial Co., Ltd.	Coxon Industry Ltd.	Global investing activities	100	100
Coxon Industrial Ltd.	Dong Guan Chensong Plastic Co., Ltd.	Manufacturing and sale of nonmetal molding and automobile part	100	100
Coxon Precise Industrial Co., Ltd.	Sun Can International Ltd.	Global investing activities	100	100
Sun Can International Ltd.	Sinxon Plastic (Dong Guan) Ltd.	Manufacturing and sale of nonmetal molding and automobile part	100	100
Coxon Precise Industrial Co., Ltd.	Teckyork Enterprise Co., Ltd.	Global investing activities	100	100
Teckyork Enterprise Co., Ltd.	Shanghai Teckyork Enterprise Co., Ltd.	Manufacturing and sale of nonmetal molding, precision plastic injection parts and optical lens	100	100
	Shanghai Sonor Enterprise Co., Ltd.	Manufacturing and sale of nonmetal molding, precision plastic injection parts, related semi-finished goods and components	100	100
	Vastech Industrial Co., Ltd.	Global investing activities	100	100
Vastech Industrial Co., Ltd.	Vastech Plastic (Shanghai) Industrial Co., Ltd.	Manufacturing and sale of nonmetal molding, precision plastic injection parts and optical lens	100	100
Teckyork Enterprise Co., Ltd.	Changshu Huaxon Industry Co., Ltd.	Leasehold estate	100	100
Coxon Precise Industrial Co., Ltd.	Cheng Yee Enterprise Ltd.	Global investing activities	100	100
Cheng Yee Enterprise Ltd.	Coxon Precise International Ltd.	Global investing activities	100	100
	Hang Yuan Enterprise Ltd.	Global investing activities	100	100
Hang Yuan Enterprise Ltd.	Coxon Industry (Changshu) Co., Ltd.	Manufacturing and sale of nonmetal molding, precision plastic injection parts, related semi-finished goods and components	100	100
Cheng Yee Enterprise Ltd.	Coxon Medical Limited	Global investing activities	80	80
Coxon Medical Limited	Shanghai Coxon Medical Limited	Manufacturing of medical materials	100	100
Coxon Precise Industrial Co., Ltd.	Cheng Da Industry Ltd.	Global investing activities	100	100
Cheng Da Industry Ltd.	Dong Guan Cheng Da Metal Product Company Limited	Manufacturing optical instrument, electronic products and plastic products	100	100
Coxon Precise Industrial Co., Ltd.	Soartek Optoelectronics Technology Co., Ltd.	Manufacturing of optical instrument and electronic components	100	100
Soartek Optoelectronics Technology Co., Ltd.	Hsiangtek Optical Technology Co., Ltd.	Global investing activities	100	100
Coxon Precise Industrial Co., Ltd.	Plenty Link Technology Co., Ltd.	Global investing activities	65	55
Plenty Link Technology Co., Ltd.	Dongguan Shuang-Ying Photoelectric Technology Co., Ltd.	Manufacturing of optical instrument and electronic components	100	100
Plenty Link Technology Co., Ltd.	Shuang-Ying Science and Technology, Ltd.	Manufacturing of optical instrument and electronic components	100	100

b. Subsidiary not included in consolidated financial statements: None

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

	December 31	
	2017	**2016**
Material associates		
Toyo Precision Appliance (Kunshan) Co., Ltd.	$ 277,986	$ 243,468
Associates that are not individually material		
Changshu Houkennixx Plastic Product Co., Ltd.	32,922	39,711
Siix Coxon Precision Phils., Inc.	13,225	53,006
	$ 324,133	$ 336,185

As the end of the reporting period, the proportion of ownership and voting rights in associates held by the Group were as follows:

	December 31	
Name of Associate	**2017**	**2016**
Toyo Precision Appliance (Kunshan) Co., Ltd.	30%	30%
Changshu Houkennixx Plastic Product Co., Ltd.	25%	25%
Siix Coxon Precision Phils., Inc.	45%	45%

Refer to Table 5 “Information on Investees” and Table 6 “Information on Investments in Mainland China” for the nature of activities, principal places of business and countries of incorporation of the associates.

In December 2017, the Group sold all of its interest in GoerXon Optical Precision Industry Co., Ltd. to the third party. This transaction resulted in the recognition of a gain on disposal of investment of $8,861 thousands in other gains and loss.

The summarized financial information in respect of the Group’s associates is set out below:

	December 31	
	2017	**2016**
Total assets	$ 2,872,090	$ 3,861,426
Total liabilities	$ 1,784,391	$ 2,773,234

	For the Year Ended December 31	
	2017	**2016**
Revenue	$ 3,729,914	$ 4,114,327
Profit (loss) for the year	$ 25,368	$ (595,853)

The investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2017 and 2016 was based on the associates’ financial statements audited by the other auditors for the same years.

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery	Transportation Equipment	Office Equipment	Leasehold Improvement	Other Equipment	Construction in Progress	Total
Cost									
Balance, at January 1, 2016	$ 79,244	$ 1,977,247	$ 4,666,295	$ 56,661	$ 73,071	$ 587,035	$ 553,808	$ 10,725	$ 8,004,086
Additions	-	-	171,685	4,591	1,740	19,359	30,411	15,031	242,817
Disposals	-	-	(255,385)	(6,090)	(1,737)	-	(13,350)	-	(276,562)
Reclassification	-	-	74,374	1,771	1,500	699	6,380	(11,655)	73,069
Effect of exchange rate changes	-	(141,446)	(344,077)	(2,623)	(3,117)	(26,398)	(40,349)	(1,007)	(559,017)
Balance, at December 31, 2016	$ 79,244	$ 1,835,801	$ 4,312,892	$ 54,310	$ 71,457	$ 580,695	$ 536,900	$ 13,094	$ 7,484,393
Accumulated depreciation and impairment									
Balance, at January 1, 2016	$ 18,812	$ 709,123	$ 2,355,716	$ 38,987	$ 63,379	$ 281,187	$ 205,183	$ -	$ 3,672,387
Depreciation expense	-	86,612	514,862	4,884	3,883	29,070	101,669	-	740,980
Disposals	-	-	(169,961)	(5,271)	(1,686)	-	(3,421)	-	(180,339)
Reclassification	-	-	-	-	-	-	-	-	-
Reversals of impairment losses recognized in profit or loss	-	-	-	-	(15)	-	-	-	(15)
Effect of exchange rate changes	-	(50,499)	(174,497)	(2,170)	(2,664)	(16,171)	(16,137)	-	(262,138)
Balance, at December 31, 2016	$ 18,812	$ 745,236	$ 2,526,120	$ 36,430	$ 62,897	$ 294,086	$ 287,294	$ -	$ 3,970,875
Carry amounts value at December 31, 2016	$ 60,432	$ 1,090,565	$ 1,786,772	$ 17,880	$ 8,560	$ 286,609	$ 249,606	$ 13,094	$ 3,513,518
Cost									
Balance, at January 1, 2017	$ 79,244	$ 1,835,801	$ 4,312,892	$ 54,310	$ 71,457	$ 580,695	$ 536,900	$ 13,094	$ 7,484,393
Additions	-	-	129,540	1,821	4,272	14,945	30,479	17,770	198,827
Disposals	-	-	(214,727)	(749)	(2,789)	-	(7,514)	-	(225,779)
Reclassification	-	-	232,481	-	-	18,679	25,935	(11,169)	265,926
Effect of exchange rate changes	-	(43,546)	(115,199)	(706)	(1,404)	(29,427)	(10,914)	(194)	(201,390)
Balance, at December 31, 2017	$ 79,244	$ 1,792,255	$ 4,344,987	$ 54,676	$ 71,536	$ 584,892	$ 574,886	$ 19,501	$ 7,521,977
Accumulated depreciation and impairment									
Balance, at January 1, 2017	$ 18,812	$ 745,236	$ 2,526,120	$ 36,430	$ 62,897	$ 294,086	$ 287,294	$ -	$ 3,970,875
Depreciation expense	-	80,581	499,192	4,083	3,331	30,398	102,622	-	720,207
Impairment losses recognized in profit or loss	-	-	3,464	100	3	176	3,726	-	7,469
Disposals	-	-	(152,540)	(729)	(2,773)	-	(5,440)	-	(161,482)
Effect of exchange rate changes	-	(17,988)	36,009	(470)	(1,233)	(12,017)	(5,038)	-	(737)
Balance, at December 31, 2017	$ 18,812	$ 807,829	$ 2,912,245	$ 39,414	$ 62,225	$ 312,643	$ 383,164	$ -	$ 4,536,332
Carry amounts value at December 31, 2017	$ 60,432	$ 984,426	$ 1,432,742	$ 15,262	$ 9,311	$ 272,249	$ 191,722	$ 19,501	$ 2,985,645

An impairment loss of $7,469 thousand was recognized in other gains and losses, refer to Note 25.

The above items of property, plant and equipment were depreciated on a straight-line basis over the estimated useful life of the asset:

Building	
Main buildings	10-50 years
Elevators	2-20 years
Engineering systems	5-20 years
Machinery	1-10 years
Transportation equipment	1-10 years
Office equipment	1-8 years
Leasehold improvement	3-20 years
Other equipment	2-20 years

Refer to Note 34 for the carrying amount of property, plant and equipment pledged by the group to secure borrowings/general banking facilities granted to the Group.

15. INTANGIBLE ASSETS

	Computer Software	Other Intangible Assets	Total
Cost			
Balance at January 1, 2016	$ 148,440	$ 33,608	$ 182,048
Additions	5,869	-	5,869
Disposals	(13,487)	(33,032)	(46,519)
Effect of exchange rate changes	(6,568)	(576)	(7,144)
Balance at December 31, 2016	$ 134,254	$ -	$ 134,254
Accumulated amortization			
Balance at January 1, 2016	$ 83,360	$ 33,608	$ 116,968
Amortization expense	18,153	-	18,153
Disposals	(13,487)	(33,032)	(46,519)
Effect of exchange rate changes	(4,516)	(576)	(5,092)
Balance at December 31, 2016	$ 83,510	$ -	$ 83,510
Carrying amounts at December 31, 2016	$ 50,744	$ -	$ 50,744
Cost			
Balance at January 1, 2017	$ 134,254	$ -	$ 134,254
Additions	12,162	-	12,162
Effect of exchange rate changes	(4,762)	-	(4,762)
Balance at December 31, 2017	$ 141,654	$ -	$ 141,654
Accumulated amortization			
Balance at January 1, 2017	$ 83,510	$ -	$ 83,510
Amortization expense	17,643	-	17,643
Effect of exchange rate changes	(2,853)	-	(2,853)
Balance at December 31, 2017	$ 98,300	$ -	$ 98,300
Carrying amounts at December 31, 2017	$ 43,354	$ -	$ 43,354

The above items of other intangible assets were depreciated on a straight-line basis at the following rates per annum:

Computer software	1-10 years
Other intangible assets	5 years

16. LONG-TERM REPAYMENTS FOR LEASE OBLIGATIONS

	December 31	
	2017	2016
Land use right		
Current (prepayments)	$ 1,961	$ 2,002
Non-current	50,084	53,125
	$ 52,045	$ 55,127

Long-term prepaid lease payments include land use rights which are for land located in mainland China.

