PAN JIT INTERNATIONAL INC.

AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

WITH REPORT OF INDEPENDENT ACCOUNTANTS

FOR THE YEARS ENDED

31 December 2017 AND 2016

Address: No.24, Gangshan N. Rd., Gangshan Dist., Kaohsiung City, Taiwan, R.O.C.
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The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese financial statements shall prevail.

Independent Auditors' Report

To PAN JIT INTERNATIONAL INC.

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

1. <u>Revenue Recognition</u>

   Consolidated operating revenues of the Company amounted to $11,894,196 thousand for the year ended 31 December 2017. The complexity of revenue recognition has increased because the sales contract terms are diverse and that the operations are located across multiple regions internationally. Therefore, we considered this a key audit matter.

   Our audit procedures included (but are not limited to) assessing the appropriateness of the accounting policy of revenue recognition; testing the design and operating effectiveness of internal controls around revenue recognition by management, including the accounting treatment of sales discounts and the timing of revenue recognition; performing analytical procedures on gross margin by products and departments; selecting samples to perform test of details and reviewing significant terms and conditions of contracts; performing cutoff procedures and reviewing in subsequent periods to verify that revenue has been recorded in the correct accounting period; executing tests of journal entries and other adjusting journal entries which have higher risk and are related to revenue recognition. In addition, we also considered the appropriateness of the disclosures of sales. Please refer to Note 6 to the Company's consolidated financial statements.

2. <u>Control for Inventories</u>

   As of 31 December 2017, the Company's net inventories amounted to $2,218,268 thousand, constituting 11.00% of consolidated total assets which is significant for the financial statements. Inventories are stored in different countries and warehouses. Some warehouses have consignment arrangement and inventories are directly delivered from different local warehouses, making inventory management more difficult, we therefore determined this a key audit matter.

   Our audit procedures included (but are not limited to) testing the design of internal controls around control for inventories quantity, and assessing the management's inventory plan, including control for the shipping and receiving cutoff information and moving of inventories in inventory period; selecting the important stock location for inventory observation to confirm the quantity and status of the inventory. We also assessed the adequacy of disclosures of inventories. Please refer to Notes 6 to the Company's consolidated financial statements.

3. <u>Impairments for non-financial assets (included goodwill)</u>

   As of 31 December 2017, the carrying amounts of the Company's property, plant and equipment and intangible assets accounted for 34% of consolidated total assets. The overall industrial environment of the solar energy business continued to deteriorate. There have been significant adverse changes to the Company in terms of technology, market, and economic environment. The impairment assessment of non-financial assets (including goodwill) was significant for the Company, and the assumptions for the identification of cash-generating units and the forecast of cash flow involved management's significant judgments. We therefore considered this significant for the financial statements.

Our audit procedures included (but are not limited to) inquiring, understanding and assessing the asset impairment recognition and the process of measurement by management (including evaluation model, division of cash-generating unit, future operating plan, future cash flow forecast, growth rate and discount rate assumption, etc.); analyze and compare the company's historical data, performance, and the status of the industrial market, and comprehensively assess the rationality of future cash flow forecasts. We also assessed the results of impairment testing and the adequacy of disclosures of the sensitivity about assumption change. Please refer to Notes 5 and 6 to the Company’s consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

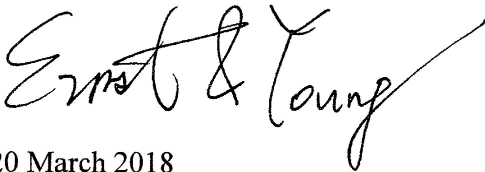
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group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

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

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

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

Ernst & Young, Taiwan



20 March 2018

Notice to Readers

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
PAN JIT INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
31 December, 2017 and 2016
(Expressed in Thousand of New Taiwan Dollars)

Assets	Notes	31 December , 2017 Amount	%	31 December , 2016 Amount	%
Current assets					
Cash and cash equivalents	4, 6(1)	$959,271	5	$875,026	4
Financial assets at fair value through profit or loss, current	4, 6(2)	343	0	2,552	0
Debt instrument investments for which no active market exists, current	4, 6(5)	-	-	46,170	0
Notes receivable,net	4, 6(6), 8	915,354	5	390,399	2
Trade receivable, net	4, 6(7), 8	3,401,982	17	4,006,013	20
Trade receivable-related parties, net	4, 6(7), 7	52,545	0	-	-
Other receivable, net		74,214	0	44,663	0
Other receivables-related parties, net	7	81,735	0	131,922	1
Inventories, net	4, 6(8)	2,218,268	11	1,863,313	9
Prepayments	9	447,207	2	477,248	3
Other current assets	8	92,003	1	101,946	1
Total current assets		8,242,922	41	7,939,252	40
Non-current assets					
Available-for-sale financial assets, non current	4, 6(3)	2,090,944	11	1,452,005	7
Financial assets measured at cost, non current	4, 6(4)	503,252	3	529,613	3
Investments accounted for under the equity method	4, 6(9)	440,844	2	155,375	1
Property, plant and equipment	4, 6(10), 8	6,349,295	32	7,443,406	37
Intangible assets	4, 6(11).(12)	306,975	2	640,353	3
Deferred tax assets	4, 6(28)	590,862	3	771,789	4
Prepayment for equipments		387,592	2	97,417	0
Refundable deposits	9	197,615	1	410,293	2
Long-term prepaid investment	12(12)	91,300	0	-	-
Long-term prepaid rent		535,564	3	556,278	3
Other assets-others	6(13), 8	1,277	0	1,412	0
Total non-current assets		11,495,520	59	12,057,941	60
Total assets		$19,738,442	100	$19,997,193	100

Liabilities and Equity	Notes	31 December , 2017 Amount	%	31 December , 2016 Amount	%
Current liabilities					
Short-term loans	4, 6(14), 8	$1,509,368	8	$839,754	4
Short-term notes and bills payable		120,000	1	-	-
Financial liabilities at fair value through profit or loss, current	4, 6(15)	-	-	4,465	0
Notes payable		565,451	3	304,606	2
Trade payable		1,767,308	8	1,464,356	7
Trade payable-related parties, net	7	3,768	0	-	-
Other payables		1,296,147	6	1,342,035	7
Current tax liabilities	4, 6(28)	98,799	1	89,222	0
Current portion of long-term loans	4, 6(18), 7, 8	264,050	1	32,140	0
Financial lease commitments, current	4, 6(19)	13,028	0	194,602	1
Other current liabilities		115,057	1	207,269	1
Total current liabilities		5,752,976	29	4,478,449	22
Non-current liabilities					
Long-term loans	4, 6(18), 7, 8	5,694,071	28	6,187,454	31
Deferred tax liabilities	4, 6(28)	114,708	1	99,472	1
Financial lease commitments, non current	4, 6(19)	193,742	1	225,836	1
Long-term deferred revenue	4, 6(16)	306,924	2	352,488	2
Defined benefit liabilities	4, 6(20)	168,461	1	149,655	1
Other non-current liabilities		275,891	1	296,687	1
Total non-current liabilities		6,753,797	34	7,311,592	37
Total liabilities		12,506,773	63	11,790,041	59
Equity attributable to the parent company					
Capital					
Common stock	4, 6(21)	3,697,944	20	3,697,944	19
Capital Surplus	4, 6(21)	2,202,190	11	2,348,607	12
Retained earnings	4, 6(21)				
Legal reserve		384,001	2	342,511	2
Special reserve		264,359	1	209,894	1
Unappropriated earnings		(275,897)	(1)	414,896	2
Other components of equity	4, 6(21)	(272,705)	(1)	(264,359)	(1)
Total equity attributable to the parent company		5,999,892	32	6,749,493	35
Non-controlling interests	4, 6(21)	1,231,777	5	1,457,659	6
Total equity		7,231,669	37	8,207,152	41
Total liabilities and equity		$19,738,442	100	$19,997,193	100

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

PAN JIT INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended 31 December, 2017 and 2016

(Expressed in Thousand of New Taiwan Dollars)

Items	Notes	2017		2016	
		Amount	%	Amount	%
Operating revenues	4, 6(23)	$11,894,196	100	$12,867,730	100
Operating costs	4, 6(24).(25)	(9,236,095)	(78)	(10,271,516)	(80)
Gross profit		2,658,101	22	2,596,214	20
Operating expenses	4, 6(24).(25)				
Selling expenses		(610,697)	(5)	(663,172)	(5)
General and administrative expenses		(731,812)	(6)	(730,862)	(6)
Research and development expenses		(372,560)	(3)	(416,681)	(3)
Subtotal		(1,715,069)	(14)	(1,810,715)	(14)
Operating income		943,032	8	785,499	6
Non-operating income and expenses	4, 6(26)				
Other income		782,060	7	455,363	4
Other gains and losses		(1,340,128)	(11)	(52,755)	(0)
Finance costs		(145,979)	(1)	(211,092)	(2)
Share of profit or loss of associates	6(9)	(42,747)	(0)	(13,116)	(0)
Subtotal		(746,794)	(5)	178,400	2
Pretax income from continuing operations		196,238	3	963,899	8
Income tax expenses	4, 6(28)	(368,854)	(4)	(224,666)	(3)
Net income (loss)		(172,616)	(1)	739,233	5
Other comprehensive income (loss)	4, 6(27).(28)				
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit obligation		(17,185)	(0)	7,618	0
Income tax benefit(expence) related to items that will not be reclassified subsequently		2,920	0	(1,326)	(0)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations		(127,542)	(1)	(491,677)	(4)
Changes in fair value of available-for-sale financial assets		(80,898)	(1)	20,163	0
Income tax expense related to items that may be reclassified subsequently	4, 6(28)	(15,308)	(0)	92,189	1
Total other comprehensive income (loss), net of tax		(238,013)	(2)	(373,033)	(3)
Total comprehensive income (loss)		($410,629)	(3)	$366,200	2
Net income (loss) attributable to:					
Stockholders of the parent		($339,290)	(3)	$605,238	5
Non-controlling interests		166,674	2	133,995	0
		($172,616)	(1)	$739,233	5
Comprehensive income (loss) attributable to:					
Stockholders of the parent		($366,069)	(3)	$263,332	2
Non-controlling interests		(44,560)	(0)	102,868	0
		($410,629)	(3)	$366,200	2
Earnings per share (NTD)	4, 6(29)				
Earnings per share-basic		($0.92)		$1.66	
Earnings per share-diluted		($0.92)		$1.63	

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

PAN JIT INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended 31 December, 2017 and 2016

(Expressed in Thousand of New Taiwan Dollars)

Items	Equity Attributable to Parent Company											Non-Controlling Interests	Total Equity
	Capital			Retained Earnings			Other Components of Equity						
	Common Stock	Certificates of Bond-to-Stock Conversion	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings (Deficit yet to be compensated)	Exchange Differences Arising on Translation of Foreign Operations	Changes in Fair Value of Available-for-Sale Financial Assets	Others	Treasury Stock	Total		
Balance as of 1 January, 2016	$3,889,913	$14,569	$2,443,008	$302,317	$209,894	$401,943	($3,844)	$95,922	$-	($463,609)	$6,890,113	$957,389	$7,847,502
Legal reserve				40,194		(40,194)					-		-
Cash dividend						(326,286)					(326,286)		(326,286)
Net income in 2016						605,238					605,238	133,995	739,233
Other comprehensive income (loss), net of tax in 2016						6,650	(384,690)	36,134			(341,906)	(31,127)	(373,033)
Total comprehensive income (loss)	-	-	-	-	-	611,888	(384,690)	36,134	-	-	263,332	102,868	366,200
Convertible bonds transferred to common stock	188,031	(14,569)	31,064								204,526		204,526
Treasury stock acquired										(46,454)	(46,454)		(46,454)
Treasury stock retired	(380,000)		(130,063)							510,063	-		-
Adjustments arising from changes in percentage of ownership in subsidiaries			(114)			(232,455)					(232,569)	391,936	159,367
Increase in non-controlling interests											-	9,934	9,934
Others			4,712						(7,881)		(3,169)	(4,468)	(7,637)
Balance as of 31 December, 2016	3,697,944	-	2,348,607	342,511	209,894	414,896	(388,534)	132,056	(7,881)	-	6,749,493	1,457,659	8,207,152
Legal reserve				41,490		(41,490)					-		-
Special reserve					54,465	(54,465)					-		-
Cash dividend						(221,877)					(221,877)		(221,877)
Cash paid from additional paid-in capital			(147,918)								(147,918)		(147,918)
Net loss in 2017						(339,290)					(339,290)	166,674	(172,616)
Other comprehensive income (loss), net of tax in 2017						(14,259)	(65,387)	52,867			(26,779)	(211,234)	(238,013)
Total comprehensive income (loss)	-	-	-	-	-	(353,549)	(65,387)	52,867	-	-	(366,069)	(44,560)	(410,629)
Adjustments arising from changes in percentage of ownership in subsidiaries						(19,412)					(19,412)	(212,614)	(232,026)
Increase in non-controlling interests											-	23,855	23,855
Others			1,501						4,174		5,675	7,437	13,112
Balance as of 31 December, 2017	$3,697,944	$-	$2,202,190	$384,001	$264,359	($275,897)	($453,921)	$184,923	($3,707)	$-	$5,999,892	$1,231,777	$7,231,669

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
PAN JIT INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended 31 December, 2017 and 2016
(Expressed in Thousand of New Taiwan Dollars)

