TATUNG CO., LTD.
PARENT COMPANY ONLY FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2017 AND 2016

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Independent Auditors' Report

English Translation of a Report Originally Issued in Chinese

The Board of Directors and Shareholders
Tatung Co., Ltd. ("the Company")

Opinion

We have audited the accompanying parent company only balance sheets of the Company as of December 31, 2017 and 2016, the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and 2016, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of the other auditors (please refer to the Other Matters section), the parent company only financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the financial performance and its cash flows for the years ended December 31, 2017 and 2016, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company 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 financial statements. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Revenue Recognition

The Company recognized net sales in the amounted of NT$17,482,835 thousand in 2017. The Company operated in various industries and their various products were sold to local as well as foreign markets. The sales terms varied, the sales amount was relatively large and the transactions were highly complicated. Therefore, we considered this a key audit matter.

Our audit procedures included, but not limited to, assessing the appropriateness of the accounting policy of revenue recognition; evaluating and testing the design and operating effectiveness of internal controls in the sales cycle; selecting samples to perform tests of details and vouching them to transaction records, examining contracts, sales orders or supporting documents; reviewing significant terms and condition of contracts; performing cut-off testing by selecting a set of samples of transactions from either side of year-end and vouching them to supporting evidences to ensure the reasonableness of revenue cut-off; performing analytical procedures on gross margin and sales from major customers; reviewing significant subsequent sales returns and discounts to verify the occurrence of sales transactions and reasonableness of the timing of revenue recognition.

We also assessed the adequacy of disclosures of operating revenues. Please refer to Note 4, 5, and 6 to the parent company only financial statements.

2. Investments accounted for under the equity method

As of December 31, 2017, the investment accounted for under the equity method amounted to NT$ 47,165,444 thousand, which accounted for 67% of the total assets, which is deemed significant to the parent company only financial statements. We reviewed whether the Company had substantive control over its investees. For those investees that the Company had substantive control over, we then reviewed if the investee had been deemed as a consolidated entity. For the long-term equity investments that the Company made significant impact on such investees, we reviewed if the investment was accounted for under the equity method. The appropriateness of the accounting treatment mentioned above had significant impact to the parent company only financial statements, and thus we considered this a key audit matter.

Our audit procedures included, but not limited to, obtaining the most recent group investment structure chart of the Company; reviewing the changes in group structure and understanding the recognition basis and classification of investments accounted for under the equity method; analyzing the composition of the board of directors and management and the investment contracts to determine whether the investments of the Company were accounted for according to IFRS; verifying whether the Company had obtained audited financial statements when recognizing investment income and other comprehensive income under the equity method. In addition to understanding the impact the investees' significant events made on the Company's individual financial statements, we further evaluated whether the measurement of the investment accounted for under the equity method complied with IFRS and IAS. Meanwhile, we verified the existence and ownership of the investment by confirmation or physical count procedures.

We also assessed the adequacy of disclosures of investments accounted for under the equity method. Please refer to Note 6 to the parent company only financial statements.

3. <u>Non-financial Assets Impairment</u>

As of December 31, 2017, the net value of property, plant and equipment accounted for 6% of the total asset of the Company, which is deemed material to the parent company only financial statements. The Company had operating loss in 2017, which indicated a possibility of impairment of property, plant and equipment as of December 31, 2017. In addition, the assessment process of impairment of aforementioned non-financial assets highly relies on highly subjective judgment and involves uncertainty in estimation. Therefore, we considered this a key audit matter.

Our audit procedures included, but not limited to, inspecting the impairment possibility and the cash-generating unit of the property, plant and equipment; obtaining the data and assumption regarding the evaluation of recoverable amount from the Company. In addition to considering the historical and external financial information to evaluate the appropriateness of the related assumption, we adopted the evaluation report provided by the internal expert for assessing the appropriateness of the impairment testing data or the fair value report of the cash-generating unit, the method of evaluation and the key evaluation parameters, such as discount rate.

Please refer to Note 5 and 6 to the parent company only financial statements for the disclosure of property, plant and equipment.

Other Matters-Referring to Other Auditors

We did not audit the financial statements of certain associates, which statements reflected investments accounted for under the equity method of NT$5,086,768 thousand and NT$5,147,543 thousand, accounting for 7% and 7% of the total assets as of December 31, 2017 and 2016, respectively. The related shares of (losses) profits from the associates and joint ventures under the equity method amounted to NT$117,231 thousand and NT$(235,052) thousand, accounting for 313% and 10% of the net income/(loss) before income tax for the years ended December 31, 2017 and 2016, respectively, and the related shares of other comprehensive loss from the associates and joint ventures under the equity method amounted to NT$(93,854) thousand and NT$(114,986) thousand, accounting for 76% and 27% of the comprehensive loss for the years ended December 31, 2017 and 2016, respectively. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the audit reports of the other auditors.

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with Guidelines Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (inclusive of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only 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 the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

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

1. Identified and assessed the risks of material misstatement of the parent company only 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. Obtained 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 Company's internal control.

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

4. Concluded 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 Company's ability to continue as a going concern. 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 parent company only 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 to cease to continue as a going concern.

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

6. Obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit.

We communicated 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 identified during our audit.

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

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless laws or regulations preclude 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.