Refer to Note 34 for the land use rights which are for land located in mainland China pledged by the Group to secure borrowings/general banking facilities which were granted to the Group.

17. OTHER FINANCIAL ASSETS

	December 31	
	2017	2016
Current		
Other financial assets - current		
Time deposits with original maturities of more than 3 months	$ 109,308	$ 6,973
Principal guaranteed fund	391,687	158,066
Time deposits pledged	177,949	83,394
	$ 678,944	$ 248,433
Other current assets	$ 5,852	$ 6,223
Non-current		
Refundable deposits	$ 7,877	$ 6,880
Overdue receivable	23,004	3,332
Less: Allowance for impairment loss	(23,004)	(3,332)
	$ 7,877	$ 6,880

18. BORROWINGS

Long-term Borrowings

	December 31	
	2017	2016
Secured borrowings (Note 34)		
Bank loans		
Hua Nan Bank		
Medium-term working capital loan with a credit line of $800,000 thousand and interest rate of 1.35% for the year ended December 31, 2016; loan period from November 7, 2016 to November 6, 2018. Principal lump-sum payment at maturity and interest payment monthly. The Group paid it off ahead of time.	$ -	$ 53,000
Hua Nan Bank		
Medium-term working capital loan with a credit line of $800,000 thousand and interest rate of 1.35% for the year ended December 31, 2017; loan period from November 7, 2017 to November 6, 2019. Principal lump-sum payment at maturity and interest payment monthly.	53,000	-
Unsecured borrowings		
Bank loans		
Hua Nan Bank		
Medium-term working capital loan with a credit line of $800,000 thousand and interest rate of 1.35% for the year ended December 31, 2016; loan period from November 7, 2016 to November 6, 2018. Principal lump-sum payment at maturity and interest payment monthly. The Group paid it off ahead of time.	-	247,000
Hua Nan Bank		
Medium-term working capital loan with a credit line of $800,000 thousand and interest rate of 1.35% for the year ended December 31, 2017; loan period from November 7, 2017 to November 6, 2019. Principal lump-sum payment at maturity and interest payment monthly.	247,000	-
Hua Nan Bank		
Medium-term working capital loan with a credit line of $800,000 thousand and interest rate of 1.37% for the year ended December 31, 2016; loan period from April 7, 2016 to April 6, 2018. Principal lump-sum payment at maturity and interest payment monthly. The Group paid it off ahead of time.	-	100,000
Hua Nan Bank		
Medium-term working capital loan with a credit line of $800,000 thousand and interest rate of 1.35% for the year ended December 31, 2016; loan period from July 25, 2016 to July 25, 2018. Principal lump-sum payment at maturity and interest payment monthly. The Group paid it off ahead of time.	-	100,000

(Continued)

	December 31	
	2017	2016
Hua Nan Bank Medium-term working capital loan with a credit line of $800,000 thousand and interest rate of 1.35% for the year ended December 31, 2016; loan period from August 16, 2016 to August 15, 2018. Principal lump-sum payment at maturity and interest payment monthly. The Group paid it off ahead of time.	$ -	$ 100,000
Hua Nan Bank Medium-term working capital loan with a credit line of $800,000 thousand and interest rate of 1.35% for the year ended December 31, 2017; loan period from April 5, 2017 to April 5, 2019. Principal lump-sum payment at maturity and interest payment monthly.	100,000	-
Hua Nan Bank Medium-term working capital loan with a credit line of $800,000 thousand and interest rate of 1.35% for the year ended December 31, 2017; loan period from July 24, 2017 to July 25, 2019. Principal lump-sum payment at maturity and interest payment monthly.	100,000	-
Hua Nan Bank Medium-term working capital loan with a credit line of $800,000 thousand and interest rate of 1.35% for the year ended December 31, 2017; loan period from August 15, 2017 to August 15, 2019. Principal lump-sum payment at maturity and interest payment monthly.	100,000	-
China Trust Bank Medium-term working capital loan with a credit line of $700,000 thousand and interest rate of 1.31% for the years ended December 31, 2017 and 2016; loan period from October 20, 2016 to October 20, 2018. Principal lump-sum payment at maturity and interest payment monthly.	550,000	550,000
China Trust Bank Medium-term working capital loan with a credit line of $700,000 thousand and interest rate of 1.56% for the year ended December 31, 2017; loan period from April 10, 2017 to April 10, 2019. Principal lump-sum payment at maturity and interest payment monthly.	150,000	-
Shanghai Commercial Savings Bank Medium-term working capital loan with a credit line of $300,000 thousand and interest rate of 1.37% for the years ended December 31, 2017 and 2016; loan period from July 25, 2016 to July 25, 2019. Principal and interest payment monthly. A grace period of two years is given.	100,000	100,000
Shanghai Commercial Savings Bank Medium-term working capital loan with a credit line of $300,000 thousand and interest rate of 1.37% for the years ended December 31, 2017 and 2016; loan period from October 17, 2016 to October 15, 2019. Principal and interest payment monthly. A grace period of two years is given.	150,000	150,000

(Continued)

	December 31	
	2017	**2016**
Shanghai Commercial Savings Bank		
Medium-term working capital loan with a credit line of $300,000 thousand and interest rate of 1.37% for the years ended December 31, 2017 and 2016; loan period from December 2, 2015 to November 15, 2018. Principal and interest payment monthly. A grace period of one year is given.	$ 45,834	$ 50,000
Taiwan Cooperative Bank		
Medium-term working capital loan with a credit line of $350,000 thousand and interest rate of 1.50% for the year ended December 31, 2017; loan period from May 12, 2017 to December 8, 2019. From May 12, 2017 to December 7, 2018, interest payment monthly. From December 8, 2018 to December 8, 2019, principal and interest payment monthly.	50,000	50,000
Taiwan Cooperative Bank		
Medium-term working capital loan with a credit line of $350,000 thousand and interest rate of 1.50% for the year ended December 31, 2017; loan period from May 12, 2017 to December 8, 2019. From May 12, 2017 to December 7, 2018, interest payment monthly. From December 8, 2018 to December 8, 2019, principal and interest payment monthly.	150,000	-
E.Sun Bank		
Medium-term working capital loan with a credit line of $300,000 thousand and interest rate of 1.65% for the year ended December 31, 2017; loan period from May 12, 2017 to May 12, 2020. Repayable in four quarterly installments and interest payment monthly. A grace period of two years is given.	100,000	-
	1,895,834	1,500,000
Less: Current portion	(695,834)	(4,167)
	$ 1,200,000	$ 1,495,833

(Concluded)

19. BONDS PAYABLE

	December 31	
	2017	**2016**
Unsecured domestic bonds	$ 105,900	$ 800,000
Less: Discount on unsecured convertible bonds	(5,200)	(54,762)
Less: Current portion	(100,700)	-
	$ -	$ 745,238

Second Issue of Unsecured Domestic Convertible Bonds

a. The conversion price is initially $71 per ordinary share, and the conversion period is from July 30, 2015 to June 29, 2020. The conversion price will be adjusted upon the occurrence of a change in the number of ordinary shares, and the conversion price is $56.72 per ordinary share as of December 31, 2017.

b. Each bondholder has the right to put the convertible bonds at 101% of par value or 101.51% of par value before 30 days on and after the 2nd and 3rd year anniversary, respectively.

c. The Group could redeem the convertible bonds at par value at any time during the period from 31 days after the original issue date to 40 days before the maturity date, under the following conditions: The closing price of the ordinary shares on each of the 30 consecutive trading days reaches or exceeds 30% of the conversion price, or the outstanding balance of the bonds is less than 10% of that from the original issuance.

The convertible bonds contain both liability and convertible options. The effective interest rate of the liability component was 2.058% per annum on initial recognition. The convertible options were recognized in "Financial assets or liabilities at fair value through profit or loss".

The convertible bonds contain both liability and equity components. The equity component was presented form the original issue date to December 31, 2017 under the following conditions:

	Amounts
Proceeds from issue, June 29, 2015 (less transaction costs $5,000 thousand)	$ 795,000
Equity component	(63,520)
Derivative component - redeemable put option	(8,960)
Liability component at the date of issue (less transaction costs allocated to the liability component of $5,000 thousand)	722,520
Interest charged at an effective interest rate of 2.058%	77,480
Repayment of bonds	(694,100)
Interest paid	(5,200)
Liability component at December 31, 2017	$ 100,700

Movements of the host liability instrument and the conversion option derivative instrument in 2017 and 2016 were as follows:

	The Host Liability Instrument	**The Conversion Option Derivative Instrument**
Balance at January 1, 2016	$ 730,070	$ (11,840)
Interest expense	15,168	-
Fair value changes gain (loss)	-	(21,920)
Balance at December 31, 2016	$ 745,238	$ (33,760)
Balance at January 1, 2017	$ 745,238	$ (33,760)
Interest expense	8,731	-
Fair value changes gain (loss)	-	(3,648)
Repayment of bonds	(653,269)	34,983
Balance at December 31, 2017	$ 100,700	$ (2,425)

As of December 31, 2017, the bonds were redeemed in the amount of $694,100 thousand (plus a 1% interest expense amounting to $701,041 thousand) and converted in the amount of $0, and the outstanding bonds were in the amount of $105,900 thousand.

20. NOTES PAYABLE AND TRADE PAYABLES

	December 31	
	2017	2016
Notes payable to unrelated parties		
Operating	$ 327	$ 213
Non-operating	157	437
	$ 484	$ 650
Trade payables - operating		
Unrelated parties	$ 969,939	$ 918,163

Trade payables were paid according to the condition of contract or billings from the suppliers. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

21. OTHER LIABILITIES

	December 31	
	2017	2016
Current		
Other payables		
Salaries or bonuses	$ 204,066	$ 181,987
Payable for processing fees	148,456	150,789
Others	422,908	459,709
	$ 775,430	$ 792,485
Other liabilities		
Receipts under custody	$ -	$ 24,044
Others	11,498	15,168
	$ 11,498	$ 39,212
Non-current		
Payable for purchases of equipment	$ -	$ 29,150
Guarantee deposits	7,566	4,545
	$ 7,566	$ 33,695

22. PROVISIONS

	December 31	
	2017	2016
Employee benefits	$ 16,261	$ 19,533

The provision for employee benefits represents annual leave taken by employees.

23. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company of the Group adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, a group makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plans adopted by the Company of the Group in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

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

	December 31	
	2017	**2016**
Present value of defined benefit obligation	$ 77,572	$ 68,007
Fair value of plan assets	(36,867)	(35,297)
Deficit	40,705	32,710
Net defined benefit liabilities	$ 40,705	$ 32,710

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liabilities (Assets)**
Balance at January 1, 2016	$ 58,392	$ (33,871)	$ 24,521
Current service cost	763	-	763
Net interest expense (income)	803	(474)	329
Recognized in profit or loss	1,566	(474)	1,092
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	229	229
Actuarial loss - changes in financial assumptions	2,882	-	2,882

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Actuarial loss - changes in demographic assumptions	$ 2,883	$ -	$ 2,883
Actuarial loss - experience adjustments	2,284	-	2,284
Recognized in other comprehensive income	8,049	229	8,278
Contributions from the employer	-	(1,181)	(1,181)
Balance at December 31, 2016	$ 68,007	$ (35,297)	$ 32,710
Balance at January 1, 2017	$ 68,007	$ (35,297)	$ 32,710
Current service cost	811	-	811
Net interest expense (income)	595	(314)	281
Recognized in profit or loss	1,406	(314)	1,092
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(34)	(34)
Actuarial gain - changes in financial assumptions	(1,711)	-	(1,711)
Actuarial loss - changes in demographic assumptions	2,948	-	2,948
Actuarial loss - experience adjustments	6,922	-	6,922
Recognized in other comprehensive income	8,159	(34)	8,125
Contributions from the employer	-	(1,222)	(1,222)
Balance at December 31, 2017	$ 77,572	$ (36,867)	$ 40,705

(Concluded)

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

1) Investment risk: The plan assets are invested in domestic/and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the (government/corporate) bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans’ debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2017	2016
Discount rate(s)	1.125%	0.875%
Expected rate(s) of salary increase	2.000%	2.000%

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

	December 31	
	2017	**2016**
Discount rate(s)		
0.25% increase	$ (1,762)	$ (1,550)
0.25% decrease	$ 1,826	$ 1,605
Expected rate(s) of salary increase		
0.25% increase	$ 1,777	$ 1,556
0.25% decrease	$ (1,723)	$ (1,510)

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

	December 31	
	2017	**2016**
Expected contributions to the plans for the next year	$ 1,318	$ 1,196
Average duration of the defined benefit obligation	9.2 years	9.2 years

24. EQUITY

a. Ordinary shares

	December 31	
	2017	**2016**
Number of shares authorized (in thousands)	150,000	150,000
Shares authorized	$ 1,500,000	$ 1,500,000
Number of shares issued and fully paid (in thousands)	121,662	125,151
Shares issued	$ 1,216,622	$ 1,251,512

Fully paid ordinary shares, which have a par value of $10, carry one vote and one dividend per share.

There were 12,000 thousand shares of the Company's shares authorized which were reserved for the issuance of employee share options.

b. Capital surplus

	December 31	
	2017	**2016**
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)		
Issuance of ordinary shares	$ 1,935,980	$ 2,183,037
Conversion of bonds	496,427	496,427
Conversion of employee share options	133,054	133,054

(Continued)

	December 31	
	2017	**2016**
<u>May be used to offset a deficit only</u>		
Share of changes in capital surplus of associates	$ 68,616	$ 76,561
<u>May not be used for any purpose</u>		
Employee share options - issuance of ordinary shares	6,300	6,300
Employee share options	58,124	58,124
From share options of convertible bonds	8,408	63,520
Invalidation of employee share options	42,322	-
	$ 2,749,231	$ 3,017,023

(Concluded)

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

c. Retained earnings and dividends policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on June 6, 2016 and, in that meeting, resolved amendments to the Company's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy on the distribution of employees' compensation.

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to "Employees' compensation and remuneration of directors and supervisors" in Note 25-g.

To ensure that the Company has funds for its present and future expansion plans, the Company prefers to distribute mixed share dividends and cash dividends as shareholders' bonus among which share dividend is distributed from 0% to 50% and cash dividends from 100% to 50%. The distribution policy would be adjusted depending on the operating conditions, industry developments, capital requirement and so forth.

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

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from special reserve by the Company.

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

The appropriations of earnings for 2016 and 2015 approved in the shareholders' meetings on June 2, 2017 and June 6, 2016, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For 2016	For 2015	For 2016	For 2015
Legal reserve	$ -	$ 66,443	$ -	$ -
Reversal of special reserve	28,722	-	-	-
Cash dividends	-	525,635	-	4.2

The Company's shareholders also resolved to issue cash dividends from capital surplus of $182,493 thousand, respectively, in the shareholders' meeting on June 2, 2017.

The appropriation of earnings for 2016 was proposed by the Company's board of directors on March 19, 2018. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 193,006	$ -

The appropriation of earnings for 2017 are subject to resolution in the shareholders' meeting to be held on June 11, 2018.

d. Special reserves

	For the Year Ended December 31	
	2017	2016
Beginning at January 1	$ -	$ -
Appropriation in respect of:		
Debit to other equity items	28,722	-
Balance at December 31	$ 28,722	$ -

e. Other equity items

1) Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2017	2016
Balance at January 1	$ (41,653)	$ 506,214
Exchange differences on translating foreign operations	(229,738)	(660,086)
Income tax related to gains on translating foreign operations	39,057	112,219
Balance at December 31	$ (232,334)	$ (41,653)

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

	For the Year Ended December 31	
	2017	2016
Balance at January 1	$ 12,931	$ 7,083
Unrealized (loss) gain on revaluation of available-for-sale financial assets	(2,325)	5,848
Balance at December 31	$ 10,606	$ 12,931

f. Non-controlling interests

	For the Year Ended December 31	
	2017	2016
Balance at January 1	$ 149,671	$ 35,290
Attributable to non-controlling interests:		
Share of loss for the year	(36,195)	(24,798)
Exchange differences on translating foreign operations	(2,945)	(5,658)
Changes in equity of subsidiaries	7,945	-
Non-controlling interest increases	55,476	144,837
Balance at December 31	$ 173,952	$ 149,671

g. Treasury shares

Purpose of Buy-Back	Shares Cancelled (In Thousands of Shares)
Number of shares at January 1, 2016	-
Increase during the year	2,547
Decrease during the year	-
Number of shares at December 31, 2016	2,547
Number of shares at January 1, 2017	2,547
Increase during the year	942
Decrease during the year	(3,489)
Number of shares at December 31, 2017	-

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

25. NET PROFIT FROM CONTINUING OPERATIONS

Net profit from continuing operations contains the following items:

a. Other revenue and expenses

	For the Year Ended December 31	
	2017	2016
Lease revenue	$ 26,401	$ 24,610
Lease costs	(11,569)	(14,631)
Other revenue	2,292	9,149
Technical service income	12,670	13,665
Gain on reversal of impairment	-	15
Gain on disposal of property plant and equipment	6,856	8,775
Loss on disposal of property plant and equipment	(3,598)	(14,496)
	$ 33,052	$ 27,087

b. Other income

	For the Year Ended December 31	
	2017	2016
Interest income	$ 10,285	$ 9,296
Dividends	178	-
	$ 10,463	$ 9,296

c. Other gains and losses

	For the Year Ended December 31	
	2017	2016
Gain on disposal of investments	$ 17,542	$ 8,861
Net foreign exchange gains or losses	(107,586)	90,138
Net loss arising on financial assets classified as held for trading	(3,648)	(21,920)
Loss on impairment	(7,469)	-
Other revenue	44,423	20,256
Other expenses	(6,500)	(25,380)
	$ (63,238)	$ 71,955

d. Finance costs

	For the Year Ended December 31	
	2017	2016
Interest on bank loans	$ 26,594	$ 18,642
Interest on convertible bonds	8,731	15,168
Other finance costs	1,564	2,605
	$ 36,889	$ 36,415

e. Depreciation and amortization

	For the Year Ended December 31	
	2017	**2016**
Property, plant and equipment	$ 708,638	$ 726,349
Intangible assets	17,643	18,153
	$ 726,281	$ 744,502
An analysis of depreciation by function		
Operating costs	$ 609,919	$ 649,674
Operating expenses	98,719	76,675
	$ 708,638	$ 726,349
An analysis of amortization by function		
Operating costs	$ 1,337	$ 1,722
Operating expenses	16,306	16,431
	$ 17,643	$ 18,153

The Group entered into lease agreements on some assets. The related depreciation expenses that were listed in other income and expenses were $11,569 thousand in 2017 and $14,631 thousand in 2016.

f. Employee benefits expense

	For the Year Ended December 31	
	2017	**2016**
Short-term benefits	$ 1,820,220	$ 1,905,807
Post-employment benefits		
Defined contribution plans	9,682	7,265
Defined benefit plans	1,092	1,092
	$ 1,830,994	$ 1,914,164
An analysis of employee benefits expense by function		
Operating costs	$ 1,460,060	$ 1,521,681
Operating expenses	370,934	392,483
	$ 1,830,994	$ 1,914,164

g. Employees’ compensation and remuneration of directors and supervisors

The Company accrued employees’ compensation and remuneration of directors and supervisors at the rates of between 3% and 12% and no higher than 3%, respectively, of net profit before income tax, employees’ compensation and remuneration of directors and supervisors.

Accrual rate

	For the Year Ended December 31	
	2017	2016
Employees' compensation	-	-
Remuneration to directors and supervisors	-	-

Amount

	For the Year Ended December 31			
	2017		2016	
	Cash Dividends	Share Dividends	Cash Dividends	Share Dividends
Employees' compensation	$ -	$ -	$ -	$ -
Remuneration to directors and supervisors	-	-	-	-

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

There was no difference between the actual amounts of employees' compensation and remuneration to directors and supervisors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2016.