Items	2017	2016
Cash flows from operating activities:		
Net income before tax	$196,238	$963,899
Adjustments to reconcile net income (loss) before tax to net cash provided by operating activities:		
Depreciation	939,638	1,129,067
Amortization	96,835	58,032
Bad debt (reversal) expenses	(18,759)	29,773
Net (gain) loss of financial assets at fair value through profit or loss	(4,251)	4,106
Interest expense	145,979	211,092
Interest revenue	(9,209)	(6,130)
Dividend revenue	(16,290)	(8,441)
Share of profit of associates accounted for using equity method	42,747	13,116
Gain (Loss) on disposal of property, plant and equipment	8,030	(20,670)
Gain on disposal of investments	(117,603)	(1,273)
Impairment loss on financial assets	54,428	15,498
Impairment loss on non-financial assets	1,351,319	36,656
Others	(600,369)	(417,467)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Hold for trading financial assets	3,754	5,414
Notes receivable	(526,519)	106,894
Trade receivable	118,911	(11,384)
Trade receivable-related parties	(65,189)	-
Other receivables	(22,461)	152,666
Other receivables-related parties	50,187	(131,922)
Inventories	(511,611)	386,015
Prepayments	(8,845)	(53,681)
Other current assets	8,334	41,045
Changes in operating liabilities:		
Hold for trading financial liabilities	(4,465)	(6,085)
Notes payable	260,845	100,538
Trade payable	686,688	237,431
Trade payable-related parties	3,768	-
Other payables	327,948	(29,738)
Other current liabilities	(92,121)	68,069
Net defined benefit liabilities, non-current	18,806	(16,166)
Cash generated from operations	2,316,763	2,856,354
Interest received	9,209	6,130
Income tax paid	(187,592)	(281,128)
Net cash provided by operating activities	2,138,380	2,581,356
Cash flows from investing activities:		
Acquisition of available-for-sale financial assets	(280,960)	-
Proceeds from disposal of available-for-sale financial assets	166,124	-
Acquisition of debt instrument investments for which no active market exists	-	(36,322)
Proceeds from disposal of debt instrument investments for which no active market exists	46,170	-
Acquisition of financial assets measured at cost	(55,000)	(27,397)
Proceeds from disposal of financial assets measured at cost	18,731	2,815
Acquisition of investments accounted for under the equity method	(45,510)	(154,340)
Increase in prepayment for investments	(91,300)	-
Acquisition of property, plant and equipment	(721,551)	(845,597)
Proceeds from disposal of property, plant and equipment	33,818	171,865
Decrease in refundable deposits	11,626	137,456
Acquisition of intangible assets	(74,341)	(54,710)
Proceeds from disposal of intangible assets	786	1,422
Decrease in other non-current assets-others	135	80,768
Increase in prepayment for equipments	(609,053)	(214,102)
Dividends received	16,290	8,441
Net cash used in investing activities	(1,584,035)	(929,701)
Cash flows from financing activities:		
Increase in short-term loans	669,614	-
Decrease in short-term loans	-	(283,327)
Increase in commercial paper payable	120,000	-
Proceeds from long-term loans	-	152,451
Repayments of long-term loans	(145,003)	-
Decrease in financial lease commitments	(185,930)	(890,635)
Inecrease in other non-current liabilities-others	2,959	9,782
Cash dividends	(235,831)	(341,352)
Treasury stock acquired	-	(46,454)
Interest paid	(164,979)	(215,912)
Changes in non-controlling interest	166,545	159,366
Other financing activities:	(164,628)	-
Net cash provided by (used in) financing activities	62,747	(1,456,081)
Effect of exchange rate changes on cash and cash equivalents	(532,847)	(277,221)
Net increase (decrease) in cash and cash equivalents	84,245	(81,647)
Cash and cash equivalents at beginning of period	875,026	956,673
Cash and cash equivalents at end of period	$959,271	$875,026

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

1. History and organization

PAN JIT INTERNATIONAL INC. (the Company) was incorporated on 20 May 1986, under the Company Act of the Republic of China on Taiwan. The Company's registered address is No. 24, Gangshan N. Rd., Gangshan Dist., Kaohsiung City. The principal activities of the Company are to manufacture, process, assemble and to import and export semiconductors. The Company also assembles, trades and transfers technological advancements of machinery parts. The Company also trades resins and paints for semiconductors.

The Company's shares commenced trading on the Taiwan GreTai Securities Market on 22 December 1999. The Company's shares commenced trading on Taiwan Stock Exchange Corporation on 17 September 2001.

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

The consolidated financial statements of the Company and its subsidiaries ("the Group") for the years ended 31 December 2017 and 2016 were authorized for issue by the board of directors on 20 March 2018.

3. Newly issued or revised standards and interpretations

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

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are endorsed by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after 1 January 2017. The nature and the impact of each new standard and amendment that has a material effect on the Group is described below:

IAS 36 "Impairment of Assets" (Amendment)
This amendments relate to the amendments issued in May 2011 and require entities to disclose the recoverable amount of an asset (including goodwill) or a cash-generating unit when an impairment loss has been recognized or reversed during the period. The amendments also require detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognized or reversed, including valuation techniques used, level of fair value hierarchy of assets and key assumptions used in measurement.

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

(a) *IFRS 15 "Revenue from Contracts with Customers"*

The core principle of the new Standard is for companies to recognize revenue to depict the transfer of promised goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following steps:
Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation
The new Standard includes a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The Standard is effective for annual periods beginning on or after 1 January 2018.

(b) *IFRS 9"Financial Instruments"*

The IASB has issued the final version of IFRS 9, which combines classification and measurement, the expected credit loss impairment model and hedge accounting. The standard will replace IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9 Financial Instruments (which include standards issued on classification and measurement of financial assets and liabilities and hedge accounting).
Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore there is requirement that 'own credit risk' adjustments are not recognized in profit or loss.
Impairment: Expected credit loss model is used to evaluate impairment. Entities are required to recognize either 12-month or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.
Hedge accounting: Hedge accounting is more closely aligned with risk management activities and hedge effectiveness is measured based on the hedge ratio.
The new standard is effective for annual periods beginning on or after 1 January 2018. Consequential amendments on the related disclosures also become effective for annual periods beginning on or after 1 January 2018.

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

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full. IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture. The effective date of the amendments has been postponed indefinitely, but early adoption is allowed.

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

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

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

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

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

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

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

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

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

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

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

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

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

IFRS 1 "First-time Adoption of International Financial Reporting Standards"

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

IFRS 12 "Disclosure of Interests in Other Entities"

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

IAS 28"Investments in Associates and Joint Ventures"

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

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

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

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

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

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

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

A. Revenue from sale of goods is currently recognized when goods have been delivered to the buyer. Starting from the date of initial application, in accordance with the requirements of IFRS 15, the Group shall recognize revenue when (or as) the Group satisfies a performance obligation by transferring a promised good to a customer. IFRS 15 has no impact on the Group's revenue recognition from sale of goods. However, for some contracts, if the Group has the right to transfer the goods to customers but does not have the right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. It is different from the accounting treatment of recognizing trade receivables before the date of initial application. The amount reclassified from trade receivables to contracts assets of the Group as at the date of initial application amounted to $37,124 thousand.

B. Starting from the date of initial application, in accordance with IFRS 15, the Group shall recognize revenue when (or as) the Group satisfies a performance obligation by transferring a promised service to a customer and also by reference to the stage of completion. IFRS 15 has no impact on the Group's revenue recognition from rendering services. However, for some contracts that provide products, part of the consideration was received from customers upon signing the contract, then the Group has the obligation to provide the products subsequently. The Group recognized the consideration received in advance from customers as payment received in advance under other current liabilities. Starting from the date of initial application, in accordance with IFRS 15, it should be recognized as contract liabilities. The amount reclassified from other current liabilities to contracts liabilities of the Group as at the date of initial application was $98,925 thousand.

C. IFRS 15 required more disclosures in the notes to financial statements.

(b) IFRS 9 "Financial Instruments"

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

A. Classification and measurement of financial assets

Available-for-sale financial assets – equity instrument investments

The assessment of the cash flow characteristics will be based on the facts and circumstances that existed as at the date of initial application.

As these equity instrument investments are not held-for-trading, the Group elected to designate them as financial assets measured at fair value through other comprehensive income. On the date of initial application, the Group will reclassify available-for-sale financial assets (including financial assets measured at cost in the amount of $416,894 thousand) to financial assets measured at fair value through other comprehensive income in the amount of $2,507,838 thousand. Other related adjustments are described as follows:

(a) The stocks of unlisted companies currently measured at cost amounted to $416,894 thousand in accordance with IAS 39, which had an original book value of $584,450 thousand, of which $167,556 thousand was impaired. However, in accordance with IFRS 9, stocks of unlisted companies must be measured at fair value but are not required to be assessed for impairment. The estimated fair value of the stocks of unlisted companies was $454,127 as at the date of initial application. The Group will reclassify the carrying amount of financial assets measured at cost in the amount of $416,894 to financial assets measured at fair value through other comprehensive income amounting to $454,127 and will also increase retained earnings and non-controlling interests in the amount of $137,339 thousand, $30,217 thousand, respectively, and decrease other equity in the amount of $130,323 thousand.

(b) The stocks of listed companies in the amount of $2,090,944 thousand are currently measured at fair value, where no book value difference has incurred. As at the date of initial application, the amount will be reclassified to financial assets measured at fair value through other comprehensive income and will be reclassified to other equity accounts.

Available-for-sale financial assets – funds investments

As the cash flow characteristics for funds are not solely payments of principal and interest on the principal amount outstanding, funds are classified as financial assets mandatorily measured at fair value through profit or loss in accordance with IFRS 9.

As at the date of initial application, the Group will reclassify available-for-sale financial assets in the amount of $90,054 thousand to financial assets mandatorily measured at fair value through profit or loss. In addition, changes in fair value in the amount of $3,696 thousand previously recognized in other equity will be reclassified to retained earnings.

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

Upon de-recognition of equity investments currently classified as available-for-sale measured at fair value, the accumulated gains or losses previously recognized in other comprehensive income was recycled to profit or loss from equity. However, under IFRS 9, subsequent fair value changes of the aforementioned equity investments are recognized in other comprehensive income and cannot be recycled to profit or loss. Upon de-recognition, the accumulated amounts in other component of equity is reclassified to retained earnings (reclassification to profit or loss is not allowed).

Impairment of financial assets

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

Additionally, under IFRS 9, impairment assessment is not required for equity instruments. Therefore, as the Group elects to classify certain equity investments as financial assets measured at fair value through other comprehensive income, the Group will reclassify an accumulated impairment loss in the amount of $54,111 thousand from retained earnings to other component of equity.

B. Others

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

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

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

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

(a) *IFRS 16“Leases”*

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

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

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

(c) *IFRS 17 "Insurance Contracts"*

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

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

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

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

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

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

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

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

IFRS 3 "Business Combinations"

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

IFRS 11 "Joint Arrangements"

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

IAS 12 "Income Taxes"

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

IAS 23 "Borrowing Costs"

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

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

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

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

4. Summary of significant accounting policies

(1) Statement of compliance

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

(2) Basis of preparation

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

(3) Basis of consolidation

Preparation principle of consolidated financial statements

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

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
(a) the contractual arrangement with the other vote holders of the investee
(b) rights arising from other contractual arrangements
(c) the Group's voting rights and potential voting rights

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

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

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

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

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

The consolidated entities are listed as follows:

			Percentage of ownership (%)	
Investor	Subsidiary	Main businesses	2017.12.31	2016.12.31
The Company	PAN-JIT ASIA INTERNATIONAL INC.	Investment holding	100.00%	100.00%
The Company	PYNMAX TECHNOLOGY CO., LTD.	Manufacture of electronic components and international trade business	94.43%	94.43%
The Company	MILDEX OPTICAL INC.	Manufacture of optical lens、instrument and touch panel	43.69% (Note 1)	43.90% (Note 1)
The Company	LIFETECH Energy Inc.	Manufacture and sale lithium iron phosphate battery pack	53.30%	53.30%
PAN-JIT ASIA INTERNATIONAL INC.	PAN-JIT INTERNATIONAL (H.K.) LTD.	Sale of electronic products	100.00%	100.00%
PAN-JIT ASIA INTERNATIONAL INC.	PAN JIT EUROPE GMBH	Sale of electronic products	100.00%	100.00%
PAN-JIT ASIA INTERNATIONAL INC.	PAN JIT AMERICAS, INC.	Manufacture, R&D and sale of electronics product	95.86%	95.86%
PAN-JIT ASIA INTERNATIONAL INC.	PAN JIT ELECTRONIC (WUXI) CO., LTD.	Manufacture, and process of rectifier	100.00% (Note 2)	100.00% (Note 2)
PAN-JIT ASIA INTERNATIONAL INC.	CONTINENTAL LIMITED	Investment holding	100.00%	100.00%
PAN-JIT ASIA INTERNATIONAL INC.	DYNAMIC TECH GROUP LIMITED	Investment holding	100.00% (Note 2)	100.00% (Note 2)

Investor	Subsidiary	Main businesses	Percentage of ownership (%)	
			2017.12.31	2016.12.31
PAN-JIT ASIA INTERNATIONAL INC.	PAN JIT KOREA CO., LTD.	Sale of electronic products	60.00%	60.00%
PAN-JIT ASIA INTERNATIONAL INC.	AIDE ENERGY (CAYMAN) HOLDING CO., LTD.	Investment holding and sale of photovoltaic products	88.63% (Note 3)	88.63% (Note 3)
PYNMAX TECHNOLOGY CO., LTD.	JOYSTAR INTERNATIONAL CO., LTD.	Investment holding	100.00%	100.00%
DYNAMIC TECH GROUP LIMITED	MAX-DIODE ELECTRONIC., LTD.(SHENZHEN)	Production, processing and manufacturing chip diode rectifier, rectifier bridge and push the other to provide technical and after-sales service	100.00%	100.00%
CONTINENTAL LIMITED	SUZHOU GRANDE ELECTRONICS CO., LTD.	R&D, design, manufacture chip diodes, transistors and other new electronic semiconductor components and related products, sales of products and provide technical and after-sales service	100.00%	100.00%
PAN JIT ELECTRONIC (WUXI) CO., LTD	PAN JIT ELECTRONIC (BEIJING) CO., LTD	Manufacture, process and sales of electronic products	100.00%	100.00%
PAN JIT ELECTRONIC (WUXI) CO., LTD	PAN JIT LIGHTING TECHNOLOGY (SHENZHEN)) CO.,LTD	Light Emitting Diode manufacturing, sales, self-agency of goods and technology import and export business	100.00%	100.00%
SUZHOU GRANDE ELECTRONICS CO., LTD.	SUMMERGY CO., LTD	Battery management system research, development, production and sales of technical services	70.00% (Note 4)	–
AIDE ENERGY (CAYMAN) HOLDING CO., LTD.	AIDE SOLAR ENERGY (HK) HOLDING LIMITED	Investment holding and sales	100.00%	100.00%
AIDE ENERGY (CAYMAN) HOLDING CO., LTD.	AIDE Energy Europe Coöperatie U.A.	Investment holding	100.00% (Note 5)	100.00% (Note 5)