Ernst & Young, Taiwan
March 15, 2018

Notice to Readers

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

English Translations of Financial Statements Originally Issued in Chinese

TATUNG CO., LTD.

PARENT COMPANY ONLY BALANCE SHEETS

December 31, 2017 and December 31, 2016

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2017		December 31, 2016	
Contents	Notes	Amount	%	Amount	%
Current assets					
Cash and cash equivalents	4,6	$1,795,653	3	$2,096,040	3
Financial assets at fair value through profit or loss, current	4,6	2,994	-	23,930	-
Available-for-sale financial assets, current	4,5,6	377,895	1	381,470	1
Financial assets in held-to-maturity, current	4,6	-	-	826,250	1
Financial assets carried at cost, current	4,6	29,238	-	29,238	-
Debt instrument investments for which no active market exists, current	4,6,8	3,866,140	6	3,655,814	5
Notes receivable, net	4,6	262,273	-	256,817	-
Accounts receivable, net	4,5,6	2,286,908	3	2,220,381	3
Accounts receivable - related parties, net	4,6,7	2,215,224	3	1,955,661	3
Construction receivables	4,6,7	205,315	-	238,944	-
Other receivables	4	113,411	-	21,876	-
Other receivables - related parties	4,7	1,028,419	1	1,124,516	2
Current tax assets	4	12,513	-	14,320	-
Inventories	4,5,6	3,911,457	6	3,854,691	6
Prepayments	7	194,801	-	230,482	-
Total current assets		16,302,241	23	16,930,430	24
Non-current assets					
Available-for-sale financial assets, non-current	4,5,6	23,068	-	12,787	-
Financial assets carried at cost, non-current	4,6	2,300	-	2,300	-
Debt instrument investments for which no active market exists, non-current	4,6,8	194,966	-	126,554	-
Investments accounted for under the equity method	4,6,8	47,165,444	67	46,190,327	65
Property, plant and equipment	4,5,6,7,8	4,388,024	6	3,626,622	5
Intangible assets	4,6,7	23,529	-	59,083	-
Deferred tax assets	4,5,6	542,460	1	502,294	1
Other non-current assets	6	312,834	-	295,865	1
Deposit-out		287,757	-	259,107	-
Long-term receivables	4,6	78,121	-	231,024	-
Long-term receivables - related parties	4,6,7	1,168,155	2	2,728,002	4
Prepayments for investments, non-current	4,6	526,285	1	-	-
Total non-current assets		54,712,943	77	54,033,965	76
Total assets		$71,015,184	100	$70,964,395	100

English Translations of Financial Statements Originally Issued in Chinese

TATUNG CO., LTD.

PARENT COMPANY ONLY BALANCE SHEETS

December 31, 2017 and December 31, 2016

(Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity		December 31, 2017		December 31, 2016	
Contents	Notes	Amount	%	Amount	%
Current liabilities					
Short-term loans	6,8	$4,875,438	7	$3,968,758	6
Short-term notes and bills payable	6	301,848	-	199,923	-
Financial liabilities at fair value through profit or loss, current	4,6	627	-	260	-
Notes payable		-	-	52,000	-
Accounts payable		2,635,932	4	2,470,625	3
Accounts payable - related parties	7	364,242	-	234,580	-
Other payables		1,154,216	2	3,469,227	5
Other payables - related parties	7	81,111	-	44,942	-
Provision, current	4,6	59,010	-	47,551	-
Advanced receipts		230,357	-	117,036	-
Current portion of long-term loans	6,8	398,534	1	1,109,420	2
Other current liabilities - others		33,863	-	27,332	-
Total current liabilities		10,135,178	14	11,741,654	16
Non-current liabilities					
Long-term loans	6,8	27,839,836	39	24,405,838	34
Deferred tax liabilities	4,5,6	361,143	1	300,977	1
Long-term notes payables		47,663	-	79,970	-
Net defined benefit liability	4,5,6	1,174,761	2	1,831,351	3
Deposits in		1,755	-	4,390	-
Deferred credit for investments accounted for under the equity method	4,6	2,409,575	3	2,795,395	4
Other non-current liabilities, others		-	-	164,516	-
Total non-current libilities		31,834,733	45	29,582,437	42
Total liabilities		41,969,911	59	41,324,091	58
Equity					
Capital stock					
Common stock	6	23,395,367	33	23,395,367	33
Capital reserve	6	3,273,505	5	2,864,841	4
Retained earnings	6				
Legal reserve		36,354	-	36,354	-
Special reserve		4,753,026	7	6,946,785	10
Accumulated deficits		(281,015)	(1)	(2,175,074)	(3)
Total retained earnings		4,508,365	6	4,808,065	7
Other equities	4				
Exchange differences on translation of foreign operation		(1,098,677)	(2)	(709,739)	(1)
Unrealized gain or loss on available-for-sale financial assets		596,612	1	365,333	-
Equity related to non-current assets classified as held for sale		-	-	(26,698)	-
Total other equities		(502,065)	(1)	(371,104)	(1)
Treasury stock	4,6	(1,629,899)	(2)	(1,056,865)	(1)
Total equity		29,045,273	41	29,640,304	42
Total liabilities and equity		$71,015,184	100	$70,964,395	100