Information on the employees' compensation and remuneration to directors and supervisors resolved by the Company's board of directors in 2017 and 2016 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

26. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Major components of tax expense (benefit) recognized in profit or loss

The major components of tax expense (benefit) were as follows:

	For the Year Ended December 31	
	2017	2016
Current tax		
In respect of the current year	$ 64,795	$ 38,712
Income tax on unappropriated earnings	-	6,751
Adjustments for prior years' tax	(1,437)	17,888
Deferred tax		
In respect of the current year	(158,192)	(152,770)
Income tax (benefit) expense recognized in profit or loss	$ (94,834)	$ (89,419)

A reconciliation of accounting income and current income tax (benefit) expense is as follows:

	For the Year Ended December 31	
	2017	**2016**
Loss before income tax	$ (526,839)	$ (430,693)
Income tax (benefit) expense at the statutory rate	$ (313,671)	$ (179,148)
Tax effect of adjusting items:		
Nondeductible expenses and losses	539	7,718
Tax-exempt income	(3,539)	(10)
Income tax on unappropriated earnings	-	6,751
Unrecognized loss carryforwards/deductible temporary differences	223,274	57,382
Adjustments for prior years' tax	(1,437)	17,888
Income tax (benefit) expense recognized in profit or loss	$ (94,834)	$ (89,419)

The applicable corporate income tax rate used by the group entities in the ROC is 17%, while the applicable tax rate used by subsidiaries in China is 25%.

In February 2018, it was announced that the Income Tax Act in the ROC was amended, and starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets and deferred tax liabilities recognized as at December 31, 2017 are expected to be adjusted and increase by $11,343 thousand and $22,101 thousand, respectively, in 2018.

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

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2017	**2016**
Deferred tax		
In respect of the current year:		
Translation of foreign operations	$ (39,057)	$ (112,219)
Actuarial gains and losses on defined benefit plan	(1,381)	(1,407)
Total income tax recognized in other comprehensive income	$ (40,438)	$ (113,626)

c. Current tax assets and liabilities

	December 31	
	2017	**2016**
Current tax assets - income tax payable		
Tax refund receivable	$ -	$ 27
Current tax liabilities - income tax payable		
Income tax payable	$ 47,417	$ 13,408

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Deferred tax assets					
Temporary differences					
Property, plant and equipment	$ 18,042	$ 2,066	$ -	$ (344)	$ 19,764
Intangible assets	120	(93)	-	(5)	22
Defined benefit obligation	5,561	(22)	1,381	-	6,920
Allowance for impaired receivables	6,275	5,719	-	23	12,017
Write-down of inventories	37,803	6,788	-	(657)	43,934
Impairment loss	6,066	(91)	-	5	5,980
Loss carryforwards	66,041	(4,627)	-	(1,394)	60,020
Exchange differences on translating foreign operations	8,714	-	38,875	-	47,589
Others	15,881	(4,731)	-	(75)	11,075
	$ 164,503	$ 5,009	$ 40,256	$ (2,447)	$ 207,321
Deferred tax liabilities					
Temporary differences					
Unrealized gain or loss investments in associates and joint ventures accounted for using the equity method	$ 275,727	$ (150,660)	$ -	$ -	$ 125,067
Exchange differences on translating foreign operations	182	-	(182)	-	-
Others	18,101	(2,523)	-	(361)	15,217
	$ 294,010	$ (153,183)	$ (182)	$ (361)	$ 140,284

For the year ended December 31, 2016

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Deferred tax assets					
Temporary differences					
Property, plant and equipment	$ 19,760	$ (138)	$ -	$ (1,580)	$ 18,042
Intangible assets	232	(97)	-	(15)	120
Defined benefit obligation	4,169	(15)	1,407	-	5,561
Allowance for impaired receivables	5,372	1,010	-	(107)	6,275
Write-down of inventories	48,104	(7,090)	-	(3,211)	37,803
Impairment loss	5,033	1,033	-	-	6,066
Loss carryforwards	-	69,021	-	(2,980)	66,041
Exchange differences on translating foreign operations	-	-	8,714	-	8,714
Others	11,057	5,016	-	(192)	15,881
	$ 93,727	$ 68,740	$ 10,121	$ (8,085)	$ 164,503

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen-sive Income	Exchange Differences	Closing Balance
Deferred tax liabilities					
Temporary differences					
Unrealized gain or loss investments in associates and joint ventures accounted for using the equity method	$ 384,386	$ (108,659)	$ -	$ -	$ 275,727
Exchange differences on translating foreign operations	103,687	-	(103,505)	-	182
Others	(5,418)	24,629	-	(1,110)	18,101
	$ 482,655	$ (84,030)	$ (103,505)	$ (1,110)	$ 294,010

(Concluded)

e. Deductible temporary differences, unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31	
	2017	2016
Loss carryforwards		
Expire in 2016 to 2028	$ 913,942	$ 700,375
Deductible temporary differences	$ 521,883	$ 417,880

f. Integrated income tax

	December 31	
	2017	2016
Unappropriated earnings		
Generated before January 1, 1998	$ -	$ 981
Generated on and after January 1, 1998	-	1,101,266
	$ -	$ 1,102,247
Shareholder-imputed credits account	$ -	$ 281,110

	December 31	
	2017	2016
Creditable ratios for the distribution of earnings	(Note)	26.49%

Note: Since the amended Income Tax Act announced in February 2018 abolished the imputation tax system, related information for 2017 is not applicable.

g. Income tax assessments

The income tax returns of the Company, Soartek Optoelectronics Technology Co., Ltd. and Shuang-Ying Science and Technology, Ltd. through 2015 had been assessed by the tax authorities.

27. EARNINGS (LOSSES) PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2017	**2016**
Basic losses per share		
From continuing operations	$ (3.25)	$ (3.25)
Diluted losses per share		
From continuing operations	$ (3.25)	$ (3.25)

The earnings (losses) and weighted average number of ordinary shares outstanding in the computation of earnings (losses) per share were as follows:

Net Loss for the Year

	For the Year Ended December 31	
	2017	**2016**
Losses used in the computation of basic earnings (losses) per share	$ (395,810)	$ (316,476)
Losses used in the computation of diluted earnings (losses) per share	$ (395,810)	$ (316,476)

Weighted average number of ordinary shares outstanding (in thousand shares):

	For the Year Ended December 31	
	2017	**2016**
Weighted average number of ordinary shares in the computation of basic earnings (losses) per share	121,741	125,062
Effect of potentially dilutive ordinary shares:		
Employees' compensation	-	-
Weighted average number of ordinary shares used in the computation of diluted earnings (losses) per share	121,741	125,062

If the outstanding convertible bonds issued by the Company were converted to ordinary shares, since the exercise price of the options or warrants issued by the Company exceeded the average market price of the shares during 2017 and 2016, they were anti-dilutive and excluded from the computation of diluted earnings (losses) per share.

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

28. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On December 21, 2016, the board of directors of the Company approved to issue additional ordinary shares in the amount of US$6,200 thousand of Plenty Link Technology Co., Ltd., and the ordinary shares of Plenty Link Technology Co., Ltd. total US$18,000 thousand. In addition, the proportion of ownership and voting rights in Plenty Link Technology Co., Ltd. held by the Company increased to 65%.

The above transactions were accounted for as equity transaction since the Company did not cease to have control over Plenty Link Technology Co., Ltd.

	Plenty Link Technology Co., Ltd.
Cash consideration paid	$ (191,084)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred from non-controlling interests	183,139
Difference arising from equity transactions	$ (7,945)
Line items adjusted for equity transactions	
Difference arising from equity transactions	
Capital surplus - changes in percentage of ownership interests in subsidiaries	$ (7,945)

29. NON-CASH TRANSACTIONS

As of December 31, 2017 and 2016, the Group reclassified long-term borrowings and bonds payable of $796,534 thousand and $4,167 thousand, respectively, under current portion of long-term borrowings.

30. OPERATING LEASE ARRANGEMENTS

The Group as Lessee

a. Rental agreements

Lessee	Lesser	Objection	Period and Method of Payment
Sinxon Plastic (Dong Guan) Ltd.	Lan Zhi-Hsing	Building	From December 1, 2015 to November 30, 2023, rental is RMB203 thousand every month.
	Huang Jian-Yi	Dormitory	From November 1, 2015 to May 31, 2019, rental is RMB226 thousand every month.
	Jiang Bei Economic Cooperatives of Changan town of Dongguan City, Wu Sha	Plant and dormitory	From December 1, 2013 to November 30, 2018, rental is RMB400 thousand every month. From June 1, 2014 to May 31, 2019, rental is RMB32 thousand every month.
	Zheng Cai-Hong	Plant and dormitory	From April 1, 2017 to March 31, 2022, rental is RMB641 thousand every month. From August 1, 2017 to March 31, 2022, rental is RMB859 thousand every month.
Dongguan Shuang-Ying Photoelectric technology Co, Ltd.	Zheng Cai-Hong	Plant and dormitory	From January 1, 2017 to December 31, 2022, rental is RMB111 thousand every month.
Don Guan Cheng Da Metal Product Company Limited	Zheng Cai-Hong	Plant and dormitory	From January 1, 2017 to December 31, 2022, rental is RMB387 thousand every month.
Dongguan Chensong Plastic Co., Ltd.	Sun Yu-Hao	Plant and dormitory	From January 1, 2017 to December 31, 2022 rental is RMB707 thousand every month.

b. The future minimum lease payments of non-cancellable operating leases were as follows:

	December 31	
	2017	2016
Not later than 1 year	$ 191,043	$ 213,936
Later than 1 year and not later than 5 years	592,714	436,930
	$ 783,757	$ 650,866

31. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The Group adopts prudent risk management strategy and performs audit on a regular basis. The capital structure of the Group is determined according to the business development strategies and operational requirements.

32. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

1) Financial assets and liabilities not carried at fair value that differences between carrying amounts and fair values were as follows:

	December 31			
	2017		2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Financial assets measured at amortized cost - non-current	$ 101,398	$ -	$ 56,345	$ -
Financial liabilities				
Financial liabilities measured at amortized cost - convertible bonds	100,700	109,607	745,238	803,600

2) Fair value hierarchy

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Financial liabilities				
Financial liabilities measured at amortized cost				
Convertible bonds	$ 109,607	$ -	$ -	$ 109,607

	December 31, 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial liabilities				
Financial liabilities measured at amortized cost				
Convertible bonds	$ 803,600	$ -	$ -	$ 803,600

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

1) Fair value hierarchy

	December 31, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	$ 19,780	$ -	$ -	$ 19,780
Financial liabilities at FVTPL				
Other	-	-	2,425	2,425

	December 31, 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	$ 17,328	$ -	$ -	$ 17,328
Financial liabilities at FVTPL				
Other	-	-	33,760	33,760

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2017

	Financial Liabilities at Fair Value Through Profit or Loss
Balance at January 1, 2017	$ (33,760)
Recognized in profit or loss	(3,648)
Repayment of bonds	34,983
Balance at December 31, 2017	$ (2,425)

For the year ended December 31, 2016

	Financial Liabilities at Fair Value Through Profit or Loss
Balance at January 1, 2016	$ (11,840)
Recognized in profit or loss	(21,920)
Balance at December 31, 2016	$ (33,760)

3) Valuation techniques and inputs applied for the purpose of measuring Level 3 fair value measurement

Derivatives: The right of redemption and put are estimated fair value by convertible bonds with binomial tree method using price volatility (significant unobservable inputs). When the increase in price volatility, the fair value of these derivatives would increase.

c. Categories of financial instruments

	December 31	
	2017	2016
Financial assets		
Loans and receivables (1)	$ 4,666,098	$ 5,283,584
Available-for-sale financial assets	19,780	17,328
Financial liabilities		
Fair value through profit or loss (FVTPL)		
Others	2,425	33,760
Financial liabilities at amortized cost (2)	3,789,865	4,003,426

Note 1: The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, trade and other receivables and other financial assets.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise short-term and long-term loans, notes payable, trade and other payables, payables on equipment and bonds payable issued.

d. Financial risk management objectives and policies

The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Group's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis.