Investor	Subsidiary	Main businesses	Percentage of ownership (%)	
			2017.12.31	2016.12.31
AIDE ENERGY (CAYMAN) HOLDING CO., LTD.	AIDE SOLAR USA, INC	Solar photovoltaic product development, manufacturing, sales, self-agency of goods and technology import and export business	100.00% (Note 5)	100.00% (Note 5)
AIDE ENERGY (CAYMAN) HOLDING CO., LTD.	JIANGSU AIDE SOLAR ENERGY TECHNOLOGY CO., LTD.	Solar photovoltaic product development, manufacturing, sales, self-agency of goods and technology import and export business	100.00% (Note 6)	–
AIDE SOLAR ENERGY (HK) HOLDING LIMITED	JIANGSU AIDE SOLAR ENERGY TECHNOLOGY CO., LTD.	Solar photovoltaic product development, manufacturing, sales, self-agency of goods and technology import and export business	– (Note 6)	100.00%
AIDE Energy Europe Coöperatie U.A.	AIDE ENERGY EUROPE B.V.	Investment holding and sales	100.00%	100.00%
AIDE ENERGY EUROPE B.V.	EC SOLAR C1 SRL	Solar power generation and sales of electricity	100.00%	100.00%
AIDE ENERGY EUROPE B.V.	ENERGIA FOTOVOLTAICA 12 SOCIETA' AGRICOLA AR.l	Solar power generation and sales of electricity	100.00%	100.00%
AIDE ENERGY EUROPE B.V.	ENERGIA FOTOVOLTAICA 22 SOCIETA' AGRICOLA AR.l	Solar power generation and sales of electricity	100.00%	100.00%
MILDEX OPTICAL INC.	MILDEX ASIA CO.,LTD.	Investment holding	100.00%	100.00%
MILDEX OPTICAL INC	NEW POPULAR TECHNOLOGY CO.,LTD.	Investment holding	72.56%	72.56%
MILDEX OPTICAL INC	TYCOON POWER INTERNATIONAL LTD.	Investment holding	100.00%	100.00%
MILDEX ASIA CO.,LTD.	MILDEX TECHNOLOGY HOLDING (CAYMAN) CO., LTD.	Investment holding	100.00%	100.00%

Investor	Subsidiary	Main businesses	Percentage of ownership (%) 2017.12.31	2016.12.31
MILDEX ASIA CO.,LTD.	MILDEX OPTICAL USA, INC.	Sales of Lens	100.00%	100.00%
MILDEX ASIA CO.,LTD.	Mildex OPTOELECTRONICS (XUZHOU) Co., Ltd	Manufacture and sales of new electronic components and mobile phone lens.	100.00%	100.00%
MILDEX ASIA CO.,LTD.	FULL SUNNY INTERNATIONAL CO., LTD.	Investment holding	63.61%	63.61%
MILDEX TECHNOLOGY HOLDING (CAYMAN) CO.,LTD.	JUMPLUS CO.,LTD.	Investment holding	100.00%	100.00%
MILDEX TECHNOLOGY HOLDING (CAYMAN) CO.,LTD.	SINANO TECHNOLOGY CORP.	Investment holding	100.00%	100.00%
JUMPLUS CO.,LTD.	MILDEX TECHNOLOGY (WUXI) CO.,LTD	Research and manufacture of new electronic components.	100.00%	100.00%
FULL SUNNY INTERNATIONAL CO., LTD.	MILDEX TECHNOLOGY (SHENZHEN) CO.,LTD.	Manufacture and sale of nanometer lens and mobile phone lens	– (Note 7)	55.15%

(Note 1): The Company owned 43.69% of the shares with other subsidiary. Although the percentage of ownership interests in MILDEX OPTICAL INC. is less than 50%, the Company determined that it has control over MILDEX OPTICAL INC. This is due to a combination of factors including the fact that the Company has been the single largest shareholder of MILDEX OPTICAL INC. since the inception of the investment; the remaining shareholding of other shareholders is dispersed; the Company could obtain proxies to achieve relative majority in the absence of contractual arrangement in place and the ability of the Company to appoint or approve the key management personnel of MILDEX OPTICAL INC. who have the ability to direct the relevant activities.

(Note 2): PAN-JIT ASIA INTERNATIONAL INC. owned 100% of the shares with other subsidiaries, which are consolidated into the Company’s financial statements.

(Note 3): PAN-JIT ASIA INTERNATIONAL INC. owned 88.63% of the shares with other subsidiaries, which are consolidated into the Company's financial statements.

(Note 4): On 7 August 2017, the Group acquired 70% of the shares of SUMMERGY CO., LTD., which was consolidated into the Company's financial statements.

(Note 5): AIDE ENERGY (CAYMAN) HOLDING CO., LTD. owned 100% of the shares with other subsidiaries, which was consolidated into the Company's financial statements.

(Note 6): In June 2017, the Group's subsidiary, AIDE ENERGY (CAYMAN) HOLDING CO., LTD. adjusted the investment framework, and owned 100% of the shares of JIANGSU AIDE SOLAR ENERGY TECHNOLOGY CO., LTD., through AIDE SOLAR ENERGY (HK) HOLDING LIMITED.

(Note 7): Please refer to Notes 6.(28) and 12.(12) for more details.

(4) Foreign currency transactions

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

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

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

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

(b) Foreign currency items within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are accounted for based on the accounting policy for financial instruments.

(c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

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

(5) Translation of financial statements in foreign currency

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

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

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

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

(6) Current and non-current distinction

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

(a) The Group expects to settle the liability in its normal operating cycle
(b) The Group holds the liability primarily for the purpose of trading
(c) The liability is due to be settled within twelve months after the reporting period
(d) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

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

(8) Financial instruments

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

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

(a) Financial assets

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

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

Financial assets at fair value through profit or loss

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

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

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial asset at fair value through profit or loss; or a financial asset may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:
i. it eliminates or significantly reduces a measurement or recognition inconsistency; or
ii. a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss (including those received during the period of initial investment). If financial assets do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

Available-for-sale financial assets

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

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

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

Held-to-maturity financial assets

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

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

Loans and receivables

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

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

Impairment of financial assets

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

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

Other loss events include:

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

For held-to-maturity financial assets and loans and receivables measured at amortized cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial asset that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exits for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. Interest income is accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

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

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

Derecognition of financial assets

A financial asset is derecognized when:

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

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

(b) Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

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

Compound instruments

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

For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled. For the embedded derivative that is not closely related to the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal on each exercise date to the amortized cost of the host debt instrument), it is classified as a liability component and subsequently measured at fair value through profit or loss unless it qualifies for an equity component.

The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Its carrying amount is not remeasured in the subsequent accounting periods. If the convertible bond issued does not have an equity component, it is accounted for as a hybrid instrument in accordance with the requirements under IAS 39 *Financial Instruments: Recognition and Measurement*.

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

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

Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

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

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

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

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

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

(c) Offsetting of financial instruments

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

(9) Derivative financial instrument

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

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

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

(10) Fair value measurement

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

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

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

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

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

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

(11) Inventories

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

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

Raw materials –Purchase cost on weighted average cost basis

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

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

(12) Investments accounted for using the equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence.

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

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

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

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

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

(a) Its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or

(b) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

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

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

(13) Property, plant and equipment

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

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

Buildings	1～52 years
Machinery and equipment	1～15 years
Utilities equipment	1～13 years
Transportation equipment	1～10 years
Office equipment	1～10 years
Leased assets	1～25 years
Leasehold improvements	1～20 years
Other equipment	1～16 years

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

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

(14) Leases

Group as a lessee

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

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

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

Group as a lessor

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

(15) Intangible assets

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

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

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

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

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

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

	Patents	Computer software	Other intangible assets
Useful lives	Finite(1～20 years)	Finite(1～10 years)	Finite(1～10 years)
Amortization method used	Amortized on a straight-line basis over the estimated useful life	Amortized on a straight-line basis over the estimated useful life	Amortized on a straight-line basis over the estimated useful life
Internally generated or acquired	Acquired	Acquired	Acquired

(16) Impairment of non-financial assets

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

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

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

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

(17) Provisions

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

Provision for decommissioning, restoration and rehabilitation costs

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

(18) Treasury shares

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

(19) Revenue recognition

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

Sale of goods

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

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

Interest income

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

Dividends

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

(20) Borrowing costs

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

(21) Government grants

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

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

(22) Post-employment benefits

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

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

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

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

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

(23) Share-based payment transactions

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

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

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

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

Where an equity-settled award is cancelled, it is treated as if it fully vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substitutes for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

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

(24) Income taxes

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

Current income tax

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

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

Deferred tax

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

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

i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

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

(25) Business combinations and goodwill

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

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

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

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

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

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

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

5. Significant accounting judgements, estimates and assumptions

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

(1) Judgement

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

Certain properties of the Group comprise a portion that is held to earn rentals or for capital appreciation and another portion that is owner-occupied. If these portions could be sold separately, the Group accounts for the portions separately as investment properties and property, plant and equipment. If the portions could not be sold separately, the property is classified as investment property in its entirety only if the portion that is owner-occupied is under 5% of the total property.

(2) Estimates and assumptions

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

(a) Fair value of financial instruments

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

(b) Impairment of non-financial assets

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

(c) Post-employment benefit

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

(d) Inventories

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

(e) Income tax

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

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

(f) Accounts receivables–estimation of impairment loss

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

6. Contents of significant accounts

(1) Cash and cash equivalents

	31 Dec. 2017	31 Dec. 2016
Cash on hand	$3,988	$3,526
Checking , demand deposits and time deposits	955,283	871,500
Total	$959,271	$875,026

(2) Financial assets at fair value through profit or loss－Current

	31 Dec. 2017	31 Dec. 2016
Held for trading:		
Non-derivative financial assets		
Funds	$58	$－
Domestic stocks	285	2,552
Total	$343	$2,552

Financial assets held for trading were not pledged.

(3) Available-for-sale financial assets－Non-current

	31 Dec. 2017	31 Dec. 2016
Stocks	$2,090,944	$1,452,005

Available-for-sale financial assets were not pledged.

(4) Financial assets measured at cost－Non-current

	31 Dec. 2017	31 Dec. 2016
Available-for-sale financial assets		
Stocks	$416,894	$436,030
Funds	86,358	93,583
Total	$503,252	$529,613

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

The Group wrote down the financial assets to the estimated recoverable amount and recognized impairment loss on financial assets in the amount of $36,427 thousand and $15,498 thousand for the years ended 31 December 2017 and 2016, respectively.

Financial assets measured at cost were not pledged.

(5) Debt instrument investments for which no active market exists－Current

	31 Dec. 2017	31 Dec. 2016
Time deposit	$－	$－
Financial products	－	46,170
Total	$－	$46,170

Financial products were held for earning interest income.

Debt instrument investments for which no active market exists were not pledged.

(6) Notes receivables, net

	31 Dec. 2017	31 Dec. 2016
Notes receivables arising from operating activities	$915,354	$390,399
Less: allowance for doubtful debts	－	－
Net amount	$915,354	$390,399

Notes receivables were not pledged.

(7) Trade receivables, net

	31 Dec. 2017	31 Dec. 2016
Trade receivables	$4,931,786	$5,701,422
Less: allowance for doubtful debts	(1,529,804)	(1,695,409)
Subtotal	3,401.982	4,006,013
Trade receivables-related parties	52,545	－
Net amount	$3,454,527	$4,006,013

Trade receivables were not pledged.

Trade receivables are generally on 60 to 120 day terms. The movements in the provision for impairment of trade receivables are as follows:

	Individually impaired	Collectively impaired	Total
As at 1 Jan. 2017	$1,532,392	$163,017	$1,695,409
Charge(reversal) for the current period (Note)	(20,794)	2,031	(18,763)
Write off	—	(2,663)	(2,663)
Reclassification	—	(1,171)	(1,171)
Individual consolidated entity effect	(14,933)	(6,973)	(21,906)
Exchange influence	(118,688)	(2,414)	(121,102)
As at 31 Dec. 2017	$1,377,977	$151,827	$1,529,804
As at 1 Jan. 2016	$1,586,629	$115,039	$1,701,668
Charge(reversal) for the current period	(25,309)	55,082	29,773
Write off	—	(484)	(484)
Individual consolidated entity effect	—	—	—
Exchange influence	(28,928)	(6,620)	(35,548)
As at 31 Dec. 2016	$1,532,392	$163,017	$1,695,409

(Note) Please refer to Note 12.(14) for more details on impairment loss of trade receivables.

Impairment loss that was individually determined for the years ended 31 December 2017 and 2016, arose due to the fact that the counterparty was in financial difficulties. The amount of impairment loss recognized was the difference between the carrying amount of the trade receivable and the present value of its expected recoverable amount. The Group does not hold any collateral for such trade receivables.