TATUNG CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

Contents	Note	2017 Amount	2017 %	2016 Amount	2016 %
Operating revenues	4,6,7	$17,651,130	100	$17,391,781	100
Less: Sales returns	5,6	(60,589)	-	(66,576)	-
Less: Sales allowances	5,6	(107,706)	-	(65,573)	-
Net operating revenues		17,482,835	100	17,259,632	100
Operating costs	6,7	(15,317,932)	(88)	(14,855,256)	(86)
Gross profit		2,164,903	12	2,404,376	14
Unrealized gross profit		(74,468)	-	(73,561)	-
Realized gross profit		76,170	-	49,658	-
Net gross profit		2,166,605	12	2,380,473	14
Operating expenses	6,7				
Sales and marketing		(1,063,242)	(6)	(1,286,126)	(7)
General and administrative		(646,034)	(4)	(532,193)	(3)
Research and development		(634,655)	(3)	(613,616)	(4)
Total operating expense		(2,343,931)	(13)	(2,431,935)	(14)
Operating loss		(177,326)	(1)	(51,462)	-
Non-operating income and expenses					
Other income	4,6,7	469,427	2	467,406	3
Other gains and (losses)	6,	(534,874)	(3)	(460,283)	(3)
Finance costs	4,6	(721,336)	(4)	(696,028)	(4)
Share of profit (loss) of subsidiaries, associates and joint ventures	6	1,001,504	6	(1,674,408)	(10)
		214,721	1	(2,363,313)	(14)
Income (loss) before income tax		37,395	-	(2,414,775)	(14)
Income tax benefit	4,5,6	36,675	-	70,830	-
Net income (loss)		74,070	-	(2,343,945)	(14)
Other comprehensive (loss) income	4,6				
Not to be reclassified to profit or loss in subsequent periods:					
Gains (losses) on remeasurements of defined benefit plans		(7,776)	-	95,823	1
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method, not to be reclassified to profit or loss		15,279	-	96,246	1
To be reclassified to profit or loss in subsequent periods:					
Unrealized gain (loss) from available-for-sale financial assets		6,707	-	(555)	-
Share of other comprehensive loss of subsidiaries, associates and joint ventures accounted for using the equity method, to be reclassified to profit or loss		(137,668)	-	(612,693)	(4)
Total of other comprehensive (loss) income, net of income tax		(123,458)	-	(421,179)	(2)
Total comprehensive (loss) income		$(49,388)	-	$(2,765,124)	(16)
Earnings (loss) per share (NT$)	6				
Basic earnings (loss) per share		$0.03		$(1.03)	
Diluted earnings (loss) per share		$0.03		$(1.03)	

English Translations of Financial Statements Originally Issued in Chinese

TATUNG CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

			Retained Earnings			Other Capital Reserves				
Contents	Capital Stock	Capital Reserve	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated deficits)	Exchange Differences on Translation of Foreign Operation	Unrealized Gain or Loss on Valuation of Available-for-sale Financial Assets	Equity Related to Non-current Assets Classified as Held for Sale	Treasury Stock	Total
Balance as of January 1, 2016	$23,395,367	$785,376	$36,354	$10,047,053	$(3,100,268)	$8,114	$235,469	$(1,439)	$(806,870)	$30,599,156
Special reserve used to cover accumulated deficits	-	-	-	(3,100,268)	3,100,268	-	-	-	-	-
Net loss in 2016	-	-	-	-	(2,343,945)	-	-	-	-	(2,343,945)
Other comprehensive income (loss) in 2016	-	-	-	-	192,069	(717,853)	129,864	(25,259)	-	(421,179)
Total comprehensive income (loss)	-	-	-	-	(2,151,876)	(717,853)	129,864	(25,259)	-	(2,765,124)
Aquisition of treasury share	-	-	-	-	-	-	-	-	(249,995)	(249,995)
Acquisition or disposal on subsidiaries' shares	-	(258,816)	-	-	(21,565)	-	-	-	-	(280,381)
Change in subsidiaries' ownership	-	2,338,281	-	-	(1,633)	-	-	-	-	2,336,648
Balance as of December 31, 2016	$23,395,367	$2,864,841	$36,354	$6,946,785	$(2,175,074)	$(709,739)	$365,333	$(26,698)	$(1,056,865)	$29,640,304
Balance as of January 1, 2017	$23,395,367	$2,864,841	$36,354	$6,946,785	$(2,175,074)	$(709,739)	$365,333	$(26,698)	$(1,056,865)	$29,640,304
Special reserve used to cover accumulated deficits	-	-	-	(2,175,074)	2,175,074	-	-	-	-	-
Reversal of special reserve	-	-	-	(18,685)	18,685	-	-	-	-	-
Net income in 2017	-	-	-	-	74,070	-	-	-	-	74,070
Other comprehensive income (loss) in 2017	-	-	-	-	7,503	(388,938)	231,279	26,698	-	(123,458)
Total comprehensive income (loss)	-	-	-	-	81,573	(388,938)	231,279	26,698	-	(49,388)
Disposal of treasury share	-	-	-	-	-	-	-	-	21,183	21,183
Acquisition or disposal on subsidiaries' shares	-	488,558	-	-	(381,273)	-	-	-	(594,217)	(486,932)
Change in subsidiaries' ownership	-	(79,894)	-	-	-	-	-	-	-	(79,894)
Balance as of December 31, 2017	$23,395,367	$3,273,505	$36,354	$4,753,026	$(281,015)	$(1,098,677)	$596,612	$-	$(1,629,899)	$29,045,273

<NOTE>

1. The Company suffers accumulated deficits in 2017, hence, the Company did not estimate employees' compensation and remuneration to directors and supervisors.