The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk, including:

a) Foreign currency risk

The Group use foreign exchange forward contracts to eliminate currency exposure in foreign currency risk. The change of rate eliminated by the profit and loss of the terms of the hedge derivatives so the market price risk is not martial.

The following table details the Group's sensitivity to a 1% increase and decrease in New Taiwan dollars (i.e. the functional currency) against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign currency forward contracts designated as cash flow hedges. For a 1% weakening of New Taiwan dollars against the relevant currency, there would be a decrease of $13,135 thousand and $12,280 thousand for the years ended December 31, 2017 and 2016, respectively, in post-tax income.

b) Interest rate risk

The Group was exposed to fair value interest rate risk in relation to fixed-rate bank borrowings. The bonds payable are fixed-rate and measured at amortized cost, so changes in rate will not have effect on the cash flow in the future.

The sensitivity analysis assumed bank borrowings were held for the whole reporting period and there was a 1% change in rates; it would result in a decrease of $15,735 thousand and $12,450 thousand for the years ended December 31, 2017 and 2016, respectively, in post-tax income.

c) Other price risk

The Group was exposed to equity price risk through its investments in listed equity securities. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments. The Group manages this exposure by maintaining a portfolio of investments with different risks.

The sensitivity analysis assumed the listed equity securities were outstanding for the whole reporting period and there was a 5% change in price; it would result in a decrease of $989 thousand and $866 thousand for the years ended December 31, 2017 and 2016, respectively, in comprehensive income.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation and financial guarantees provided by the Group could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

In order to minimize credit risk, management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. In this regard, management believes the Group's credit risk was significantly reduced.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

For the ended December 31, 2017 and 2016, the unused bank borrowings are $814,167 thousand and $1,570,000 thousand, respectively.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table was drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2017

	Up to 1 Year	Later Than 1 Year and Up to 2 Years	Later Than 2 Years and Up to 3 Years	Over 3 Years	Total
Non-derivative financial liabilities					
Notes payable	$ 484	$ -	$ -	$ -	$ 484
Trade payables	969,939	-	-	-	969,939
Payables on equipment	47,478	-	-	-	47,478
Other payables	775,202	-	-	-	775,202
Other payables to related parties	228	-	-	-	228
Current tax liabilities	47,417	-	-	-	47,417
Current portion of long-term borrowings and bonds payable	796,534	-	-	-	796,534
Long-term borrowings	-	1,177,778	22,222	-	1,200,000

December 31, 2016

	Up to 1 Year	Later Than 1 Year and Up to 2 Years	Later Than 2 Years and Up to 3 Years	Over 3 Years	Total
Non-derivative financial liabilities					
Notes payable	$ 650	$ -	$ -	$ -	$ 650
Trade payables	918,163	-	-	-	918,163
Payables on equipment	46,890	-	-	-	46,890
Other payables	790,897	-	-	-	790,897
Other payables to related parties	1,588	-	-	-	1,588
Current tax liabilities	13,408	-	-	-	13,408
Current portion of long-term borrowings and bonds payable	4,167	-	-	-	4,167
Bonds payables	-	-	-	745,238	745,238
Long-term borrowings	-	1,262,500	233,333	-	1,495,833

33. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and categories

Related Party Name	Related Party Categories
Toyo Precision Appliance (Kunshan) Co., Ltd.	Associates - equity-method investments
Changshu Houkennixx Plastic Product Co., Ltd.	Associates - equity-method investments
Siix Coxon Precision Phils., Inc.	Associates - equity-method investments
GoerXon Optical Precision Co., Ltd.	Associates - equity-method investments
Taising Coxon Limited	Others - the same director of the parent company

Note: Since January 1, 2017, GoerXon Optical Precision Co., Ltd. is not a related party.

b. Sales of goods

Line Item	Related Party Category/Name	For the Year Ended December 31 2017	2016
Sales	Associates		
	Changshu Houkennixx Plastic Product Co., Ltd.	$ 12,675	$ 13,665
	Siix Coxon Precision Phils., Inc.	10,356	7,715
	Toyo Precision Appliance (Kunshan) Co., Ltd.	1,149	2,891
		$ 24,180	$ 24,271

c. Receivable from related parties (excluding loans to related parties)

Line Item	Related Party Category/Name	December 31 2017	2016
Trade receivables	Associates		
	Siix Coxon Precision Phils., Inc.	$ 298	$ 2,094
	GoerXon Optical Precision Co., Ltd.	-	16,490
	Changshu Houkennixx Plastic Product Co., Ltd.	-	1,155
		$ 298	$ 19,739
Other receivables	Associates		
	Toyo Precision Appliance (Kunshan) Co., Ltd.	$ 24,748	$ 26,819
	Changshu Houkennixx Plastic Product Co., Ltd.	6,312	2,686
	Siix Coxon Precision Phils., Inc.	849	3,158
	GoerXon Optical Precision Co., Ltd.	-	20,453
		$ 31,909	$ 53,116

For the years ended December 31, 2017 and 2016, no impairment loss was recognized for trade receivables from related parties.

d. Payables to related parties (excluding by related party categories)

Line Item	Related Party Category/Name	December 31 2017	December 31 2016
Other payables	Associates		
	Toyo Precision Appliance (Kunshan) Co., Ltd.	$ -	$ 1,356
	Others		
	Taising Coxon Limited	228	232
		$ 228	$ 1,588

The related parties' trading conditions were no different from those between the Group and common customers.

e. Other transactions with related parties

Line Item	Related Party Category/Name	For the Year Ended December 31 2017	For the Year Ended December 31 2016
Other revenue	Associates		
	Siix Coxon Precision Phils., Inc.	$ 2,409	$ 304
	Changshu Houkennixx Plastic Product Co., Ltd.	1,143	-
		$ 3,552	$ 304
Processing fees	Others		
	Taising Coxon Limited	$ -	$ 24,025

Line Item	Related Party Category/Name	December 31 2017	December 31 2016
Receipts in advance	Associates		
	Toyo Precision Appliance (Kunshan) Co., Ltd.	$ 1,362	$ -
	Siix Coxon Precision Phils., Inc.	402	1,404
	GoerXon Optical Precision Co., Ltd.	-	110
	Others		
	Taising Coxon Limited	8,800	-
		$ 10,564	$ 1,514
Other current liabilities	Associates		
	Siix Coxon Precision Phils., Inc.	$ 1,486	$ 1,085

f. Related parties

Related Party Category/Name	Rental Object	Rental Payment	For the Year Ended December 31 2017	2016
Associates - Changshu Houkennixx Plastic Product Co., Ltd.	Jiangsu Province Southeast Economic Development Zone 28 Jiulong Road	Plant and dormitory rental paid monthly	$ 6,795	$ 7,106

g. Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the years ended December 31, 2017 and 2016 were as follows:

	For the Year Ended December 31 2017	2016
Short-term benefits	$ 45,869	$ 47,049
Post-employment benefits	1,539	1,612
	$ 47,408	$ 48,661

The remuneration of directors and key executives was determined by the remuneration committee with regard to the performance of individuals and market trends.

34. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings, the tariff of imported raw materials guarantees or the deposit for court guarantees:

	December 31 2017	2016
Property, plant and equipment - land	$ 79,244	$ 79,244
Property, plant and equipment - buildings	40,294	41,710
Prepaid lease payments	14,968	16,333
Other financial assets - current	177,949	83,394
	$ 312,455	$ 220,681

35. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2017 were as follows:

a. Sun Can International Ltd. had commitments to buy machinery and equipment and to comply with repair construction contracts which amounted to $5,663 thousand, of which $4,566 thousand has been paid and recorded under prepayments for equipment.

b. Dong Guan Cheng Da Metal Product Co., Ltd. had commitments to buy machinery and equipment and to comply with repair construction contracts which amounted to $39,986 thousand, of which $32,576 thousand has been paid and recorded under prepayments for equipment.

c. Coxon Industry (Changshu) Co., Ltd. had commitments to buy machinery and equipment and to comply with repair construction contracts which amounted to $9,632 thousand, of which $5,660 thousand has been paid and recorded under prepayments for equipment.

d. Sinxon Plastic (Dong Guan) Ltd. had commitments to buy machinery and equipment and to comply with repair construction contracts which amounted to $67,725 thousand, of which $49,642 thousand has been paid and recorded under prepayments for equipment.

e. Dong Guan Chensong Plastic Co., Ltd. had commitments to buy machinery and equipment and to comply with repair construction contracts which amounted to $13,150 thousand, of which $9,953 thousand has been paid and recorded under prepayments for equipment.

f. Shanghai Teckyork Enterprise Co., Ltd. had commitments to buy machinery and equipment and to comply with repair construction contracts which amounted to $8,350 thousand, of which $7,385 thousand has been paid and recorded under prepayments for equipment.

g. Dongguan Shuang-Ying Photoelectric Technology Co., Ltd. had commitments to buy machinery and equipment and to comply with repair construction contracts which amounted to $42,759 thousand, of which $38,393 thousand has been paid and recorded under prepayments for equipment.

h. Shanghai Coxon Medical Ltd. had commitments to buy machinery and equipment and to comply with repair construction contracts which amounted to $979 thousand, of which $685 thousand has been paid and recorded under prepayments for equipment.

i. Coxon Precise Industrial Co., Ltd. had commitments to buy machinery and equipment to comply with repair construction contracts which amounted to $2,220 thousand, of which $882 thousand has been paid and recorded under prepayments for equipment.

j. The digital camera lawsuit between JCD Corporation (hereinafter referred to as JCD) and the Company is summarized as below.

   1) Lawsuit matters: JCD applied to the Japan Commercial Arbitration Association for a tort arbitration in relation to its forbidding of the Company from producing and selling the digital camera lens designed by JCD as well as its demand for payment of US$2,662 thousand, JPY635 thousand and RMB393 thousand as compensation in 2010.