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

		Past due but not impaired				
As at	Neither past due nor impaired	91~180 days	181~270 days	271~360 days	>361 days	Total
31 Dec. 2017	$2,991,802	$453,575	$8,089	$1,061	$—	$3,454,527
31 Dec. 2016	$3,481,951	$449,110	$25,740	$20,032	$29,180	$4,006,013

(8) Inventories

	31 Dec. 2017	31 Dec. 2016
Raw materials	$864,574	$613,278
Work in progress	358,046	451,233
Finished goods	995,648	798,802
Total	$2,218,268	$1,863,313

The cost of inventories recognized in expenses amounts to $9,236,095 thousand and $10,271,516 thousand for the ended 31 December 2017 and 2016, respectively, including the reversal of write-down of inventories of ($13,455) thousand and ($85,611) thousand. The reversal is due to the volatility in the supply and demand of the market that drove up the prices for electronic parts; the previous write-down of electronic parts inventories was reversed and recognized as gain on reversal of write-down of inventories.

No inventories were pledged.

Please refer to Note 12.(14) for more details on impairment loss of inventories

(9) Investments accounted for using the equity method

	31 Dec. 2017		31 Dec. 2016	
Investees	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Investments in associates:				
TRIOTEK-M CO.,LTD.	$49,087	36.00%	$62,975	48.00%
MILDEX TECHNOLOGY (SHENZHEN) CO.,LTD.	273,351	26.47% (Note 2)	—	—
DEMA GREEN ENERGY INC.	—	— (Note 3)	2,296	50.00%
PAN-JIT ELECTRONICS (SHANDONG) CO.,LTD.	118,406	48.60% (Note 1)	90,104	40.00%
	$440,844		$155,375	

(Note 1): The Group acquired 48.60% of PAN-JIT ELECTRONICS (SHANDONG) CO., LTD.'s shares in June 2017 and July and December 2016.

(Note 2): Please refer to Note 6.(28) and 12.(12) for more details.

(Note 3): On 4 May 2017, DEMA GREEN ENERGY INC. was approved to liquidate, and the liquidation procedures was completed on 5 July 2017.

The Group's investments in TRIOTEK-M CO., LTD. and MILDEX TECHNOLOGY (SHENZHEN) CO., LTD. are not individually material. The related share of investment from the associates amounted to $322,438 thousand and $62,975 thousand for the years ended 31 December 2017 and 2016. The aggregate financial information of the Group's investments in associates is as follows:

	For the years ended	
	31 Dec. 2017	31 Dec. 2016
Income from continuing operations	($27,197)	($7,817)
Other comprehensive income	—	—
Total comprehensive income	($27,197)	($7,817)

The Group's investments in DEMA GREEN ENERGY INC are not individually material. The related share of investment from the associates amounted to $2,296 thousand for the years ended 31 December 2016. The aggregate financial information of the Group's investments in associates is as follows:

	For the years ended	
	31 Dec. 2017	31 Dec. 2016
Income from continuing operations	$565	($2,943)
Other comprehensive income	—	—
Total comprehensive income	$565	($2,943)

The Group's investments in PAN-JIT ELECTRONICS (SHANDONG) CO., LTD. are not individually material. The related share of investment from the associates amounted to $118,406 thousand and $90,104 thousand for the years ended 31 December 2017 and 2016. The aggregate financial information of the Group's investments in associates is as follows:

	For the years ended	
	31 Dec. 2017	31 Dec. 2016
Income from continuing operations	($16,115)	($2,356)
Other comprehensive income	—	—
Total comprehensive income	($16,115)	($2,356)

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

(10) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Transportation equipment	Utilities equipment	Office equipment	Leased assets	Leasehold improvements	Other equipment	Construction in progress and equipment awaiting examination	Total
Cost:											
As at 1 Jan. 2017	$392,126	$1,933,365	$10,394,887	$30,545	$257,347	$125,678	$1,846,722	$231,606	$1,999,236	$511,146	$17,722,658
Additions	－	15,428	168,959	425	7,753	27,519	－	34,083	109,702	389,837	753,706
Disposals	－	－	(458,503)	(3,950)	(4,932)	(7,413)	－	(32,407)	(174,599)	－	(681,804)
Transfers	－	413,088	303,383	1,613	63,728	7,511	－	－	59,683	(600,877)	248,129
Individual consolidated entity effect	－	－	(786,196)	(4,747)	－	(3,135)	(53,128)	(162,324)	(49,104)	－	(1,058,634)
Exchange differences	248	(15,289)	(79,204)	(330)	－	(432)	86,961	(2,990)	(3,347)	21,515	7,132
As at 31 Dec. 2017	$392,374	$2,346,592	$9,543,326	$23,556	$323,896	$149,728	$1,880,555	$67,968	$1,941,571	$321,621	$16,991,187
As at 1 Jan. 2016	$386,021	$2,008,252	$10,532,763	$33,960	$266,710	$131,466	$1,896,945	$243,029	$2,015,403	$201,629	$17,716,178
Additions	－	13,583	296,038	－	170	11,364	57,375	46,525	59,220	388,942	873,217
Disposals	－	(267)	(401,395)	(1,275)	(9,672)	(4,283)	－	(67)	(27,519)	－	(444,478)
Transfers	6,294	21,010	269,601	－	139	(9,305)	－	(41,490)	42,361	(71,682)	216,928
Exchange differences	(189)	(109,213)	(302,120)	(2,140)	－	(3,564)	(107,598)	(16,391)	(90,229)	(7,743)	(639,187)
As at 31 Dec. 2016	$392,126	$1,933,365	$10,394,887	$30,545	$257,347	$125,678	$1,846,722	$231,606	$1,999,236	$511,146	$17,722,658

	Land	Buildings	Machinery and equipment	Transportation equipment	Utilities equipment	Office equipment	Leased assets	Leasehold improvements	Other equipment	Construction in progress and equipment awaiting examination	Total
Depreciation and impairment:											
As at 1 Jan. 2017	$—	$778,639	$7,260,416	$24,542	$198,246	$101,871	$394,129	$137,075	$1,384,334	$—	$10,279,252
Depreciation	—	79,557	636,551	2,038	12,818	11,589	74,025	12,780	110,280	—	939,638
Impairment losses (gains) (Note)	—	13,176	425,898	(136)	—	934	—	(10,891)	121,197	—	550,178
Disposals	—	—	(438,008)	(3,814)	(4,923)	(6,471)	—	(20,826)	(165,916)	—	(639,958)
Transfers	—	—	(46,122)	—	—	(358)	—	—	(7,465)	—	(53,945)
Individual consolidated entity effect	—	—	(225,559)	(3,699)	—	(2,471)	(53,571)	(92,176)	(33,755)	—	(411,231)
Exchange differences	—	(6,175)	(26,564)	(273)	—	(463)	17,996	(2,215)	(4,348)	—	(22,042)
As at 31 Dec. 2017	$—	$865,197	$7,586,612	$18,658	$206,141	$104,631	$432,579	$23,747	$1,404,327	$—	$10,641,892
As at 1 Jan. 2016	$—	$737,817	$6,963,807	$25,236	$195,350	$105,338	$284,594	$154,516	$1,323,474	$—	$9,790,132
Depreciation	—	87,498	710,939	2,665	12,568	12,975	132,073	32,442	137,907	—	1,129,067
Impairment losses (gains)	—	—	37,200	(292)	—	(349)	—	—	97	—	36,656
Disposals	—	(232)	(258,034)	(524)	(9,672)	(3,814)	—	(67)	(20,940)	—	(293,283)
Transfers	—	—	(30,808)	(778)	—	(9,106)	—	(40,323)	1,200	—	(79,815)
Exchange differences	—	(46,444)	(162,688)	(1,765)	—	(3,173)	(22,538)	(9,493)	(57,404)	—	(303,505)
As at 31 Dec. 2016	$—	$778,639	$7,260,416	$24,542	$198,246	$101,871	$394,129	$137,075	$1,384,334	$—	$10,279,252

	Land	Buildings	Machinery and equipment	Transportation equipment	Utilities equipment	Office equipment	Leased assets	Leasehold improvements	Other equipment	Construction in progress and equipment awaiting examination	Total
Net carrying amount as at:											
31 Dec. 2017	$392,374	$1,481,395	$1,956,714	$4,898	$117,755	$45,097	$1,447,976	$44,221	$537,244	$321,621	$6,349,295
31 Dec. 2016	$392,126	$1,154,726	$3,134,471	$6,003	$59,101	$23,807	$1,452,593	$94,531	$614,902	$511,146	$7,443,406

(Note): As the overall industrial environment of the solar cash-generating unit continued to deteriorate, the Group resolved to adjust its business scale, and perform impairment test of property, plant and equipment and intangible assets of the cash generating unit. In 2017, some of the Solar cash-generating unit's property, plant and equipment were reduced to the recoverable amount. The impairment loss has been recognized in the amount of $457,921 thousand in the comprehensive income. The recoverable amount of the cash generate unit has been determined based on value in use. The projected cash flows have been updated to reflect the change in demand for products and services.

The amounts of capitalization of borrowing costs were $0 in both 2017 and 2016.

Leased assets under finance leases are pledged solely as security for the bank loans.

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

(11) Intangible assets

	Patents	Computer software	Other intangible assets	Goodwill	Total
Cost:					
As at 1 Jan. 2017	$—	$144,060	$290,838	$590,371	$1,025,269
Addition-acquired separately	—	48,819	25,522	44,103	118,444
Disposals	—	(43,277)	(16,145)	—	(59,422)
Transfers	—	7,147	—	—	7,147
Individual consolidated entity effect	—	—	(8,487)	—	(8,487)
Exchange differences	—	(600)	5,500	(42,118)	(37,218)
As at 31 Dec. 2017	$—	$156,149	$297,228	$592,356	$1,045,733
As at 1 Jan. 2016	$1,708	$156,388	$261,691	$600,234	$1,020,021
Addition-acquired separately	—	15,761	38,949	—	54,710
Disposals	(1,682)	(26,892)	(1,340)	—	(29,914)
Transfers	—	110	8,600	—	8,710
Exchange differences	(26)	(1,307)	(17,062)	(9,863)	(28,258)
As at 31 Dec. 2016	$—	$144,060	$290,838	$590,371	$1,025,269
Accumulated amortization and Impairment:					
As at 1 Jan. 2017	$—	($105,209)	($120,363)	($159,344)	($384,916)
Amortization	—	(30,872)	(65,963)	—	(96,835)
Impairment	—	(3,868)	—	(331,090)	(334,958)
Disposals	—	43,277	15,359	—	58,636
Transfers	—	—	—	—	—
Individual consolidated entity effect	—	—	3,146	—	3,146
Exchange differences	—	308	(1,658)	17,519	16,169
As at 31 Dec. 2017	$—	($96,364)	($169,479)	($472,915)	($738,758)
As at 1 Jan. 2016	$—	($100,511)	($103,359)	($161,674)	($365,544)
Amortization	—	(32,676)	(25,356)	—	(58,032)
Impairment	—	—	—	—	—
Disposals	—	27,152	1,340	—	28,492
Transfers	—	—	—	—	—
Exchange differences	—	826	7,012	2,330	10,168
As at 31 Dec. 2016	$—	($105,209)	($120,363)	($159,344)	($384,916)

	Patents	Computer software	Other intangible assets	Goodwill	Total
Net carrying amount as at:					
31 Dec. 2017	$—	$59,785	$127,749	$119,441	$306,975
31 Dec. 2016	$—	$38,851	$170,475	$431,027	$640,353

(Note): Please refer to Notes 6.(12) and 12.(14) for more details on impairment loss and testing of goodwill.

Amortization expense of intangible assets under the statement of comprehensive income:

	2017	2016
Operating costs	$55,770	$12,207
Research and development costs	$2,830	$2,072

(12) Impairment testing of goodwill

Goodwill acquired through business combinations have been allocated to three cash-generating units, which are also reportable operating segments, for impairment testing as follows:

(a) Diodes cash-generating unit;
(b) Panel cash-generating unit; and
(c) Solar cash-generating unit

Carrying amount of goodwill to each of the cash-generating units:

As at	31 Dec. 2017	31 Dec. 2016
Diodes cash-generating unit	$107,084	$67,929
Panel cash-generating unit	12,357	12,357
Solar cash-generating unit	—	350,741
Total	$119,441	$431,027

The recoverable amount of the cash generate unit has been determined based on a value in use calculation using cash flow projections from financial budgets approved by management covering a five-year period. The projected cash flows have been updated to reflect the change in demand for products and services. The pre-tax discount rate applied to cash flow projections was 12% (2016: 12%) for Diodes cash-generating unit, 15% (2016: 15%) for Panel cash-generating unit and 10% (2016: 10%) for Solar cash-generating unit that was the same as the long-term average growth rate for the industry. As a result of the analysis, the management recognized impairment loss on goodwill in the amount of $331,090 thousand for the year ended 31 December 2017. As at 31 December 2017, the accumulated impairment loss has been recognized in the amount of $472,915 thousand.

Key assumptions used in value-in-use calculations

Gross margins – Gross margins are based on operating results and further average values achieved in the years preceding the start of the budget period.

Discount rates – Discount rates reflect the current market assessment of the risks specific to each cash generating unit (including the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted). The discount rate was estimated based on the weighted average cost of capital (WACC) for the Group, taking into account the particular situations of the Group and its operating segments. The WACC includes both the cost of liabilities and cost of equities. The cost of equities is derived from the expected returns of the Group's investors on capital, where the cost of liabilities is measured by the interest bearing loans that the Group has obligation to settle. Specific risk relating to the operating segments is accounted for by considering the individual beta factor which is evaluated annually and based on publicly available market information.

Growth rate estimates – Rates are based on published industry research.

Sensitivity to changes in assumptions

Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

(13) Short-term loans

	31 Dec. 2017	31 Dec. 2016
Unsecured bank loans	$1,454,412	$630,796
Secured bank loans	54,956	208,958
Total	$1,509,368	$839,754

	31 Dec. 2017	31 Dec. 2016
Interest rates	1.05%～4.35%	1.029%～5.332%
Due date	107.01.05～107.12.26	106.01.04～106.03.29

The Group's unused short-term lines of credits amounted to $3,884,105 thousand and $5,338,456 thousand, as at 31 December 2017 and 2016, respectively.

Please refer to Note 8 for more details on notes other current assets and property, plant and equipment pledged as security for short-term loans.