2. The Company suffered net loss in 2016 and thus did not estimate employees' compensation and remuneration to directors and supervisors.

The aforementioned notes have no impact on parent company only statements of comprehensive income for the years ended December 31, 2017 and 2016.

English Translations of Financial Statements Originally Issued in Chinese

TATUNG CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars)

Contents	For the Year Ended December 31, 2017 Amount	For the Year Ended December 31, 2016 Amount
Cash flows from operating activities:		
Net income (loss) before income tax	$37,395	$(2,414,775)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	565,826	559,980
Amortization expense	35,859	53,045
Allowance for long-term receivables	136,116	11,827
(Gain) loss from financial asset or financial liability at fair value through profit or loss	(3,533)	19,874
Interest expenses	721,336	696,028
Interest income	(80,419)	(80,219)
Dividends income	(39,399)	(35,994)
Share of (gain) loss of subsidiaries, associates and joint ventures	(1,001,504)	1,674,408
(Gain) loss on disposal of property, plant and equipment	(1,026)	1,900
Loss (gain) on disposal of investments	19,381	(194)
Impairment loss on non-financial assets	2,098	-
Unrealized gains	(1,702)	(14,202)
Changes in assets and liabilities from operating activities:		
Notes receivable	(5,456)	39,363
Notes receivable - related parties	-	1,775
Accounts receivable	(66,527)	228,099
Accounts receivable - related parties	(259,563)	40,848
Construction receivables	33,629	507,933
Other receivables	(91,535)	7,729
Other receivables - related parties	128,461	186,559
Inventory	(56,766)	188,268
Prepayments	18,217	118,870
Financial assets at fair value through profit or loss	25,048	(19,957)
Transfer of inventory into property, plant and equipment	(31,220)	(370,582)
Other non-current assets	(181,485)	(66,882)
Long-term receivables	16,787	-
Long-term receivables - related parties	14,964	267,851
Notes Payable	(52,000)	52,000
Accounts payable	165,307	(516,122)
Accounts payable - related parties	129,662	(51,036)
Other payables	(21,618)	(154,065)
Other payables - related parties	36,169	(4,263)
Provision	11,459	2,405
Advanced receipts	113,321	(70,257)
Other current liabilities - others	6,531	(46)
Net defined benefit liability	(664,366)	(665,677)
Long-term deferred revenues	-	79,516
Long-term payables	(32,307)	79,970
Cash generated from (used in) operations	(372,860)	353,977
Interest received	80,419	80,219
Dividend received	918,486	1,200,038
Interest paid	(729,207)	(724,711)
Income taxes refund	3,432	2,831
Net cash provided by (used in) operating activities	(99,730)	912,354

Contents	For the Year Ended December 31, 2017 Amount	For the Year Ended December 31, 2016 Amount
Cash flows from investing activities：		
Acquisition of investment in debt instrument without active market	(278,738)	(580,699)
Acquisition of financial assets in held-to-maturity	-	(806,250)
Disposal of financial assets in held-to-maturity	826,250	-
Acquisition of financial assets carried at cost	-	(2,000)
Acquisition of investments accounted for using equity method	(3,227,216)	(1,152,857)
Cash returns from capital reduction of investments accounted for under the equity method	76,000	781
Acquisition of property, plant and equipment	(1,300,399)	(775,654)
Disposal of property, plant and equipment	3,319	18,441
Increase in deposit-out	(28,650)	(39,879)
Acquisition of intangible assets	(305)	(40,095)
Net cash used in investing activities	(3,929,739)	(3,378,212)
Cash flows from financing astivities ：		
Increase (decrease) in short-term loans	791,357	(1,555,845)
Increase in short-term notes and bills payable	301,925	200,164
Decrease in short-term notes and bills payable	(200,000)	(550,000)
Proceeds from long-term loans	5,108,704	27,218,754
Repayment of long-term loans	(2,270,269)	(22,957,275)
(Decrease) increase in deposits-in	(2,635)	120
Net cash provided by financing astivities	3,729,082	2,355,918
Effects of exchange rate changes on cash and cash equivalents	-	-
Net decrease in cash and cash equivalents	(300,387)	(109,940)
Cash and cash equivalents at the beginning of periods	2,096,040	2,205,980
Cash and cash equivalents at the end of periods	$1,795,653	$2,096,040

TATUNG CO., LTD.
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars unless otherwise specified)

1. Organization operations

Established in 1918, Tatung Company (the "Company") was incorporated under the Company Act of the Republic of China ("R.O.C.") and underwent reorganization in 1939. The total capital at that time was Taiwan Yuan $180,000, later increased to Taiwan Yuan $20,000,000 after several capital injections. After the reformation of monetary system in 1949, the total capital was converted to the equivalent of New Taiwan dollars ("NTD") 200,000. As of December 31, 2017, the issued capital and registered was NTD23,395,367 thousand. The main activities of the Company are as follows:

(1) The design, manufacture, sale, installation, network system, automation system, lease, maintenance service, import, export and agency of the following products:

①Steel manufacturing machinery
②Industrial appliances
③Household appliances
④Refrigerator
⑤Air conditioners
⑥Metal processing machinery
⑦Electronic products
⑧Wire and cable
⑨Chemical industry
⑩Cookware
⑪Wood-made products
⑫Plastic products
⑬Office equipment
⑭Audio products
⑮Precision meter
⑯Transmission equipment
⑰Transportation facilities
⑱Healthcare products
⑲Microbe fermentation
⑳Construction
㉑Furniture
㉒Solar wafers
㉓Water treatment engineering
㉔Telecommunication equipment
㉕Parking facilities
㉖Automation machinery
㉗Semiconductor
㉘Real estate development and leasing

(2) Magazine publishing

(3) Customs brokerage

(4) General import/export (excluding permitted business)

(5) Development and leasing (excluding construction industry) of industrial parks on behalf of the competent authority.

The investment plans should be resolved by the board of directors, but the total amount of investment is not limited to the amount provided by Article 13 of Company Act, which states that the total amount of investment shall not exceed 40% of the amount of its own paid-in capital.

The Company's common shares were publicly listed on the Taiwan Stock Exchange (TWSE) on February 9, 1962. The Company's registered office and the main business location is at No. 22, Zhongshan North Road, Section 3, Taipei, Republic of China (R.O.C.).

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

The parent company only financial statements of the Company for the years ended December 31, 2017 and 2016 were authorized for issue in accordance with a resolution of the board of directors' meeting on March 15, 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 Company 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 has no material effect on the Company.

(2) Standards or interpretations issued, revised or amended, which are endorsed by FSC, but not yet adopted by the Company 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.

(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 Company:

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

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

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

A. Revenue from sale of goods and rendering of services are currently recognized when goods and services have been delivered to the buyer. Starting from the date of initial application, in accordance with the requirements of IFRS 15, the Company shall recognize revenue when (or as) the Company satisfies a performance obligation by transferring a promised good or services to a customer. IFRS 15 has no impact on the Company's revenue recognition from sale of goods and rendering of services. However, for some contracts, part of the consideration was received from customers upon signing the contract, then the Company has the obligation to provide the services subsequently. The Company 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 Company will reclassify prepayments to contract liabilities amounting to NTD85,666 thousand on initial application date.

B. Revenue from construction contracts is currently recognized by reference to the stage of completion. Starting from the date of initial application, in accordance with IFRS 15, the Company shall recognize revenue when (or as) the Company 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 Company's revenue recognition from construction contracts. Starting from the date of initial application, for some contracts, the obligations are fulfilled while the Company still doesn't have the right to receive the consideration unconditionally. The Company should recognize them under contract assets, instead of construction contracts receivable. As for contracts that the obligations aren't fulfilled but the Company receives consideration first, the Company should recognize them under contract liabilities, instead of advanced receipts. The Company will reclassify construction receivables to contract assets and advance construction receipts to contract liabilities amounting to NTD 205,315 and NTD144,691 thousand, respectively.

C. In accordance with the requirements of IFRS 15, more extensive disclosure would have to be made.

(b) IFRS 9 "Financial Instruments"

The Company 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 Company:

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 exited as at the date of initial application. As these equity instrument investments are not held-for-trading, the Company elected to designate them as financial assets measured at fair value through other comprehensive income. On the date of initial application, the Company will reclassify available-for-sale (including carried at cost amounting to NTD31,538 thousand) financial assets to financial assets measured at fair value through other comprehensive income of NTD432,501 thousand. Other related adjustments are described as follow:

(a) The stocks of unlisted companies currently measured at cost in accordance with IAS 39 had an original cost of NTD50,766 thousand and was partially impaired for NTD19,228 thousand. However, in accordance with the requirement of 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 NTD93,584 as at the date of initial application. The Company will adjust the carrying amount of financial assets measured at fair value through other comprehensive income and will also adjust retained earnings and other equity by NTD19,228 and NTD42,818, respectively.

(b) The stocks of listed companies are currently measured at fair value. As at the date of initial application, except for the reclassification to financial assets measured at fair value through other comprehensive income and other equity accounts, no other difference will incur.

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

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

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 Company.

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 extensive disclosure would have to be made.

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

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

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

4. Summary of significant accounting policies

(1) Statement of compliance

The parent company only financial statements of the Company for the years ended December 31, 2017 and 2016 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").

(2) Basis of preparation

The Company prepared parent company only financial statements in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent company only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent company only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments.

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

(3) Foreign currency transactions

The Company's parent company only financial statements are presented in its functional currency, New Taiwan Dollars (NTD).

Transactions in foreign currencies are initially recorded by the Company at 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 of 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. If the differences are regarded as an adjustment to interest costs, which will be capitalized and take as part of the cost of the borrowing.

(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.

(4) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NTD at the closing exchange rate at the balance sheet date. Income and expenses are translated at an average rate within 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 are accounted for as disposals even if an interest in the foreign operation is retained by the Company: the loss of control over a foreign operation, the loss of significant influence over a foreign operation, or the loss of joint control over 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 jointly controlled entity 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.