   2) Lawsuit status up to report date: According to the verdict of the Japan Commercial Arbitration Association, Tokyo No. 10-11 is summarized as below.

      a) The Company (the defendant) should pay JCD US$1,441 thousand, JPY1,270 thousand and the related accrued interests accrued from November 24, 2010 up to the date on which the total compensation is made using a 6% annual interest rate.

      b) The Company cannot manufacture and sell the suspended category of digital camera zooms.

      c) The Company needs to pay JCD’s lawsuit costs totaling JPY1,562 thousand.

   According to the verdict admitted by Japanese Commercial Arbitration Association and the Taoyuan District Court, JCD requested that the Company pay enforcement fees, including NT$43,901 thousand for the compensation fee, NT$251 thousand for execution fees, and the related interest expenses accrued from November 24, 2010 up to the date on which the total compensation is made using a 6% annual interest rate.

The Company applied to the Taoyuan District Court on March 12, 2015 to stop the enforcement action, and the Taoyuan District Court ruled for temporary respite of the enforcement action on March 20, 2015. By providing NT$13,400 thousand a Negotiable Certificate of Deposit as a guarantee fund, which was classified under the item - “Other financial asset - current”, the enforcement action has been temporarily stopped.

As of December 31, 2017, both the Taoyuan District Court on the first instance and the High Court on the second instance judged against the interlocutory appeal of the Company, which included the application of withdrawing the enforcement action of paying the compensation fee and the judgment related to the compensation liability made by Japanese Commercial Arbitration Association being invalid. The Company, however, has appealed to the Supreme Court against the previous sentence. All relevant enforcement fees and interest expenses amounting to $62,755 thousand were estimated and recorded under the item - “Other payables”.

36. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2017

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 54,281	6.53 (USD:RMB)	$ 1,615,415
USD	36,504	29.76 (USD:NTD)	1,086,348
EUR	2	7.81 (EUR:RMB)	56
EUR	14	1.20 (EUR:USD)	501
EUR	2	35.57 (EUR:NTD)	85
JPY	234	0.06 (JPY:RMB)	62
JPY	103,474	0.01 (JPY:USD)	27,338
JPY	1,533	0.26 (JPY:NTD)	405
HKD	3,396	0.84 (HKD:RMB)	12,927
HKD	6,084	0.13 (HKD:USD)	23,161
HKD	13,055	3.81 (HKD:NTD)	49,701
RMB	29	4.57 (RMB:NTD)	133
RMB	13,872	6.53 (RMB:USD)	63,324
CHF	8	0.98 (CHF:USD)	234
			$ 2,879,690
Non-monetary items			
Investments accounted for using equity method			
RMB	68,032	4.57 (RMB:USD)	$ 310,908
USD	444	29.76 (USD:NTD)	13,225
			$ 324,133

(Continued)

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Financial liabilities			
Monetary items			
USD	$ 10,207	6.53 (USD:RMB)	$ 303,748
USD	31,169	29.76 (USD:NTD)	927,576
EUR	7	7.81 (EUR:RMB)	235
JPY	9,563	0.06 (JPY:RMB)	2,526
JPY	93,400	0.01 (JPY:USD)	24,676
JPY	1,335	0.26 (JPY:NTD)	353
HKD	2,241	0.84 (HKD:RMB)	8,530
HKD	3,434	0.13 (HKD:USD)	13,075
HKD	2,100	3.81 (HKD:NTD)	7,994
RMB	1,740	6.53 (RMB:USD)	7,942
RMB	103	4.57 (RMB:NTD)	471
			$ 1,297,126

(Concluded)

December 31, 2016

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 45,811	6.94 (USD:RMB)	$ 1,477,414
USD	35,371	32.25 (USD:NTD)	1,140,902
EUR	20	7.29 (EUR:RMB)	691
EUR	11	1.05 (EUR:USD)	373
EUR	2	33.90 (EUR:NTD)	81
JPY	106	0.06 (JPY:RMB)	29
JPY	14,373	0.01 (JPY:USD)	3,961
JPY	1,080	0.28 (JPY:NTD)	298
HKD	636	0.89 (HKD:RMB)	2,645
HKD	273	0.13 (HKD:USD)	1,136
HKD	9,705	4.16 (HKD:NTD)	40,352
RMB	29	4.62 (RMB:NTD)	134
RMB	53	0.14 (RMB:USD)	244
			$ 2,668,260
Non-monetary items			
Investments accounted for using equity method			
RMB	61,334	4.62 (RMB:USD)	$ 283,179
USD	1,644	32.25 (USD:NTD)	53,006
			$ 336,185

(Continued)

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Financial liabilities			
Monetary items			
USD	$ 12,084	6.94 (USD:RMB)	$ 389,708
USD	22,142	32.25 (USD:NTD)	714,086
EUR	4	7.29 (EUR:RMB)	134
JPY	10,376	0.06 (JPY:RMB)	2,860
JPY	197,483	0.01 (JPY:USD)	54,426
JPY	17,570	0.28 (JPY:NTD)	4,842
HKD	1,838	0.89 (HKD:RMB)	7,642
HKD	34	0.13 (HKD:USD)	142
HKD	1,292	4.16 (HKD:NTD)	5,371
RMB	1,980	0.14 (RMB:USD)	9,141
RMB	80	4.62 (RMB:NTD)	368
			$ 1,188,720

(Concluded)

For the years ended December 31, 2017 and 2016, (realized and unrealized) net foreign exchange loss and gains were $107,586 thousand and $90,138 thousand, respectively. It is impractical to disclose net foreign exchange gain or losses by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Group entities.

37. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others: (Table 1)

2) Endorsements/guarantees provided: None

3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures): (Table 2)

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: None

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital: None

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: None

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: (Table 3)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: (Table 4)

9) Trading in derivative instruments: (Notes 7 and 19)

10) Intercompany relationships and significant intercompany transactions: (Table 7)

11) Information on investees: (Table 5)

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: (Table 6)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (Table 6):

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

c) The amount of property transactions and the amount of the resultant gains or losses.

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.

38. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments under IFRS 8 "Operating Segments" were as follows:

- Taiwan and South China
- South China (the chief operating range are domestic sales)
- Shanghai
- Changshu
- Others

a. Segment revenues and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segment.

	For the Year Ended December 31, 2017						
	Taiwan and South China	South China	Shanghai	Changshu	Others	Adjustments and Elimination	Total
Segment revenue and results							
Revenue from external customers	$ 2,968,833	$ 1,365,815	$ 557,661	$ 1,068,529	$ 63,254	$ -	$ 6,024,092
Inter-segment revenue	2,458,903	2,444,965	2,565	17,932	53,675	(4,978,040)	-
Segment revenue	$ 5,427,736	$ 3,810,780	$ 560,226	$ 1,086,461	$ 116,929	$ (4,978,040)	$ 6,024,092
Segment income	$ 295,729	$ (737,217)	$ (2,451)	$ (7,009)	$ 16,681	$ 35,332	$ (398,935)
Interest income							10,285
Other income							24,576
Finance costs							(36,889)
Other expense and loss							(125,876)
Income from continuing operations before income tax							$ (526,839)
Segment assets							
Assets	$ 3,611,051	$ 3,877,174	$ 999,178	$ 2,675,212	$ 301,905	$ (2,733,064)	$ 8,731,456
Investments							445,311
Deferred tax assets							207,321
Total assets							$ 9,384,088
Depreciation and amortization	$ 134,841	$ 475,181	$ 43,450	$ 78,889	$ 5,489		$ 737,850
Acquisition of property, plant and equipment	$ 93,389	$ 88,546	$ 2,778	$ 13,941	$ 173		$ 198,827

	For the Year Ended December 31, 2016						
	Taiwan and South China	South China	Shanghai	Changshu	Others	Adjustments and Elimination	Total
Segment revenue and results							
Revenue from external customers	$ 3,006,075	$ 1,188,592	$ 557,320	$ 1,328,403	$ 64,521	$ -	$ 6,144,911
Inter-segment revenue	2,405,459	2,312,937	4,047	50,745	56,699	(4,829,887)	-
Segment revenue	$ 5,411,534	$ 3,501,529	$ 561,367	$ 1,379,148	$ 121,220	$ (4,829,887)	$ 6,144,911
Segment income	$ 189,598	$ (595,995)	$ 18,557	$ 40,449	$ 16,288	$ 44,694	$ (286,409)
Interest income							9,296
Other income							107,789
Finance costs							(36,415)
Other expense and loss							(224,954)
Income from continuing operations before income tax							$ (430,693)
Segment assets							
Assets	$ 3,801,584	$ 4,293,629	$ 1,021,670	$ 3,035,177	$ 295,924	$ (2,416,392)	$ 10,031,592
Investments							409,858
Deferred tax assets							164,503
Total assets							$ 10,605,953
Depreciation and amortization	$ 144,340	$ 487,976	$ 54,096	$ 66,114	$ 6,607		$ 759,133
Acquisition of property, plant and equipment	$ 17,683	$ 164,979	$ 11,779	$ 47,421	$ 955		$ 242,817

Segment profit represented the profit before tax earned by each segment without gain or loss on disposal of property, plant and equipment, interest income, dividend income, gain on disposal of investments, share of profit or loss of associates, net exchange gain or loss, net profit or loss of financial assets measured at fair value through profit or loss, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Revenue from major products and services

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

	For the Year Ended December 31	
	2017	2016
Plastic components	$ 5,252,119	$ 5,367,841
Molds	527,595	379,529
Others	244,378	397,541
	$ 6,024,092	$ 6,144,911

c. Geographical information

The Group operates in three principal geographical areas - Taiwan and China.