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

	31 Dec. 2017	31 Dec. 2016
Held for trading:		
Derivatives not designated as hedging Instruments		
Forward foreign exchange contracts	$－	$4,465

(15) Long-term deferred revenue

	2017	2016
Beginning balance	$352,488	$566,237
Recognized to the statement of comprehensive income	(41,041)	(48,118)
Transfers	－	(131,937)
Exchange differences	(4,523)	(33,694)
Ending Balance	$306,924	$352,488

	31 Dec. 2017	31 Dec. 2016
Non-current deferred revenue - related to assets	$306,924	$352,488

Government grants have been received for the purchase of certain items of property, plant and equipment and land use right (booked shown as long-term prepaid rent). There are no unfulfilled conditions or contingencies attached to these grants.

(16) Long-term borrowings

Details of long-term loans are as follows:

	31 Dec. 2017	31 Dec. 2016
Syndication loans(A)	$2,992,000	$2,351,000
Syndication loans(B)	1,168,945	2,107,080
Syndication loans(C)	1,146,400	1,447,500
Collateral loans(D)	557,070	330,224
Credit loan	100,000	－
Subtotal	5,964,415	6,235,804
(Less):Due within one year	(264,050)	(32,140)
(Less):Unamortized cost of syndicated loan	(6,294)	(16,210)
Total	$5,694,071	$6,187,454

	31 Dec. 2017	31 Dec. 2016
Interest rates	1.50%～3.41%	1.58%～12.50%

(A) On 17 March, 2015, the Company entered into a syndicated loan contract with nine financial institutions and the amount of the loan facility was $3,850,000 thousand for a period of five years starting from the first day the facility is drawn. The facility must be drawn within three months from the execution date of the contract, otherwise the maturity of the said three month period shall be deemed the first drawdown day. The Company is to maintain certain financial ratios as follows:

a. Terms of the syndicated loan agreement are as follows:

i. Category 1: Medium-term loan in the amount of $1,650,000 thousand

ii. Category 2: Medium-term loan in the amount of $2,200,000 thousand

iii. The credit line of category 1 was provided for the borrower's existing financial liability (including but not limited to the balance of outstanding credit principal), which can be used as an installment loan but not as a revolving loan; the credit line of category 2 may be used as a revolving loan within the credit period.

b. Terms of covenants

Within the contract period, every half-year the Company should calculate the follows ratios and agree with these assigned ratios based on the audited consolidated financial report.

i. Current ratio: higher than 100%

ii. Debt ratio: lower than 200%.

iii. Interest coverage ratio: higher than 2.5 times.

iv. Net value: higher than $7,000,000 thousand.

(B) On May 4, 2016, the Company's subsidiary, PAN-JIT ASIA INTERNATIONAL INC, entered into a syndicated loan contract with 11 financial institutions. The amount of the loan facility was US$87,500 thousand, and the credit period was five years starting from the first day the facility is drawn. The significant terms are summarized as follows:

a. Terms of the syndicated loan agreement are as follows:

i. Category 1: Medium-term loan in the amount of US$52,000 thousand, which can be used as an installment loan but not a revolving loan.

ii. Category 2: Medium-term loan in the amount of US$48,500 thousand, which can be used as a revolving loan within the credit period.

iii. The joint credit line of categories 1 and 2 cannot exceed US$87,500 thousand

b. Terms of covenants

Within the contract period, the Company must maintain a certain financial ratio in its semi-annual and annual audited consolidated financial reports.

i. Current ratio: higher than 100%

ii. Debt ratio: lower than 200%.

iii. Interest coverage ratio: higher than 2 times

iv. Net value (excluding unrealized gains (losses) on available-for-sale financial assets): higher than $7,000,000 thousand.

(C) On 14 August 2015, the subsidiaries, MILDEX OPTICAL INC. and MILDEX ASIA CO., LTD., entered into a syndicated loan contract with seven financial institutions. The total amounts were $707,000 thousand and US$30,300 thousand. The funding is used to repay previous syndicated loans and supply the medium-term operating funds as needed. MILDEX OPTICAL INC. and MILDEX ASIA CO., LTD. have repaid the previous syndication loan in September 2015. The significant terms of the loan are summarized as follows:

a. Terms of the syndicated loan agreement are as follows:

i. Category 1: Medium-term loan in the amount of $707,000 thousand, only available to MILDEX OPTICAL INC.

ii. Category 2: Medium -term loan in the amount of US$30,300 thousand, only available to MILDEX ASIA CO., LTD.

iii. The loan above can be used as a revolving loan within the credit period.

b. During the term of the contract, every half year MILDEX OPTICAL INC. shall calculate the following ratios and ensure that they agree with the specified ratios based on the audited consolidated financial report.

i. Current ratio: higher than 100%

ii. Debt ratio: lower than 250% in 2015, 230% in 2016 and 200% since 2017.

iii. Interest coverage ratio: higher than 200%

iv. Net value (excluding unrealized gains (losses) on available-for-sale financial assets): higher than $1,200,000 thousand.

The above ratios are tested every half year from 2015. If the subsidiary, MILDEX ASIA CO., LTD. does not meet the financial ratios or standards of the above financial commitments, it shall improve by injecting capital in cash or other methods before providing the audited or reviewed financial statements; it shall pay compensation to the bank in charge of credit management at 0.05% of the balance of outstanding principal as of the date of financial commitment and the compensation shall be transferred to banks participating in the syndicated loan.

(D)

Financing institutions	Terms	Interest rates	31 Dec. 2017	31 Dec. 2016
Company				
IBT Leasing Co., Ltd.	2015.07.31 ~2018.01.30	12.50%	$—	$15,893
Subtotal			—	15,893
Financial institutions	2017.03.20 ~2032.05.17	1.50%	557,070	314,331
Total			$557,070	$330,224

Please refer to Notes 7 and 8 for more details on certain property and plant and equipment pledged as security and the key management who were guarantors of the syndicated loans and credit loans.

(17) Finance lease commitments

The Group has finance leases for various items of plant and machinery. Theses leases contain purchase options for lessees. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	31 Dec. 2017		31 Dec. 2016	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Not more than one year	$19,053	$13,028	$203,110	$194,603
More than one year and not more than five years	76,213	56,198	102,642	80,751
More than five years	154,957	137,544	165,841	145,084
Total minimum lease payments	250,223	206,770	471,593	420,438
Less: finance charges on finance lease	(43,453)	—	(51,155)	—
Present value of minimum lease payments	$206,770	$206,770	$420,438	$420,438
Current		$13,028		$194,602
Non-current		193,742		225,836
Total		$206,770		$420,438

(18) Post-employment benefits

Defined contribution plan

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

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

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

Expenses under the defined contribution plan for the years ended 31 December 2017 and 2016 were $56,829 thousand and $53,571 thousand, respectively.

Defined benefits plan

The Company and its domestic subsidiaries adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company and its domestic subsidiaries contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company and its domestic subsidiaries assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company and its domestic subsidiaries will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute $3,104 thousand to its defined benefit plan during the 12 months beginning after 31 December 2017.

The average duration of the defined benefits plan obligation as at 31 December 2017 and 2016, are both 13 to 21 years.

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

	2017	2016
Current period service costs	$2,417	$2,853
Interest expense	2,308	2,562
Total	$4,725	$5,415

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

	31 Dec. 2017	31 Dec. 2016	1 Jan. 2016
Defined benefit obligation	$226,802	$210,850	$224,571
Plan assets at fair value	(58,341)	(61,195)	(58,751)
Other non-current liabilities – Defined benefit liabilities recognized on the consolidated balance sheets	$168,461	$149,655	$165,820

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	As at		
	Defined benefit obligation	Fair value of plan assets	Defined benefit liability (asset)
As at 1 Jan. 2016	$224,571	($58,751)	$165,820
Current period service costs	2,853	—	2,853
Net interest expense (income)	3,546	(984)	2,562
Past service cost and gains and losses arising from settlements	—	—	—
Subtotal	230,970	(59,735)	171,235
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	1,915	—	1,915
Actuarial gains and losses arising from changes in financial assumptions	1,271	—	1,271
Experience adjustments	(11,228)	—	(11,228)
Remeasurements of the defined benefit asset	—	424	424
Subtotal	222,928	(59,311)	163,617
Payments from the plan	(12,078)	12,078	—
Contributions by employer	—	(13,962)	(13,962)
Effect of changes in foreign exchange rates	—	—	—
As at 31 Dec. 2016	210,850	(61,195)	149,655
Current period service costs	2,417	—	2,417
Net interest expense (income)	3,308	(1,000)	2,308
Past service cost and gains and losses arising from settlements	—	—	—
Subtotal	216,575	(62,195)	154,380

	As at		
	Defined benefit obligation	Fair value of plan assets	Defined benefit liability (asset)
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	(116)	－	(116)
Actuarial gains and losses arising from changes in financial assumptions	7,474	－	7,474
Experience adjustments	9,493	－	9,493
Remeasurements of the defined benefit asset	－	334	334
Subtotal	233,426	(61,861)	171,565
Payments from the plan	(6,624)	6,624	－
Contributions by employer	－	(3,104)	(3,104)
Effect of changes in foreign exchange rates	－	－	－
As at 31 Dec. 2017	$226,802	($58,341)	$168,461

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

	31 Dec. 2017	31 Dec. 2016
Discount rate	1.25%～1.60%	1.50%～1.80%
Expected rate of salary increases	1.50%～2.00%	1.50%～2.00%

A sensitivity analysis for significant assumption as at 31 December 2017 and 2016 is, as shown below:

	Effect on the defined benefit obligation			
	2017		2016	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.5%	$－	$15,415	$－	$14,718
Discount rate decrease by 0.5%	$17,550	$－	$16,464	$－
Future salary increase by 0.5%	$17,398	$－	$16,367	$－
Future salary decrease by 0.5%	$－	$15,445	$－	$14,779

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

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

(19) Equities

(a) Common stock and certificates of bond-to-stock conversion

As at 31 December 2017 and 2016, the Company's authorized capital was both $5,000,000 thousand and issued capital was both $3,697,944 thousand, each at a par value of NT$10. Each share has one voting right and a right to receive dividends.

For the year ended 31 December, 2016, the sixth and seventh convertible corporate bond issued by the Company had been converted for 16,228 thousand and 1,118 thousand shares, respectively. As of 31 December 2016, all shares have finished change of registration.

(b) Additional paid-in capital

	31 Dec. 2017	31 Dec. 2016
Premium on issued shares	$1,000,884	$1,148,802
Premium on convertible bonds	1,083,418	1,083,418
Employee stock option	24,527	24,527
Restricted stocks for employees	6,213	4,712
Others	87,148	87,148
Total	$2,202,190	$2,348,607

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

The Company resolved at the shareholders' meeting held on 13 June 2017 to distribute cash through its capital surplus in the amount of $147,918 thousand.

(c) Retained earnings and dividend policies

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

a. Payment of all taxes and dues;
b. Offset prior years' operation losses;
c. Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve

d. Set aside or reverse special reserve in accordance with law and regulations
e. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting. The Company's Articles of Incorporation further provide that no more than 90% of the dividends to shareholders, if any, could be paid in the form of share dividends. Accordingly, at least 10% of the dividends must be paid in the form of cash.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.
Following the adoption of TIFRS, the FSC on 6 April 2012 issued Order No. Jin-Guan-Cheng-Fa-Zi 1010012865, which sets out the following provisions for compliance:

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

As of 1 January 2017 and 1 January 2016, special reserve set aside for the first-time adoption of TIFRS amounts to $209,894 thousand. Furthermore, the Company has not reversed special reserve to retained earnings during the year ended 2017 and 2016 as results of the no use, disposal or reclassification of related assets. As of 31 December 2017 and 2016, special reserve set aside for the first-time adoption of TIFRS amounted to $209,894 thousand.

Details of the 2017 and 2016 earnings distribution and dividends per share as approved and resolved by the Board of Directors' meeting and shareholders' meeting on 20 March, 2018 and 13 June, 2017, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NT$)	
	2017	2016	2017	2016
Legal reserve	$—	$41,490	$—	$—
Special reserve	$—	$54,465	$—	$—
Common stock -cash dividend	$—	$221,877	$—	$0.60
Common stock-stock dividend	$—	$—	$—	$—

The Company resolved at the board meeting held on 20 March 2018 to make up for losses using the capital surplus in the amount of $275,897 thousand.

Please refer to Note 6(23) for further details on employees' compensation and remuneration to directors and supervisors.

(d)Non-controlling interests

	2017	2016
Beginning balance	$1,457,659	$957,389
Profit (loss) attributable to non-controlling interests	166,674	133,995
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of a foreign operation	(49,928)	(20,769)
Unrealized gains (losses) from available-for-sale financial assets	(161,300)	(10,000)
Remeasurements of defined benefits plan	(6)	(358)
Difference between consideration given/ received and carrying amount of interests in subsidiaries acquired/disposed of	—	—
Adjustments arising from changes in percentage of ownership in subsidiaries	(212,614)	391,936
Disposal of subsidiary	—	—
Others (cash dividend, etc.)	31,292	5,466
Ending balance	$1,231,777	$1,457,659

(20) Share-based payment plans

(a) Restricted stocks plan for employees of the subsidiary

The subsidiaries, MILDEX OPTICAL INC. issued restricted stocks for employees on 6 June 2017 and 9 September, 2016 in the amount of $6,000 thousand $25,000 thousand, which is 600 thousand 2,500 thousand shares in total, respectively. The share price at grant date was 18.05 and14.85 per share, respectively.

Restriction on the rights and vesting conditions of restricted stocks for employees is as follows:

i. During the vesting period, employees may not sell, pledge, transfer, give to another person, create any encumbrance in, or otherwise dispose of, restricted employee shares.

ii. During the vesting period, the rights of dividend distribution and to subscription of new shares, which dividends and bonuses are not limited.

iii. During the vesting period, the rights of shareholders proposal, speech, resolution and voting right, etc., and other rights of restricted stock plan for employees, may be deposited in a security trust account.

iv. The restricted stocks for employees issued may be deposited in a security trust account, employees may not ask trustee to return it by any reason and form.