(5) Current and non-current distinction for assets and liabilities

An asset is classified as current when:

A. The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
B. The Company holds the asset primarily for the purpose of trading;
C. The Company 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 Company expects to settle the liability in its normal operating cycle
B. The Company 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 Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(6) Cash and cash equivalents

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

(7) Financial instruments

Financial assets and financial liabilities are recognized when the Company 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 Company accounts for regular way purchase or sales of financial assets on the trade date.

Financial assets of the Company 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 Company determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

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

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

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

Financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss (including those received during the period of initial investment). If financial assets do not have quoted prices in an active market and their far 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 of 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 far 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 of 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 Company 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 Company upon initial recognition designates as available for sale, classified as of 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 Company assesses at each reporting date whether there is any objective evidence that a financial asset other than the financial assets at fair value through profit or loss is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset. The carrying amount of the financial asset impaired, other than receivables impaired which are reduced through the use of an allowance account, is reduced directly and the amount of the loss is recognized in profit or loss.

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

Other loss events include:

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

For held-to-maturity financial assets and loans and receivables measured at amortized cost, the Company 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 Company 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:

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

Once the financial asset, are derecognized 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 Company 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 Company evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Company 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 of fair value through profit or loss.

A financial liability is classified as held for trading if:

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

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

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

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

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

C. Offsetting of financial instruments

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

(8) Derivative financial instrument

The Company 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.

(9) Fair value measurement

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

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

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

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

(10) Inventories

Inventories are 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 formula

Work in progress and finished goods - 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.

(11) Construction contract

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract shall be recognized as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period. The recognition of revenue and expenses by reference to the stage of completion of a contract is often referred to as the percentage of completion method. Under this method, contract revenue is matched with the contract costs incurred in reaching the stage of completion, resulting in the reporting of revenue, expenses and profit which can be attributed to the proportion of work completed.

When the outcome of a construction contract cannot be estimated reliably, revenue shall be recognized only to the extent of contract costs.

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

(12) Investments accounted for using the equity method

The Company's investment in its subsidiaries is presented as investments accounted for using the equity method and adjusted by necessary measurements in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent company only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent company only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements.

These adjustments resulted from considering the different treatments of investments in subsidiaries under IFRS 10 Consolidated Financial Statements and under IFRS applied to different entity level. These investments may be debited or credited using the equity method, as share of profits (losses) of subsidiaries, associates and joint ventures, or share of other comprehensive income (loss) of subsidiaries, associates and joint ventures.

The Company'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 Company 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 Company'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 Company has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the Company'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 Company's percentage of ownership interests in the associate, the Company 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 Company's interest in an associate is reduced or increased as the Company 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 Company disposes the associate.

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

The Company 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 Company 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 Company 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
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 Company 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 Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 Property, plant and equipment. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

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

Buildings	3～50 year
Machinery and equipment	3～20 year
Transportation equipment	3～10 year
Office equipment	3～10 year
Leased assets	3～50 year
Leasehold improvements	The shorter of lease terms or economic useful lives
Other equipment	2～10 year

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.

(14) Leases

Company as a lessee

Finance leases which transfer to the Company 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 Company 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.

Company as a lessor

Leases in which the Company 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 of 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.

Research and development costs

Research costs are expensed as incurred. Development expenditures, on an individual project, are recognized as an intangible asset when the Company can demonstrate:

A. The technical feasibility of completing the intangible asset so that it will be available for use or sale
B. Its intention to complete and its ability to use or sell the asset
C. How the asset will generate future economic benefits
D. The availability of resources to complete the asset
E. The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. During the period of development, the asset is tested for impairment annually. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (2~5 years).

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

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

(16) Impairment of non-financial assets

The Company 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 Company 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 Company 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 Company 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 Company 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.

Maintenance warranties

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

(18) Treasury shares

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

(19) Revenue recognition

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

Sale of goods

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

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

Rendering of Services

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

Interest income

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

Dividends

Revenue is recognized when the Company’s right to receive the payment is established.

Rent Income

Rental income from operating lease is accounted by straight-line basis on the period of lease.

(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 Company 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 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. Therefore fund assets are not included in the Company'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 will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognized expenses for the defined contribution plan in the period in which the contribution becomes due.

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 Company 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) Income taxes

Income tax expense (benefit) 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% income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the shareholders' meeting.

Deferred tax

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

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

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

B. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint 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:

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

B. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint 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 Company 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 offset, only if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. Significant accounting judgements, estimates and assumptions

The preparation of the Company's parent only 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 balance sheet date. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

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

(1) Fair value of financial instruments

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

(2) 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 Company 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.

(3) Pension benefits

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

(4) Revenue recognition - sales returns and allowance

The Company estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. Please refer to Note 6.

(5) 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 Company 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 Company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future 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 as of December 31, 2017.

(6) Accounts receivables–estimation of impairment loss

The Company considers the estimation of future cash flows when there is objective evidence 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.