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

	Revenue from External Customers		Non-current Assets December 31	
	2017	2016	2017	2016
Taiwan	$ 140,561	$ 242,230	$ 146,502	$ 155,449
China	2,441,514	3,230,805	3,090,200	3,740,324
America	132,902	126,388	-	-
Japan	492,053	35,241	-	-
Others	2,817,062	2,510,247	-	-
	$ 6,024,092	$ 6,144,911	$ 3,236,702	$ 3,895,773

Non-current assets exclude non-current assets classified as held for sale, financial instruments, and deferred tax assets.

d. Information about major customers

Individual customers accounting for at least 10% of net sales for the years ended December 31, 2017 and 2016 were as follows:

	For the Year Ended December 31	
Customer	2017	2016
Customer A	$ 679,029	$ 155,859
Customer B	161,957	614,422
	$ 840,986	$ 770,281

TABLE 1

COXON PRECISE INDUSTRIAL CO., LTD. AND SUBSIDIARIES

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

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Account and Amounts	Reasons for Short-term Financing	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits
												Item	Value		
1	Coxon Industry (Changshu) Co., Ltd.	Sinxon Plastic (Dong Guan) Ltd.	Other receivables	Yes	$ 570,975	$ 570,625	$ 570,625	5.31	Financing	Interest income $ 23,638	Working capital	-	$ -	$ 1,520,169	$ 1,520,169
		Dong Guan Chensong Plastic Co., Ltd.	Other receivables	Yes	91,720	91,300	91,300	5.31	Financing	Interest income 4,539	Working capital	-	-	1,520,169	1,520,169
		Changshu Huaxon Industry Co., Ltd.	Other receivables	Yes	106,191	-	-	5.31	Financing	Interest income 163	Working capital	-	-	1,520,169	1,520,169
2	Sun Can International Ltd.	Coxon Precise International Ltd.	Other receivables	Yes	109,708	104,160	104,160	1.50	Financing	Interest income 1,598	Working capital	-	-	1,206,284	1,206,284
3	Coxon Industry Ltd.	Cheng Da Industry Ltd.	Other receivables	Yes	31,345	29,760	29,760	1.50	Financing	Interest income 456	Working capital	-	-	1,089,711	1,089,711
		Hang Yuan Enterprise Ltd.	Other receivables	Yes	62,690	29,760	29,760	1.50	Financing	Interest income 524	Working capital	-	-	1,089,711	1,089,711
4	Dong Guan Cheng Da Metal Product Co., Ltd.	Sinxon Plastic (Dong Guan) Ltd.	Other receivables	Yes	160,510	114,125	114,125	5.30	Financing	Interest expense 6,549	Working capital	-	-	406,796	406,796

TABLE 2

COXON PRECISE INDUSTRIAL CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Issuer of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Coxon Precise Industrial Co., Ltd.	Shares							
	CALIN Technology Co., Ltd.	None	Available-for-sale financial assets - current	377,810	$ 13,828	-	$ 13,828	
	Halo Neuro Inc.	None	Available-for-sale financial assets - current	306,720	5,952	-	5,952	
					$ 19,780		$ 19,780	
	Kin Tin Optotronic Co., Ltd.	None	Financial assets measured at cost - non-current	2,255,193	$ -	6	$ -	Note
	CGK International Co., Ltd.	None	Financial assets measured at cost - non-current	1,800,000	56,345	5	-	
	PT. Fuji Seiki Indonesia	None	Financial assets measured at cost - non-current	1,500,000	45,053	18	-	
					$ 101,398		$ -	

Note: The financial assets measured at cost are unlisted shares. The assets were assessed as impaired with a small chance of recovery, so impairment loss was recognized.

COXON PRECISE INDUSTRIAL CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Trade (Payables) Receivables			Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Financial Statement Account and Ending Balance		% of Total	
Coxon Precise Industrial Co., Ltd.	Coxon Industry Ltd.	Subsidiaries	Purchases	$ 1,010,623	42	120 days	In accordance with mutual agreements	120 days	Trade payables	$ 330,944	35	
	Sun Can International Ltd.	Subsidiaries	Purchases	1,439,926	61	120 days	In accordance with mutual agreements	120 days	Trade payables	592,045	63	
Coxon Industry Ltd.	Coxon Precise Industrial Co., Ltd.	Subsidiaries	Sales	1,010,623	99	120 days	In accordance with mutual agreements	120 days	Trade receivables	330,944	98	
	Dong Guan Chensong Plastic Co., Ltd.	Subsidiaries	Purchases	975,750	100	120 days	In accordance with mutual agreements	120 days	Trade payables	309,967	100	
Sun Can International Ltd.	Coxon Precise Industrial Co., Ltd.	Subsidiaries	Sales	1,439,926	100	120 days	In accordance with mutual agreements	120 days	Trade receivables	592,045	100	
	Sinxon Plastic (Dong Guan) Ltd.	Subsidiaries	Purchases	1,364,838	100	120 days	In accordance with mutual agreements	120 days	Trade payables	174,717	100	
Dong Guan Chensong Plastic Co., Ltd.	Coxon Industry Ltd.	Subsidiaries	Sales	975,750	75	120 days	In accordance with mutual agreements	120 days	Trade receivables	309,967	72	
Sinxon Plastic (Dong Guan) Ltd.	Sun Can International Ltd.	Subsidiaries	Sales	1,364,838	56	120 days	In accordance with mutual agreements	120 days	Trade receivables	174,717	21	

Note: The related party transactions between subsidiaries have been eliminated upon consolidation.

COXON PRECISE INDUSTRIAL CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Coxon Industry Ltd.	Coxon Precise Industrial Co., Ltd.	Ultimate parent company	$ 330,944	3.82	$ -	-	$ -	$ -
Sun Can International Ltd.	Coxon Precise Industrial Co., Ltd. Coxon Precise International Limited	Ultimate parent company Associate	592,026 104,160 (Note 1)	2.49 -	-	-	-	-
Dong Guan Cheng Da Metal Product Co., Ltd.	Sinxon Plastic (Dong Guan) Ltd.	Associate	114,125 (Note 1)	-	-	-	-	-
Dong Guan Chensong Plastic Co., Ltd.	Coxon Industry Ltd.	Ultimate parent company	309,967	1.96	-	-	-	-
Sinxon Plastic (Dong Guan) Ltd.	Sun Can International Ltd.	Ultimate parent company	174,717	1.74	-	-	-	-
Coxon Industry (Changshu) Co., Ltd.	Sinxon Plastic (Dong Guan) Ltd.	Associate	570,625 (Note 1)	-	-	-	-	-

Note 1: Listed on other receivables.

Note 2: The related party transactions between subsidiaries had been eliminated upon consolidation.

TABLE 5

COXON PRECISE INDUSTRIAL CO., LTD. AND SUBSIDIARIES

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

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		As of December 31, 2017			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2017	December 31, 2016	Shares	%	Carrying Amount			
Coxon Precise Industrial Co., Ltd.	Teckyork Enterprise Co., Ltd.	Samoa	Global investing activities	$ 1,044,773	$ 1,044,773	17,569,700	100	$ 1,665,206	$ (32,364)	$ (32,364)	
	Sun Can International Ltd.	Samoa	Global investing activities	551,004	551,004	16,932,762	100	1,206,284	(304,561)	(304,561)	
	Coxon Industry Ltd.	Samoa	Global investing activities	1,371,321	1,371,321	42,870,000	100	1,089,711	(353,418)	(353,418)	
	Cheng Da Industry	Samoa	Global investing activities	1,098,824	1,098,824	35,769,500	100	624,696	(187,729)	(187,729)	
	Cheng Yee Enterprise Ltd.	Samoa	Global investing activities	1,723,671	1,723,671	43,000,000	100	1,879,708	66,108	66,108	
	Soartek Optoelectronics Technology Co., Ltd.	Taiwan	Manufacturing and sale of nonmetal molding and automobile parts	51,000	51,000	5,100,000	100	46,643	140	140	
	Plenty Link Technology Co., Ltd.	Cayman Islands	Global investing activities	368,107	177,023	11,700,000	65	253,123	(107,101)	(68,373)	
Teckyork Enterprise Co., Ltd.	Vastech Industrial Co., Ltd.	Samoa	Global investing activities	97,290	97,290	3,000,000	100	100,854	(3,533)	(3,533)	
Cheng Yee Enterprise Ltd.	Hang Yuan Enterprise Ltd.	Samoa	Global investing activities	1,213,600	1,213,600	40,000,000	100	1,521,983	19,304	19,304	
	Coxon Precise International Limited	Virgin Islands	Global investing activities	91,020	91,020	3,000,000	100	205,704	36,937	36,937	
	Coxon Medical Limited	Samoa	Global investing activities	159,600	159,600	5,000,000	80	150,622	12,686	10,149	
Soartek Optoelectronics Technology Co., Ltd.	Hsiangtek Optical Technology Co., Ltd.	Samoa	Global investing activities	18,021	18,021	601,000	100	14,690	29	29	
Coxon Industry Ltd.	Siix Coxon Precision Phils, Inc.	Philippines	Manufacturing and sale of nonmetal molding	121,642	121,642	4,050,000	45	13,225	(80,778)	(36,350)	
Plenty Link Technology Co., Ltd.	Shuang Ying Science and Technology Ltd.	Taiwan	Manufacturing of optical instrument and electronic components	16,500	16,500	1,950,000	65 (Note 2)	15,585	(1,702)	(1,106)	

Note 1: All investments and equity of the investee company are eliminated upon consolidation.

Note 2: Coxon Precise Industrial Co., Ltd. holds directly 65% of the voting shares of Plenty Link Technology Co., Ltd., Plenty Link Technology Co., Ltd. holds directly 100% of the voting shares of Sun Can International Ltd. and Coxon Precise Industrial Co., Ltd. holds indirectly 65% of the voting shares of Sun Can International Ltd.

COXON PRECISE INDUSTRIAL CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars and U.S. Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2017	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2017	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2017	Accumulated Repatriation of Investment Income as of December 31, 2017	Note
					Outward	Inward							
Shanghai Teckyork Enterprise Co., Ltd.	Manufacturing and sale of nonmetal molding, precision plastic injection parts and optical lens	$ 484,400	Investment through third party	$ 667,893	$ -	$ -	$ 667,893	$ (22,143)	100	$ (22,143)	$ 623,258	$ -	
Shanghai Sonor Enterprise Co., Ltd.	Manufacturing and sale of nonmetal molding, precision plastic injection parts, related semi-finished goods and components	151,375	Investment through third party	218,175	-	-	218,175	715	100	715	68,197	-	
Vastech Plastic (Shanghai) Industrial Co., Ltd.	Manufacturing and sale of nonmetal molding, precision plastic injection parts and optical lens	90,825	Investment through third party	141,310	-	-	141,310	(3,517)	100	(3,517)	94,369	-	
Changshu Huaxon Industry Co., Ltd.	Leasehold estate	938,525	Investment through third party	64,270	-	-	64,270	(11,751)	100	(11,751)	817,984	-	
Changshu Houkennixx Plastic Product Co., Ltd.	Manufacturing, assembling and sale of plastic products	299,850	Investment through third party	-	-	-	-	(23,596)	25	(5,899)	32,922	-	
Sinxon Plastic (Dong Guan) Ltd.	Manufacturing and sale of nonmetal molding and automobile parts	550,844	Investment through third party	320,818	-	-	320,818	(384,884)	100	(337,835)	634,973	-	
Coxon Industry (Changshu) Co., Ltd.	Manufacturing and sale of nonmetal molding, precision plastic injection parts, related semi-finished goods and components	1,211,000	Investment through third party	1,506,273	-	-	1,506,273	1,422	100	1,422	1,516,671	-	
Toyo Precision Appliance (Kunshan) Co., Ltd.	Manufacturing and processing of sheet metal-press work parts	936,141	Investment through third party	194,278	-	-	194,278	128,913	30	38,674	277,986	-	
Shanghai Coxon Medical Ltd.	Manufacturing of medical materials	149,770	Investment through third party	23,120	-	-	23,120	6,768	80	5,414	158,255	-	
Dong Guan Cheng Da Metal Product Company Ltd.	Manufacturing instrument, electronic products and plastic products	145,871	Investment through third party	141,448	-	-	141,448	(110,544)	100	(110,554)	405,860	-	
Dong Guan Chensong Plastic Co., Ltd.	Manufacturing and sale of metal and nonmetal molding and automobile parts	1,367,130	Investment through third party	471,320	-	-	471,320	(294,016)	100	(350,450)	815,382	-	
Dong Guan Shuang-Ying Photoelectric Technology Co., Ltd.	Manufacturing of optical instrument and electronic components	465,025	Investment through third party	88,511	191,084	-	279,595	(94,808)	65	(61,625)	358,561	-	

Accumulated Investment in Mainland China as of December 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$4,028,500	$6,780,959	NA

(Continued)

Significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: See Table 3.