The plan resulted in additional paid-in capital - cost of restricted stocks for employees amounted to $6,213 thousand. For the year ended 31 December 2017, The Company had recognized ($3,707) thousand as unearned employee compensation, which was recorded under other equity.

On 31 December 2017, the employees who had participated in the restricted stocks for employees did not meet the vesting conditions. According to the regulations governing the issuance, 80 thousand shares were reclaimed in the amount of $800 thousand, which were cancelled.

(21) Operating revenue

	2017	2016
Sale of goods	$11,989,043	$12,984,103
Less: Sales returns, discounts and allowances	(118,104)	(137,297)
Other operating revenue	23,257	20,924
Total	$11,894,196	$12,867,730

(22) Operating lease commitments – the Group as lessee

The Group has signed non-cancellable operating leases. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payable as at 31 December 2017and 2016 are as follows:

	31 Dec. 2017	31 Dec. 2016
Not later than one year	$13,789	$49,045
Later than one year and not later than five years	55,290	124,703
Later than five years	79,328	79,328
Total	$148,407	$253,076

Operating lease expenses recognized are as follows:

	2017	2016
Minimum lease payments	$28,747	$56,599

(23) Summary statement of employee benefits, depreciation and amortization expenses by function:

Function / Nature	2017			2016		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	$1,606,711	$729,217	$2,335,928	$1,754,654	$650,235	$2,404,889
Labor and health insurance	$123,328	$53,084	$176,412	$120,924	$50,842	$171,766
Pension	$40,769	$20,785	$61,554	$37,530	$21,456	$58,986
Other employee benefits expense	$90,226	$37,916	$128,142	$68,094	$37,225	$105,319
Depreciation	$816,420	$123,218	$939,638	$969,142	$159,925	$1,129,067
Amortization	$55,770	$41,065	$96,835	$12,207	$45,825	$58,032

According to the Company’s Articles of Incorporation, 6% of profit of the current year is distributable as employees’ compensation and no higher than 2% of profit of the current year is distributable as remuneration to directors and supervisors. However, the Company's accumulated losses shall have been covered.

According to the addition of Article 235-1 of the Company Act, the Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees’ compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders’ meeting. The Articles of Incorporation are to be amended in the shareholders’ meeting in 2016. Information on the Board of Directors’ resolution regarding the employees’ compensation and remuneration to directors and supervisors can be obtained from the “Market Observation Post System” on the website of the TWSE.

Based on profit of current year, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended 31 December 2017 to be 6% of profit of current year and 2% of profit of current year, respectively, recognized both the amount of $0 thousand in cash as employees' compensation and remuneration to directors and supervisors. If the estimated amounts differ from the actual distribution resolved by the Board of Directors, the Company will recognize the change as an adjustment to current income.

A resolution was passed at a Board of Directors meeting held on 23 March, 2017 to distribute $33,237 thousand and $11,079 thousand in cash as employees' compensation and remuneration to directors and supervisors, respectively. No material differences existed between the estimated amount and the actual distribution of the employee bonuses and remuneration to directors and supervisors for the year ended 31 December 2016.

(24) Non-operating income and expenses

(a) Other income

	2017	2016
Interest income	$9,209	$6,130
Rental income	23,525	3,960
Dividend income	16,290	8,441
Gain on reversal of bad debts	18,759	—
Others (Please refer to Note 12.11)	714,277	436,832
Total	$782,060	$455,363

(b) Other gains and losses

	2017	2016
Gains (losses) on disposal of property, plant and equipment	($8,030)	$20,670
Gains on disposal of investments	117,603	1,273
Foreign exchange gains (losses), net	(38,665)	23,972
Impairment losses(Please refer to Note 13)	(1,405,747)	(52,154)
Losses on financial assets / financial liabilities at fair value through profit or loss	4,251	(4,106)
Others	(9,540)	(42,410)
Total	($1,340,128)	($52,755)

(c) Finance costs

	2017	2016
Interest on borrowings from bank	($137,706)	($160,328)
Amortization of convertible bonds discount	—	(968)
Interest for finance lease	(8,273)	(49,796)
Total	($145,979)	($211,092)

(25) Components of other comprehensive income

For the year ended 31 December 2017

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	($17,185)	$—	($17,185)	$2,920	($14,265)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	(149,686)	22,144	(127,542)	12,227	(115,315)
Unrealized gains (losses) from available-for-sale financial assets	(80,898)	—	(80,898)	(27,535)	(108,433)
Total of other comprehensive income	($247,769)	$22,144	($225,625)	($12,388)	($238,013)

For the year ended 31 December 2016

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	$7,618	$—	$7,618	($1,326)	$6,292
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	(491,677)	—	(491,677)	86,218	(405,459)
Unrealized gains (losses) from available-for-sale financial assets	20,163	—	20,163	5,971	26,134
Total of other comprehensive income	($463,896)	$—	($463,896)	$90,863	($373,033)

(26) Income tax

a. Income tax expense (income) recognized in profit or loss

	2017	2016
Current income tax expense (income):		
Current income tax charge	$178,309	$200,727
Adjustments in respect of current income tax of prior periods	11,695	(6,487)
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	175,819	32,060
Deferred tax expense (income) relating to origination and reversal of tax loss and tax credit	3,676	(4,211)
Others	(645)	2,577
Total income tax expense	$368,854	$224,666

b. Income tax relating to components of other comprehensive income

	2017	2016
Deferred tax expense (income):		
Remeasurements of defined benefit plans	($2,920)	$1,326
Exchange differences resulting from translating the financial statements of a foreign operation	(12,227)	(86,218)
Unrealized gains (losses) from available-for-sale financial assets	27,535	(5,971)
Income tax relating to components of other comprehensive income	$12,388	($90,863)

c. A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	2017	2016
Accounting profit (loss) before tax from continuing operations	$196,238	$963,899
Tax at the domestic rates applicable to profits in the country concerned	$139,101	$235,767
Tax effect of revenues exempt from taxation	(33,001)	(710)
Tax effect of expenses not deductible for tax purposes	106,481	(41,868)
Tax effect of deferred tax assets/liabilities	137,224	39,954
Adjustments in respect of current income tax of prior periods	11,695	(6,487)
Others	7,354	(1,990)
Total income tax expense recognized in profit or loss	$368,854	$224,666

d. Deferred tax assets (liabilities) relate to the following:

For the year ended 31 December 2017

	Beginning balance as at 1 January 2017	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Deferred tax income (expense) charged directly to equity	Deferred tax assets (liabilities) acquired in business combinations	Exchange differences	Ending balance as at 31 December 2017
Temporary differences							
Allowance for bad debts	$10,506	($6,669)	$—	$—	$—	($155)	$3,682
Allowance for losses on inventory	44,980	317	—	—	(1,322)	(248)	43,727
Unrealized exchange (losses)	(12,813)	6,063	—	—	—	—	(6,750)
Share of profit (loss) of subsidiaries accounted for using the equity method	460,754	(211,495)	—	—	—	—	249,259
Changes in ownership interests of subsidiaries for using equity method	(60,363)	—	—	—	—	—	(60,363)
Exchange differences resulting from translating the financial statements of a foreign operation	32,443	—	12,227	—	—	2	44,672
Depreciation difference for tax purpose	(12,540)	5,126	—	—	—	(7)	(7,421)
Pension cost	25,067	346	2,920	—	—	(1)	28,332
Impairment losses	23,085	(2,342)	—	—	—	26	20,769
Unrealized gains (losses) from available-for-sale financial assets	5,971	—	(27,535)	—	—	(1)	(21,565)
Deferred revenue	52,873	(51,583)	—	—	—	(1,290)	—
Others	98,239	(50,580)	—	—	(1,667)	(1,611)	44,381
Unused tax losses	4,115	135,864	—	—	(2,548)	—	137,431
Deferred tax (expense)/ income		($174,953)	($12,388)	$—	($5,537)	($3,285)	
Net deferred tax assets/(liabilities)	$672,317						$476,154
Reflected in balance sheet as follows:							
Deferred tax assets	$771,789						$590,862
Deferred tax liabilities	($99,472)						($114,708)

For the year ended 31 December 2016

	Beginning balance as at 1 January 2016	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Deferred tax income (expense) charged directly to equity	Deferred tax assets (liabilities) acquired in business combinations	Exchange differences	Ending balance as at 31 December 2016
Temporary differences							
Allowance for bad debts	$5,204	$5,878	$—	$—	$—	($576)	$10,506
Allowance for losses on inventory	64,909	(18,465)	—	—	—	(1,464)	44,980
Unrealized exchange (losses)	(12,719)	(94)	—	—	—	—	(12,813)
Share of profit (loss) of subsidiaries accounted for using the equity method	490,800	(30,036)	—	—	—	(10)	460,754
Changes in ownership interests of subsidiaries for using equity method	(60,363)	—	—	—	—	—	(60,363)
Exchange differences resulting from translating the financial statements of a foreign operation	(53,775)	—	86,218	—	—	—	32,443
Depreciation difference for tax purpose	(27,303)	14,786	—	—	—	(23)	(12,540)
Pension cost	27,772	(1,382)	(1,326)	—	—	3	25,067
Impairment losses	22,099	986	—	—	—	—	23,085
Unrealized gains (losses) from available-for-sale financial assets	—	—	5,971	—	—	—	5,971
Deferred revenue	84,936	(27,008)	—	—	—	(5,055)	52,873
Others	80,502	22,691	—	—	—	(4,954)	98,239
Unused tax losses	—	4,115	—	—	—	—	4,115
Deferred tax (expense)/ income		($28,529)	$90,863	$—	$—	($12,079)	
Net deferred tax assets/(liabilities)	$622,062						$672,317
Reflected in balance sheet as follows:							
Deferred tax assets	$780,459						$771,789
Deferred tax liabilities	($158,397)						($99,472)

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

(i). MILDEX OPTICAL INC.

Year	Tax losses for the period	Unused tax losses as at 31 Dec. 2017	Unused tax losses as at 31 Dec. 2016	Expiration year
2011	155,975	$—	$40,301	2021
2012	350,097	—	352,273	2022
2013	451,804	345,877	447,407	2023
2014	162,123	153,780	163,881	2024
2015	97,240	97,240	98,348	2020
2016	50,265	50,265	168,809	2021
2017	880,543	385,802	—	2027
		$1,032,964	$1,271,019	

(ii). LIFETECH Energy Inc.

Year	Tax losses for the period	Unused tax losses as at 31 Dec. 2017	Unused tax losses as at 31 Dec. 2016	Expiration year
2011	21,985	$21,985	$21,985	2021
2012	4,457	4,457	4,457	2022
2013	11,706	11,706	11,706	2023
2014	26,214	26,214	26,214	2024
2015	24,895	24,895	24,895	2025
2016	21,921	21,921	22,000	2026
2017	22,000	22,000	—	2027
		$133,178	$111,257	

(iii). Aide Energy (Cayman) Holding Co., Ltd. Taiwan Branch

Year	Tax losses for the period	Unused tax losses as at 31 Dec. 2017	Unused tax losses as at 31 Dec. 2016	Expiration year
2011	30,876	$30,876	$30,876	2021
2012	42,967	42,967	42,967	2022
2013	15,965	15,965	15,965	2023
2014	30,253	30,253	30,253	2024
2015	25,606	25,606	25,606	2025
2016	14,680	14,680	14,680	2026
2017	4,705	4,705	—	2027
		$165,052	$160,347	

(iv). Jiangsu Aide Solar Energy Technology Co., Ltd.

		Unused tax losses as at		
Year	Tax losses for the period	31 Dec. 2017	31 Dec. 2016	Expiration year
2011	361,226	$370,262	$370,262	2016
2012	511,069	523,837	523,837	2017
2013	221,451	226,976	226,976	2018
2014	350,318	359,072	359,072	2019
2015	609,230	617,297	617,297	2020
2016	312,088	197,467	197,467	2021
2017	518,343	525,323	–	2022
		$2,820,234	$2,294,911	

f. Unrecognized deferred tax assets

As of 31 December 2017 and 2016, deferred tax assets that have not been recognized amount to $817,807 thousand and $1,015,316 thousand, respectively.

g. Imputation credit information

	31 Dec. 2017	31 Dec. 2016
Balances of imputation credit amounts	$426,287	$365,371

The expected creditable ratio for 2017 and the actual creditable ratio for 2016 were 0.00% and 20.48%, respectively.

For 2016, the imputation credit ratio for individual stockholders residing in R.O.C. is half of the original ratio according to Article 66-6 of Income Tax Act. On 18 January 2018, the Legislative Yuan passed amendments to the Income Tax Act that the imputation credit ratio will no longer be used. The expected creditable ratio for 2017 is for reference only.

h. Undistributed retained earnings

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

i. The assessment of income tax returns

As of 31 December 2017, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

	The assessment of income tax returns
The Company	Assessed and approved up to 2015 (2014 has not been assessed)
Mildex Optical Inc.	Assessed and approved up to 2015
Pynmax Technology Inc.	Assessed and approved up to 2014
Lifetech Energy Inc.	Assessed and approved up to 2015
Aide Energy (Cayman) Holding Co., Ltd. Taiwan Branch	Assessed and approved up to 2015

(27) Earnings per share

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

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

	2017	2016
(1) Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT$)	($339,290)	$605,238
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand)	369,794	363,729
Basic earnings per share (NT$)	($0.92)	$1.66

	2017	2016
(2) Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT$)	($339,290)	$605,238
Interest of convertible bond(in thousand NT$)	－	804
Profit attributable to ordinary equity holders of the Company and effect of potential common shares (in thousand NT$)	($339,290)	$606,042
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand)	369,794	363,729
Effect of dilution		
Convertible bonds(thousand shares)	－	6,016
Employee compensation－stock (in thousands)	－	2,014
Weighted average number of common stocks after dilution(thousand shares)	369,794	371,759
Diluted earnings per share (NTD)	($0.92)	$1.63

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

(28) Changes in parent's interest in subsidiaries

MILDEX TECHNOLOGY (SHENZHEN) CO., LTD. issued new shares on 23 March 2017.
The Group did not subscribe the shares and its ownership was reduced to 26.47%. The Group received additional cash from the issuance of new shares in the amount of $522,657 thousand. The carrying amount of MILDEX TECHNOLOGY (SHENZHEN) CO., LTD.'s net assets (excluding goodwill on the original acquisition) was $1,031,660 thousand. The following is a schedule of interest lost in MILDEX TECHNOLOGY (SHENZHEN) CO., LTD. for the increase in non-controlling interests:

Additional cash received from the issuance of new shares	($522,657)
Increase in non-controlling interests	542,957
Difference recognized in retained earning under equity	$20,300

The Group did not subscribe the shares of MILDEX TECHNOLOGY (SHENZHEN) CO., LTD. by the shareholding percentage, which decreased its shareholding percentage in the company from 55.55% to 26.47%. According to IFRS 10 "Consolidated Financial Statements", the Group changed it recognition for investments which was accounted for using the equity method.