(7) Inventories

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

(Expressed in Thousands of New Taiwan Dollars unless otherwise specified)

6. Contents of significant accounts

(1) Cash and cash equivalents

	As of December 31,	
	2017	2016
Cash on hand & demand deposits	$51,375	$51,691
Cash in banks	1,740,536	2,003,192
Time deposits	-	23,268
Cash in transit	3,742	17,889
Total	$1,795,653	$2,096,040

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

	As of December 31,	
	2017	2016
Held for trading:		
Derivatives not designated as hedging instruments		
Forward foreign exchange contracts	$-	$5,071
Non-derivative financial assets		
Open-end funds	2,994	18,859
Total	$2,994	$23,930

Held for trading financial assets were not pledged.

(3) Available-for-sale financial assets

	As of December 31,	
	2017	2016
Stocks	$400,963	$394,257
Current	$377,895	$381,470
Non-current	23,068	12,787
Total	$400,963	$394,257

Available-for-sale financial assets were not pledged.

(Expressed in Thousands of New Taiwan Dollars unless otherwise specified)

(4) Held-to-maturity financial assets

	As of December 31,	
	2017	2016
Bonds	$-	$20,000
Corporate bonds	-	806,250
Total	$-	$826,250
Current	$-	$826,250
Non-current	-	-
Total	$-	$826,250

Bonds and corporate bonds were matured in January 2017 and March 2017, respectively.

Held-to-maturity financial assets were not pledged.

(5) Financial assets measured at cost

	As of December 31,	
	2017	2016
Stocks	$31,538	$31,538
Current	$29,238	$29,238
Non-current	2,300	2,300
Total	$31,538	$31,538

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

Financial assets measured at cost were not pledged.

(6) Debt instrument investments for which no active market exists

	As of December 31,	
	2017	2016
Cash in banks	$194,966	$114,046
Time deposits	3,866,140	3,668,322
Total	$4,061,106	$3,782,368

(Expressed in Thousands of New Taiwan Dollars unless otherwise specified)

	As of December 31,	
	2017	2016
Current	$3,866,140	$3,655,814
Non-current	194,966	126,554
Total	$4,061,106	$3,782,368

Please refer to Note 8 for more details on debt instrument investments for which no active market exists that were pledged as collateral.

(7) Notes receivable

	As of December 31,	
	2017	2016
Notes receivables arising from operating activities	$262,273	$256,817
Less: allowance for doubtful debts	-	-
Total	$262,273	$256,817

Notes receivables were not pledged.

(8) Accounts receivable and accounts receivable-related parties

	As of December 31,	
	2017	2016
Accounts receivable	$1,897,049	$1,815,867
Less: allowance for doubtful debts	(21,728)	(92,132)
Net	1,875,321	1,723,735
Installment accounts receivable	413,630	497,239
Less: unrealized interest revenue – trade receivables from installment sales	(2,043)	(593)
Less：allowance for doubtful debts	-	-
Net	411,587	496,646
Subtotal	2,286,908	2,220,381
Accounts receivable-related parties	2,218,511	1,956,831
Less: allowance for doubtful debts	(1,119)	(315)
Less: unrealized interest revenue – trade receivables from installment sales	(2,168)	(855)
Net	2,215,224	1,955,661
Total	$4,502,132	$4,176,042

(Expressed in Thousands of New Taiwan Dollars unless otherwise specified)

The expected recovery of the accounts receivables from installment sales is as follows:

	As of December 31,	
	2017	2016
Not later than one year	$201,345	$252,549
Later than one year and not later than two years	96,333	181,161
Later than two years	115,952	63,529
Total	$413,630	$497,239

Accounts receivables were not pledged.

The Company's credit term are generally 30-180 day terms. The movements in the provision for impairment of accounts receivable and accounts receivable-related parties are as follows:

	Individually impaired	Collectively impaired	Total
As of January 1, 2017	$20,135	$72,312	$92,447
Charge (reversal) for the current period	(10,246)	(59,354)	(69,600)
As of December 31, 2017	$9,889	$12,958	$22,847
As of January 1, 2016	$20,135	$65,571	$85,706
Charge (reversal) for the current period	-	6,741	6,741
As of December 31, 2016	$20,135	$72,312	$92,447

Impairment loss that was individually determined for the years ended December 31, 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 Company did not hold any collateral for such trade receivables.

Aging analysis of account receivables and account receivables-related parties that were past due as of the balance sheet date but not impaired is as follows:

	Neither past	Past due but not impaired			
As of	due nor impaired	1 to 6 months	6 months to 1 year	More than 1 year	Total
December 31, 2017	$3,846,080	$643,436	$10,630	$1,986	$4,502,132
December 31, 2016	3,687,794	456,883	21,230	10,135	4,176,042

(Expressed in Thousands of New Taiwan Dollars unless otherwise specified)

(9) Construction receivables (including from related parties)

	As of December 31, 2017	As of December 31, 2016
Accumulated cost incurred	$6,135,802	$5,299,128
Accumulated recognized project profit (loss)	276,392	321,652
Accumulated amount billed based on construction progress	(6,128,758)	(5,274,811)
Reclassification (Note 1)	(78,121)	(107,025)
Construction receivables	$205,315	$238,944