Endorsements/guarantees provided with investee companies in mainland China, either directly or indirectly through a third party: None.

Financing provided with investee companies in mainland China, either directly or indirectly through a third party: None.

Other transactions which significantly affect profit and loss or the financial situation: None.

(Concluded)

TABLE 7

COXON PRECISE INDUSTRIAL CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Amounts in Thousands of New Taiwan Dollars)

No. (Note 1)	Investee Company	Counterparty	Flow of Transactions (Note 2)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms (Note 3)	% of Total Sales or Assets (Note 4)
0	Coxon Precise Industrial Co., Ltd.	Coxon Industrial Ltd.	a	Other receivables	$ 515	Note	-
			a	Trade payables	330,944	Note	4
			a	Purchases	1,010,623	Note	17
		Sun Can International Ltd.	a	Other receivables	1,612	Note	-
			a	Trade payables	592,055	Note	6
			a	Sales	4	Note	-
			a	Purchases	1,439,926	Note	24
		Teckyork Enterprise Co., Ltd.	a	Other receivables	1,341	Note	-
			a	Trade payables	26	Note	-
			a	Purchases	1,694	Note	-
		Hang Yuan Enterprise Ltd.	a	Other receivables	2,286	Note	-
			a	Purchases	4,125	Note	-
			a	Manufacturing overhead	2,729	Note	-
		Coxon Medical Ltd.	a	Other receivables	474	Note	-
		Cheng Da Industrial Ltd.	a	Other receivables	965	Note	-
		Sinxon Plastic (Dong Guan) Ltd.	a	Trade receivables	104	Note	-
			a	Trade payables	6,845	Note	-
			a	Sales	357	Note	-
			a	Purchases	18,477	Note	-
		Dong Guan Chensong Plastic Co., Ltd.	a	Trade payables	310	Note	-
			a	Other income	81	Note	-
			a	Purchases	865	Note	-
		Coxon Industry (Changshu) Ltd.	a	Trade receivables	107	Note	-
			a	Trade payables	74	Note	-
			a	Sales	110	Note	-
			a	Purchases	75	Note	-
		Plenty Link Technology Co., Ltd.	a	Other receivables	78	Note	-
			a	Sales	35	Note	-
1	Coxon Industrial Ltd.	Dong Guan Chensong Plastic Co., Ltd.	a	Trade receivables	7,156	Note	-
			a	Trade payables	309,967	Note	3
			a	Sales	1,756	Note	-
			a	Purchases	975,750	Note	16

(Continued)

No. (Note 1)	Investee Company	Counterparty	Flow of Transactions (Note 2)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms (Note 3)	% of Total Sales or Assets (Note 4)
		Cheng Da Industrial Ltd.	c	Other receivables	$ 29,760	Note	-
			c	Interest income	456	Note	-
		Hang Yuan Enterprise Ltd.	c	Other receivables	29,760	Note	-
			c	Interest income	524	Note	-
		Sinxon Plastic (Dong Guan) Ltd.	a	Sales	3,646	Note	-
2	Dong Guan Chensong Plastic Co., Ltd.	Coxon Industry (Changshu) Ltd.	c	Other payables	91,829	Note	1
			c	Payables on equipment	2,349	Note	-
			c	Manufacturing overhead	950	Note	-
			c	Finance costs	4,539	Note	-
		Dong Guan Shuang-Ying Photoelectric Technology Co., Ltd.	c	Other receivables	2,119	Note	-
			c	Other payables	396	Note	-
			c	Sales	1,798	Note	-
		Sinxon Plastic (Dong Guan) Ltd.	c	Trade receivables	12,380	Note	-
			c	Trade payables	36,478	Note	-
			c	Other payables	4,503	Note	-
			c	Sales	18,333	Note	-
			c	Purchases	39,438	Note	1
			c	Manufacturing overhead	7,680	Note	-
		Teckyork Enterprise Co., Ltd.	c	Other payables	446	Note	-
			c	Manufacturing overhead	376	Note	-
		Dong Guan Cheng Da Metal Product Co., Ltd.	c	Other payables	4	Note	-
			c	Manufacturing overhead	(561)	Note	-
3	Sun Can International Ltd.	Sinxon Plastic (Dong Guan) Ltd.	a	Trade receivables	7	Note	-
			a	Other receivables	59,387	Note	1
			a	Trade payables	174,717	Note	2
			a	Sales	7	Note	-
			a	Purchases	1,364,838	Note	23
		Coxon Precise International Limited	c	Other receivables	104,160	Note	1
			c	Interest income	1,598	Note	-
4	Sinxon Plastic (Dong Guan) Ltd.	Dong Guan Cheng Da Metal Product Co., Ltd.	c	Trade receivables	327	Note	-
			c	Other receivables	15,577	Note	-
			c	Trade payables	2,716	Note	-
			c	Other payables	121,244	Note	1
			c	Sales	644	Note	-
			c	Purchases	5,289	Note	-
			c	Manufacturing overhead	2,656	Note	-
			c	Finance costs	6,549	Note	-
		Shanghai Sonor Enterprise Co., Ltd.	c	Trade receivables	177	Note	-
			c	Sales	615	Note	-

(Continued)

No. (Note 1)	Investee Company	Counterparty	Flow of Transactions (Note 2)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms (Note 3)	% of Total Sales or Assets (Note 4)
		Shanghai Teckyork Enterprise Co., Ltd.	c	Trade receivables	$ 2,475	Note	-
			c	Other payables	342	Note	-
			c	Sales	2,670	Note	-
		Coxon Industry (Changshu) Ltd.	c	Trade receivables	2,726	Note	-
			c	Other receivables	1,770	Note	-
			c	Trade payables	3,956	Note	-
			c	Other payables	570,625	Note	6
			c	Sales	7,546	Note	-
			c	Finance costs	23,638	Note	-
			c	Purchases	3,050	Note	-
		Dong Guan Shuang-Ying Photoelectric Technology Co., Ltd.	c	Trade receivables	428	Note	-
			c	Other receivables	43,166	Note	-
			c	Payables on equipment	790	Note	-
			c	Sales	752	Note	-
5	Teckyork Enterprise Co., Ltd.	Hang Yuan Enterprise Ltd.	c	Manufacturing overhead	990	Note	-
		Shanghai Teckyork Enterprise Co., Ltd.	a	Other payables	241	Note	-
			a	Purchases	237	Note	-
			a	Manufacturing overhead	50	Note	-
6	Shanghai Teckyork Enterprise Co., Ltd.	Coxon Industry (Changshu) Ltd.	c	Trade payables	63	Note	-
			c	Other payables	1,635	Note	-
			c	Purchases	54	Note	-
			c	Manufacturing overhead	1,433	Note	-
		Shanghai Sonor Enterprise Co., Ltd.	c	Other receivables	13,853	Note	-
	.		c	Other income	6,602	Note	-
			c	Operating expenses	(9,014)	Note	-
		Shanghai Coxon Medical Limited	c	Other receivables	37	Note	-
			c	Rental revenue	4,196	Note	-
			c	Operating expenses	(55)	Note	-
7	Shanghai Sonor Enterprise Co., Ltd.	Coxon Industry (Changshu) Ltd.	c	Trade receivables	55	Note	-
			c	Sales	207	Note	-
			c	Purchases	1,801	Note	-
			c	Manufacturing overhead	72	Note	-
		Shanghai Coxon Medical Limited	c	Other receivables	525	Note	-
			c	Operating expenses	(4,625)	Note	-
8	Changshu Huaxon Industry Co., Ltd.	Coxon Industry (Changshu) Ltd.	c	Rental revenue	31,369	Note	1
			c	Finance costs	163	Note	-

(Continued)

No. (Note 1)	Investee Company	Counterparty	Flow of Transactions (Note 2)	Transaction Details			
				Financial Statement Account	**Amount**	**Payment Terms (Note 3)**	**% of Total Sales or Assets (Note 4)**
9	Hang Yuan Enterprise Ltd.	Coxon Industry (Changshu) Ltd.	a	Trade receivables	$ 315	Note	-
			a	Trade payables	315	Note	-
			a	Sales	2,334	Note	-
			a	Purchases	323	Note	-
10	Coxon Medical Limited	Shanghai Coxon Medical Limited	a	Trade payables	17,188	Note	-
			a	Purchases	53,675	Note	1
11	Dong Guan Cheng Da Metal Product Co., Ltd.	Dong Guan Shuang-Ying Photoelectric Technology Co., Ltd.	c	Other receivables	1,990	Note	-
12	Dong Guan Shuang-Ying Photoelectric Technology Co., Ltd.	Shuang-Ying Science and Technology, Ltd.	c	Trade receivables	1,093	Note	-
			c	Sales	2,440	Note	-

Note 1: The numbers above are identified as follows:

a. “0” for the Company
b. “1” for the subsidiary

Note 2: The flow of transactions was as follows:

a. From the Company to the subsidiary
b. From the subsidiary to the Company
c. Between subsidiaries

Note 3: The transaction terms with the related party are not significantly different from those to third parties.

Note 4: For assets and liabilities, the amount is shown as a percentage to consolidated total assets as of December 31, 2017, while revenue, costs and expenses are shown as a percentage to consolidated total operating revenue for the year ended December 31, 2017.

(Concluded)