On 31 March 2017, the book value of the net assets of MILDEX TECHNOLOGY (SHENZHEN) CO., LTD. was:

	Book value
Cash and cash equivalents	$356,112
Notes receivables, trade receivables and other receivables	640,127
Inventories	174,134
Other current assets	40,495
Property, plant and equipment	633,412
Deferred tax assets	5,344
Other non-current assets	11,117
Notes payables, trade payables and other payables	(785,334)
Long-term (including due within one year)	(19,992)
Other non-current liabilities	(23,755)
Total net assets	$1,031,660

	Book value
The fair value of the remaining investment	$273,080
(Less): The book value of the remaining investment	
Derecognition of net assets	1,031,660
Non-controlling interests	(758,580)
	273,080
Derecognition of the interest of the consolidated entities	$−

(29) Subsidiaries that have material non-controlling interests

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

Name	Country of Incorporation and operation	31 Dec. 2017	31 Dec. 2016
MILDEX OPTICAL INC.	Taiwan	56.77%	56.56%

Accumulated balances of material non-controlling interest:

	31 Dec. 2017	31 Dec. 2016
MILDEX OPTICAL INC.	$850,484	$795,001

Profit/(loss) allocated to material non-controlling interest:

	2017	2016
MILDEX OPTICAL INC.	$175,791	$101,294

The summarized financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

Summarized information of profit or loss for the year ended 31 December 2017:

	MILDEX OPTICAL INC.
Operating revenue	$1,335,399
Profit for the period from continuing operations	$312,738
Total comprehensive income for the period	$117,768

Summarized information of profit or loss for the year ended 31 December 2016:

	MILDEX OPTICAL INC.
Operating revenue	$1,143,673
Profit for the period from continuing operations	$182,484
Total comprehensive income for the period	$109,565

Summarized information of financial position as at 31 December 2017:

	MILDEX OPTICAL INC.
Current assets	$629,202
Non-current assets	$2,675,269
Current liabilities	$590,460
Non-current liabilities	$1,203,651

Summarized information of financial position as at 31 December 2016:

	MILDEX OPTICAL INC.
Current assets	$482,136
Non-current assets	$2,147,832
Current liabilities	$298,421
Non-current liabilities	$914,433

Summarized cash flow information for the year ended 31 December 2017:

	MILDEX OPTICAL INC.
Operating activities	$214,930
Investing activities	($533,608)
Financing activities	$434,567
Net increase/(decrease) in cash and cash equivalents	$115,889

Summarized cash flow information for the year ended 31 December 2016:

	MILDEX OPTICAL INC.
Operating activities	$185,366
Investing activities	($534,457)
Financing activities	$321,480
Net increase/(decrease) in cash and cash equivalents	($27,611)

7. Related party transactions

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

Name and Relationship of Related Parties

Name of related parties	Relationship with the Company.
PANJIT ELECTRONICS (SHANDONG) CO.,LTD	Associated Enterprises
MILDEX TECHNOLOGY (SHENZHEN) CO.,LTD.	Associated Enterprises (Note 1)
TRIOTEK-M CO., LTD.	Associated Enterprises
Fang Minqing and other 17 people	Deputy general manager of the Group above the management level (Note 2)

(Note1): In March 2017, the Group lost control of Mildex Technology and accounted for the investments using the equity method. The related party transactions of the Group and the company between 1 January 2017 and 31 March 2017 were offset during the consolidation.
(Note2): There are currently 11 managerial staff whose rankings are higher than vice president at the Company. The remaining 6 directors and supervisors have been removed from the positions after the reelection of the shareholders' meeting on 13 June 2017.

(1) Sales

	2017	2016
MILDEX TECHNOLOGY (SHENZHEN) CO.,LTD.	$8,168	$－
Associated Enterprises	3,947	376
Total	$12,115	$376

The sales price to the related parties was determined through mutual agreement in reference to market conditions. The collection periods to related parties were month-end 90 days, and non-related parties were month-end 90~120 days. The outstanding payment at the end of the year were not pledged, interest-free and subject to pay in cash.

(2) Receivables -related parties

	2017.12.31	2016.12.31
MILDEX TECHNOLOGY (SHENZHEN) CO.,LTD.	$50,207	$－
Associated Enterprises	2,338	－
Total	$52,545	$－

(3) Other receivables -related parties

	2017.12.31	2016.12.31
PANJIT ELECTRONICS (SHANDONG) CO.,LTD	$60,609	$131,358
Associated Enterprises	2,588	564
Total	$63,197	$131,922

(4) Financing (reported in other receivables -related parties)

Name of the related parties	2017				
	Maximum Balance	Ending Balance	Interest rate range	Total interest income	Interest receivable
MILDEX TECHNOLOGY (SHENZHEN) CO.,LTD.	$348,940	$－	0%	$2,531	$18,538

(5) Payables -related parties

	2017.12.31	2016.12.31
Associated Enterprises	$3,768	$－

(6) Acquisition of property, plant and equipment

As of 31 December 2017:

Name of the related parties	Asset Name	Purchase price
PANJIT ELECTRONICS (SHANDONG) CO.,LTD	Machinery	$10,332

As of 31 December 2016: None.

(7) Sale of property, plant and equipment

As of 31 December 2017:

Name of the related parties	Asset Name	Sales price	Book value	Gain (Losses)
PANJIT ELECTRONICS (SHANDONG) CO.,LTD	Other equipment	$70	$－	$70

As of 31 December 2016:

Name of the related parties	Asset Name	Sales price	Book value	Gain (Losses)
PANJIT ELECTRONICS (SHANDONG) CO.,LTD	Machinery	$131,358	$67,027	$64,480

(8) Rental income

	2017	2016
TRIOTEK-M CO., LTD.	$9,529	$3,886
MILDEX TECHNOLOGY (SHENZHEN) CO.,LTD.	3,853	－
Total	$13,382	$3,886

The rental price to the related parties was determined through mutual agreement in reference to market conditions.

(9) Key management personnel compensation

	2017	2016
Short-term employee benefits	$46,479	$60,358
Post-employment benefits	653	833
Share-based payment	1,693	874
Total	$48,825	$62,065

As at 31 December 2017 and 2016, certain members of key management were joint guarantors for the Group's borrowings from financial institutions.

8. Assets pledged as security

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

Items	31 Dec. 2017	31 Dec. 2016	Secured liabilities details
Other current assets	$9,050	$36,765	Short and long-term loans
Property, plant and equipment	1,730,672	1,850,036	Short and long-term loans
Total	$1,739,722	$1,886,801	

9. Commitments and contingencies

(1) As at 31 December, 2017 and 2016, the Group guaranteed a deposit for customs in the amount of $9,000 thousand.

(2) Hipro (BVI) claimed US$11,511 thousand against the Company. Details are as follows:

A. Hipro (BVI) made the following claims:

a. Hipro (BVI) purchased TVS Diodes from the Company as a component for AC adapters from August to December 2004. AC adapters were then subsequently sold to third parties.

b. Due to defects in the TVS Diodes, the adapters manufactured by Hipro (BVI) had issues such as overheating and melting. The total damages as a result of recalling the AC adapters amounted to US$11,511 thousand.

B. The Company has filed a defense to the court for the case. The transaction took place during 2004, however the counterparties of the transaction were not the plaintiff of the case. The transaction amount was approximately US$77 thousand. As the Company never received any legal document claiming product defects, it has decided it is not liable for making compensation.

(3) Jiansu Aide Solar Energy Technology Co., Ltd. (Jiansu Aide) and Bureau of Economic Development of Xuzhou Municipality entered into a contract that entitled the Company state-owned land use rights of 50 years. The total contract amount was RMB 78,955 thousand.

(4) Jiansu Aide Solar Energy Technology Co., Ltd. (Jiansu Aide) and its client entered into a sales contract committing to a reasonable quality assurance. Jiansu Aide is insured with product quality insurance. In line with the Company's increasing sales, Jiansu Aide increased its total insured amount and extended the coverage period of the policy. Jiansu Aide believes the above policy is sufficient to cover any compensation that may arise from quality assurance.

(5) Jiansu Aide and its supplier entered into a long-term contract to purchase silicon. According to the contract, Jiansu Aide already paid a guarantee deposit in the amount of RMB 169,667 thousand. Both parties have confirmed that as at 31 December, 2017 and 31 December, 2016, the total deposit balance was $131,926 thousand ($131,926 thousand as refundable deposits) and $333,594 thousand ($40,345 thousand as prepayment and $293,249 thousand as refundable deposits), respectively. Please refer to Note 12.(14) for more details on impairment loss of guarantee deposit in the amount of $195,262 thousand (RMB 43,353 thousand).

(6) MILDEX OPTICAL INC. has entered into the contract to construct factories in the total amount of $688,655 thousand. As at 31 December 2017, $21,661 thousand has not yet been paid.

10. Losses due to major disasters

None.

11. Significant subsequent events

On 18 January 2018, the Legislative Yuan passed amendments to the Income Tax Act. The amendments raised the corporate income tax rate for companies from 17% to 20%. After the change of the tax rate, the deferred tax assets and deferred tax liabilities will increase by 101,503 thousand and 20,243 thousand, respectively.

12. Financial instruments

(1) Categories of financial instruments

Financial assets

	31 Dec. 2017	31 Dec. 2016
Financial assets at fair value through profit or loss:		
Held for trading	$343	$2,552
Available-for-sale financial assets (including financial assets measured at cost)	$2,594,196	$1,981,618
Loans and receivables:		
Cash and cash equivalents (exclude cash on hand)	955,283	$871,500
Debt instrument investments for which no active market exists	—	46,170
Note, trade and other receivables	4,525,830	4,572,997
Refundable deposits	197,615	410,293
Subtotal	$5,678,728	$5,900,960
Total	$8,273,267	$7,885,130

Financial liabilities

	31 Dec. 2017	31 Dec. 2016
Financial liabilities at amortized cost:		
Short-term loans	$1,509,368	$839,754
Short-term notes and bills payable	120,000	—
Note, trade and other payables	3,731,473	3,200,219
Long-term loans(including current portion)	5,958,121	6,219,594
Financial lease commitments(including current portion)	206,770	420,438
Subtotal	$11,525,732	$10,680,005
Financial liabilities at fair value through profit or loss:		
Held for trading	$—	$4,465
Total	$11,525,732	$10,684,470

(2) Financial risk management objectives and policies

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

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

(3) Market risk

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

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

Foreign currency risk

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

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

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

(a) When NTD strengthens/weakens against USD by 1%, the profit for the years ended 31 December 2017 and 2016 is increased / decreased by 10,768 thousand and 14,472 thousand, respectively.
(b) When NTD strengthens/weakens against EUR by 1%, the profit for the years ended 31 December 2017 and 2016 is increased / decreased by (6,268) thousand and (8,113) thousand, respectively.

Interest rate risk

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

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the reporting date, a change of 100 basis points of interest rate in a reporting period could cause the profit for the years ended 31 December 2017 and 2016 to decrease / increase by 65,185 thousand and 61,673 thousand, respectively.

Equity price risk

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

(a) At the reporting date, a change of 10% in the price of the listed equity securities held for trading could increase / decrease the Group's profit for the years ended 31 December 2017 and 2016 by 29 thousand and 255 thousand, respectively.

(b) At the reporting date, a change of 10% in the overall earnings stream of the valuations performed on listed or unlisted equity securities classified under available-for-sale could increase / decrease the Group's equity as at 31 December 2017 and 2016 by 209,094 thousand and 145,201 thousand, respectively.

(4) Credit risk management

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

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

As at 31 December 2017 and 2016, amounts receivables from top ten customers represent both 20% of the total accounts receivables of the Group, respectively. The credit concentration risk of other accounts receivables is insignificant.

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

(5) Liquidity risk management

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

Non-derivative financial instruments

	< 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As at 31 December 2017					
Loans	$2,162,839	$4,902,635	$580,089	$69,316	$7,714,879
Short-term notes and bills payable	$120,000	$—	$—	$—	$120,000
Trade and other payables	$3,731,296	$—	$—	$—	$3,731,296
Financial lease commitments	$19,053	$38,106	$38,107	$154,957	$250,223
As at 31 December 2016					
Loans	$3,300,889	$2,920,555	$1,239,444	$—	$7,460,888
Trade and other payables	$3,200,219	$—	$—	$—	$3,200,219
Financial lease commitments	$203,110	$66,325	$36,317	$165,841	$471,593

Derivative financial instruments

	< 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As at 31 December 2017					
Forward foreign exchange contracts—Inflows	$21,417	$—	$—	$—	$21,417
Forward foreign exchange contracts—Outflows	($21,359)	$—	$—	$—	($21,359)
As at 31 December 2016					
Forward foreign exchange contracts—Inflows	$381,279	$—	$—	$—	$381,279
Forward foreign exchange contracts—Outflows	($385,744)	$—	$—	$—	($385,744)

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

(6) Fair values of financial instruments

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

The fair value of the financial assets and liabilities is determined at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

a. The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current assets approximate their fair value.

b. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities and bonds) at the reporting date.

c. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

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

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

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

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

(c) Assets measured at fair value

Please refer to Note 12.8 for fair value measurement hierarchy for financial instruments of the Group.

(7) Derivatives

The Group's derivative financial instruments include forward currency contracts and option contract. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as at 31 December 2017 and 2016 is as follows:

Forward currency contracts and Option contract

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

PAN-JIT INTERNATIONAL INC.

A. Forward contract:

a. The Company entered into foreign forward contracts with financial institutions to hedge exchange rate risk in 2017. As at 31 December, 2017, the nominal amount of transactions settled was US $35,300 thousand and EUR 5,500 thousand. The realized gain was $3,666 thousand in current period. The unsettled nominal amounts were US $0 thousand and EUR 600 thousand. The unrealized gain was $58 thousand in current period.

b. The Company entered into foreign forward contracts with financial institutions to hedge exchange rate risk in 2016. As at 31 December, 2016, the nominal amount of transactions settled was US $44,300 thousand and EUR 3,200 thousand. The realized gain was $209 thousand in current period. The unsettled nominal amounts were US $5,500 thousand and EUR 500 thousand. The unrealized loss was $2,201 thousand in current period.

B. Option contract:

a. 2017: None.

b. The Company entered into foreign option contracts with financial institutions to hedge exchange rate risk in 2016. As at 31 December, 2016, the nominal amount of the transactions settled was US$2,000 thousand. The realized gain was $194 thousand in current period.

PYNMAX TECHNOLOGY CO., LTD. (PYNMAX)

Forward contract:

a. PYNMAX entered into foreign forward contracts with financial institutions to hedge exchange rate risk in 2017. As at 31 December, 2017 the nominal amount of the transactions was US $16,550 thousand. The realized gain was $4,560 thousand in current period.

b. PYNMAX entered into foreign forward contracts with financial institutions to hedge exchange rate risk in 2016. As at 31 December, 2016 the nominal amount of the transactions was US $33,000 thousand, and the unsettled nominal amount was US $5,750 thousand. The realized gain was $7,666 thousand and the unrealized loss was $2,246 thousand in current period.

PAN-JIT ASIA INTERNATIONAL INC. (PAN-JIT ASIA)

Forward contract:

a. 2017: None.

b. PAN-JIT ASIA entered into foreign forward contracts with financial institutions to hedge exchange rate risk in 2016. As at 31 December, 2016, the nominal amount of the transactions settled was EUR 9,300 thousand. The realized gain was $3,821 thousand in the current period.

MILDEX OPTICAL INC. (MILDEX OPTICAL)

Forward contract:

a. MILDEX OPTICAL entered into foreign forward contracts with financial institutions to hedge exchange rate risk in 2017. As at 31 December, 2017, the nominal amount of the transactions settled was US $3,800 thousand. The realized gain was $323 thousand in current period.

b. MILDEX OPTICAL entered into foreign forward contracts with financial institutions to hedge exchange rate risk in 2016. As at 31 December, 2016, the nominal amount of the transactions settled was US $7,600 thousand and the unsettled nominal amount were US $200 thousand. The realized gain was $1,124 thousand and the unrealized loss was $18 thousand in current period.

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

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

(8) Fair value measurement hierarchy

(a) Fair value measurement hierarchy

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

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

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

Level 3 – Unobservable inputs for the asset or liability

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

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

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

As at 31 December 2017

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Stocks	$285	$−	$−	$285
Forward foreign exchange contracts	$−	$58	$−	$58
Available-for-sale financial assets				
Stock	$563,642	$1,527,302	$−	$2,090,944

As at 31 December 2016

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Stocks	$2,552	$−	$−	$2,552
Available-for-sale financial assets				
Stock	$182,954	$1,269,051	$−	$1,452,005
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	$−	$4,465	$−	$4,465

Transfers between Level 1 and Level 2 during the period

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

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

	Liabilities
	At fair value through profit or loss
	Derivatives
Beginning balances as at 1 January 2016	$385
Total gains and losses recognized for the year ended 31 December 2016:	
Amount recognized in profit or loss (presented in "other profit or loss")	311
Amount recognized in OCI (presented in "Unrealized gains (losses) from available-for-sale financial assets)	−
Acquisition/issues for the year ended 31 December 2016	−
Disposal/settlements for the year ended 31 December 2016	(696)
Transfer in/(out) of Level 3	−
Ending balances as at 31 December 2016	$−

Total gains and losses recognized in profit or loss for the years ended 31 December 2016 in the table above contained gains and losses related to stocks and derivatives on hand as at 31 December 2016 in the amount of $311 thousand.

Information on significant unobservable inputs to valuation

The Group does not have financial liabilities that are measured at fair value in Level 3 on a recurring basis which are material.

(9) Significant assets and liabilities denominated in foreign currencies

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

	31 December 2017		
	Foreign currencies (thousand)	Foreign exchange rate	NTD (thousand)
Financial assets			
Monetary items:			
USD	$111,126	29.7600	$3,307,099
EUR	$7,193	35.5700	$255,859
HKD	$8,347	3.8070	$31,776
RMB	$698,833	4.5650	$3,190,173
KRW	$748,471	0.02812	$21,047
Financial liabilities			
Monetary items:			
USD	$57,886	29.7600	$1,722,700
EUR	$28,326	35.5700	$1,007,569
RMB	$375,863	4.5650	$1,715,816
KRW	$421,728	0.02812	$11,859

	31 December 2016		
	Foreign currencies (thousand)	Foreign exchange rate	NTD (thousand)
Financial assets			
Monetary items:			
USD	$99,090	32.2500	$3,195,642
EUR	$6,947	33.9000	$235,506
HKD	$8,513	4.1580	$35,396
RMB	$722,871	4.6170	$3,337,494
KRW	$624,806	0.0270	$16,876
Financial liabilities			
Monetary items:			
USD	$85,724	32.2500	$2,764,608
JPY	$61,208	0.2756	$16,869
EUR	$43,067	33.9000	$1,459,980
RMB	$372,500	4.6170	$1,719,831
KRW	$524,732	0.0270	$14,173

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

The Group's functional currency are various, and hence is not able to disclose the information of exchange gains and losses by each significant assets and liabilities denominated in foreign currencies. The exchange (loss) gains of monetary financial assets and liabilities was (38,665) thousand and 23,972 thousand for the years ended December 31, 2017 and 2016, respectively.

(10)Capital management

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

(11)On 25 December 2014, MILDEX OPTICAL INC. (MILDEX OPTICAL) entered into a framework agreement paid by issuing shares and cash and an agreement to commit profit compensation with Zhejiang Firstar Panel Technology Co., Ltd（Zhejiang Firstar Panel Technology）for organizational restructuring. The main contents are as follows:

Object: Disposed of 40.70% of the voting shares of SHENZHEN LIANMAO PLASTIC CO., LTD. (LIANMAO PLASTIC CO., LTD.) and acquired the shares of Zhejiang Firstar Panel Technology.
Price: Zhejiang Firstar Panel Technology intended to pay 85% of the transfer price by issuing new shares of no more than RMB 1,190,000 thousand; and pay the remaining transfer price by cash in no more than RMB 210,000 thousand. The Group acquired approximately RMB 94,000 thousand and 64,716 shares of Zhejiang Firstar Panel Technology.
Term: To receive and pay the payments and shares as agreed by both parties.

a. Cash: Zhejiang Firstar Panel Technology pays the cash consideration in a lump sum following funds raised by issuing new shares.
b. Shares: Zhejiang Firstar Panel Technology acquires new shares, the number of which depends on the annual profit of LIANMAO PLASTIC CO., LTD.

Others: The final number of shares issued by Zhejiang Firstar Panel Technology will be determined by the number approved by the China Securities Regulatory Commission.

As at 31 December 2015, the Group has made significant equity transactions with Zhejiang Xingxing Technology Company. The transactions were approved by the China Securities Regulatory Commission and Investment Commission, Ministry of Economic Affairs. On 9 July 2015, Zhejiang Xingxing Technology Company owned 100% shares of Zhejiang Firstar Panel Technology, and has completed registration of changes to its board of directors and supervisors. On 12 April 2016, Zhejiang Xingxing Technology Company decided to transfer of capital reserves to share capital (for every 10 shares to 10 shares) which was approved by the Shareholders' meeting.
From 1 January to 31 December, 2016, the Group acquired 9,513 thousand shares. In accordance

with the above terms (b), the Group acquired 31,472 thousand shares of Zhejiang Xingxing Technology Company, which was recognized the amount of 584,083 thousand in other income of consolidated income statement. As of 31 December, 2017, the Group acruired 57,191 thousand shares in total, which booked as available-for-sale financial assets-non-current.

(12)The Group's subsidiary, Mildex Technology (Shenzhen) Co., Ltd (Mildex Technology) intended to make two cash injections to meet operational development. The first cash injection was in the amount of RMB 33,177 thousand; the second cash injection was in the amount of RMB 118,597 thousand. The Group decided not to participate in the two issues to protect the glass industry development in the future. As of 31 December 2017, the two cash injections were completed and the Group lost control of Mildex Technology. The Group accounted for the investments using the equity method.

(13)The Group's subsidiary, MILDEX OPTICAL INC. (MILDEX OPTICAL), resolved at its board meeting held on 5 December 2017 to dispose of land, plant and equipment, inventories and intangible assets, and sold them to QINGYI OPTICAL CO., LTD. on 31 January 201, which was the value date. The transaction amount was 253,911 thousand (including tax).

(14)The Group's subsidiary, JIANGSU AIDE SOLAR ENERGY TECHNOLOGY CO., LTD. has not improved its operations due to the continuing downturn in the solar energy industry. The Group considered the overall operating conditions and the future plan in accordance with the International Accounting Standards No. 36 and the International Accounting Standard No. 39, and recognized impairment losses for the subsidiary's financial and non-financial assets as follows:

Item	USD(thousands)	NTD(thousands)
Trade receivable	$487	$14,827
Other receivable, net	38	1,171
Inventories, net	331	10,076
Property, plant and equipment	15,042	457,921
Construction in progress	8,899	270,906
Computer software	127	3,868
Refundable deposits	6,414	195,277
Goodwill	10,876	331,090
Total	$42,214	$1,285,136

13. Segment information

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

a. Diodes: Manufacture and sale the wafers, power components and control module.

b. Panel: Manufacture and sale the touch panel, optical lens and glass products.
c. Solar: Manufacture and sale solar photovoltaic product.
d. Others: Lithium battery management system designed and manufactured; Manufacture and sale LED product.

No operating segments have been aggregated to form the above reportable operating segments.

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

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

Information on reconciliations of revenue and profit or loss of reportable segments for the years ended 31 December 2017 and 2016:

	2017					
	Diodes	Panel	Solar	Others	Adjustment	Total
Revenue External customers	$9,458,949	$1,794,582	$633,324	$33,080	($25,739)	$11,894,196
Inter-segment	392	—	—	9,277	(9,669)	—
Total revenue	$9,459,341	$1,794,582	$633,324	$42,357	($35,408)	$11,894,196
Segment profit	$1,209,316	$4,871	($225,290)	($45,865)	($746,794)	$196,238

(a) Inter-segment revenues were eliminated on consolidation.

(b) The profit for each operating segment did not include non-operating income and expenses in the amount of ($746,794) thousand and income tax expense in the amount of $368,854 thousand. Segment profit included inter-segment sales of $0 thousand and non-operating income and expenses of ($746,794) thousand.

	2016					
	Diodes	Panel	Solar	Others	Adjustment	Total
Revenue						
External customers	$9,038,562	$2,346,376	$1,452,014	$30,778	$—	$12,867,730
Inter-segment	17,794	58,168	—	2,721	(78,683)	—
Total revenue	$9,056,356	$2,404,544	$1,452,014	$33,499	($78,683)	$12,867,730
Segment profit	$961,401	($42,061)	($101,951)	($31,890)	$178,400	$963,899

(a) Inter-segment revenues were eliminated on consolidation.

(b) The profit for each operating segment did not include non-operating income and expenses in the amount of $178,400 thousand and income tax expense in the amount of $224,666 thousand. Segment profit included inter-segment sales of $0 thousand and non-operating income and expenses of $178,400 thousand.

As at 31 December 2017 and 2016, the assets and liabilities of reportable segment information were as follows:

	31 December 2017					
	Diodes	Panel	Solar	Others	Adjustment	Total
Assets	$9,081,888	$1,771,776	$2,087,783	$89,222	$6,707,773	$19,738,442

	31 December 2016					
	Diodes	Panel	Solar	Others	Adjustment	Total
Assets	$8,019,874	$2,986,941	$2,807,492	$26,092	$6,156,794	$19,997,193

	31 December 2017					
	Diodes	Panel	Solar	Others	Adjustment	Total
Liabilities	$7,785,744	$2,044,132	$302,302	$2,659	$2,371,936	$12,506,773

	31 December 2016					
	Diodes	Panel	Solar	Others	Adjustment	Total
Liabilities	$6,463,083	$2,299,230	$482,041	$4,522	$2,541,165	$11,790,041

(2) Geographic areas information

a. Revenue from external customers: (Summarized by country)

Country	2017	2016
China (including Hong Kong)	$4,356,644	$5,210,523
Korea	409,869	458,311
U.S.A.	275,944	354,565
Japan	149,364	213,666
Germany	469,749	356,875
Others	6,232,626	6,273,790
Total	$11,894,196	$12,867,730

b. Non-current assets:

Country	31 Dec. 2017	31 Dec. 2016
Taiwan	$4,596,591	$3,325,913
China	2,711,744	4,176,784
Others	3,596,323	3,783,455
Total	$10,904,658	$11,286,152

(3) Major customers

Individual customer accounting for at least 10% of net sales for the years ended 31 December 2017 and 2016: None.