As of December 31, 2017

Items (Note 2)	Contract proceeds	Contract costs incurred	Accumulated recognized total project profit(loss)	Percentage of completion (Note 3)	Amounts billed based on construction progress	Construction contracts receivable
Percentage of completion method						
Category A	$140,272	$124,633	$10,519	91%~100%	$117,413	$17,739
Category B	6,780,947	5,719,208	250,732	9%~100%	5,714,564	255,376
Category C	1,076,798	291,961	15,141	5%~73%	296,781	10,321
Reclassifications (Note 1)	-	-	-		-	(78,121)
Total	$7,998,017	$6,135,802	$276,392		$6,128,758	$205,315

As of December 31, 2016

Items (Note 2)	Contract proceeds	Contract costs incurred	Accumulated recognized total project profit(loss)	Percentage of completion (Note 3)	Amounts billed based on construction progress	Construction contracts receivable
Percentage of completion method						
Category A	$141,298	$115,796	$14,353	91%~100%	$83,115	$47,034
Category B	6,601,737	5,137,544	305,347	1%~100%	5,149,204	293,687
Category C	1,036,738	45,788	1,952	1%~28%	42,492	5,248
Reclassifications (Note 1)	-	-	-		-	(107,025)
Total	$7,779,773	$5,299,128	$321,652		$5,274,811	$238,944

(Note 1: Aging of part of construction receivables has reached an operating cycle, hence, they are reclassified to long-term receivables.)
(Note 2: Projects involving similar products have been combined as a single item.)
(Note 3: The percentage of completion varied in each project, it is therefore presented as a range)

As of December 31, 2017 and 2016, the above construction projects had not generated construction retainage of construction contracts.

(Expressed in Thousands of New Taiwan Dollars unless otherwise specified)

(10) Inventory

A. The details of inventories are as follows:

	As of December 31, 2017	As of December 31, 2016
Raw materials	$648,467	$632,237
Work in progress	1,640,208	1,507,533
Finished good	1,328,762	1,300,761
Inventories in transit	54,334	51,772
Construction in progress	239,686	362,388
Total	$3,911,457	$3,854,691

B. The cost of inventories recognized in expenses are as follows:

	For the years ended December 31, 2017	For the years ended December 31, 2016
Cost of inventories recognized in expenses (including gain and loss from inventory valuation)	$14,534,143	$14,230,562
Loss on allowance for inventory valuation (gain from price recovery of inventory)	69,469	(107,749)

The gain from price recovery of inventory is resulted from selling inferior inventories, therefore the cause for the net realizable value of inventory to be lower than the cost no longer existed.

C. Inventories were not pledged.

(11) Investments accounted for using the equity method

A. The following table lists the investments accounted for using the equity method of the Company:

Name of investee company	2017 Carrying amount	2017 Percentage of ownership	2016 Carrying amount	2016 Percentage of ownership
Investment in subsidiaries:				
Listed companies				
Chunghwa Picture Tubes, Ltd. (Note 1)	$2,314,310	28.56	$2,116,018	25.49
Tatung System Technologies Inc.	522,352	53.60	499,791	53.60
Forward Electronics Co., Ltd.	(90,014)	12.05	(107,307)	12.05
San Chih Semiconductor Co., Ltd.	850,234	43.18	932,455	43.18
Tatung Fine Chemicals Co.	174,081	48.27	167,816	48.27
Green Energy Technology Inc.(Note 2)	238,783	4.54	-	-
Subtotal	4,009,746		3,608,773	

(Expressed in Thousands of New Taiwan Dollars unless otherwise specified)

	As of December 31,			
	2017		2016	
Name of investee company	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Non-public companies				
Taiwan Telecommunication Industry Co., Ltd.	$(854,363)	100.00	$(774,672)	100.00
Central Research Technology Co.	54,721	100.00	54,938	100.00
Tatung Consumer Products (Taiwan) Co., Ltd.	(1,068,739)	99.10	(843,320)	99.10
Tatung Sm-Cyclo Co., Ltd.	165,730	85.33	165,688	85.33
Shang-Chih Asset Development Co.	31,573,715	100.00	30,986,043	100.00
Chunghwa Electronic Investment Co., Ltd.	1,086,881	93.27	994,288	93.27
Tatung Die Casting Co.	51,797	51.00	47,752	51.00
Tatung (Thailand) Co., Ltd.	377,428	92.23	353,723	92.23
Tatung Company of Japan, Inc.	639,805	100.00	626,519	100.00
Tatung Electronics(S) Pte. Ltd.	95,813	90.00	106,158	90.00
Tatung Wire & Cable (Thailand) Co., Ltd.	74,462	100.00	73,439	100.00
Tatung Singapore Information Co., Ltd.	(23,095)	100.00	(22,959)	100.00
Tatung Electric (Singapore) Pte. Ltd.	776,864	100.00	859,137	100.00
Tatung Co. of America Inc.	107,333	50.00	136,528	50.00
Tatung Mexico S.A de C.V.	152,619	100.00	236,785	100.00
Tatung Science and Technology Inc.	7,435	100.00	8,130	100.00
Tatung Electric Company of America, Inc.	172,698	100.00	184,545	100.00
Tatung Netherlands B.V.	(125,852)	100.00	(125,852)	100.00
TATUNG CZECH s.r.o	8,791	100.00	21,593	100.00
Tatung Medical Healthcare Technologies Co., Ltd. (Note 3)	188,902	95.33	205,761	95.08
Toes Opto-Mechatronics Co.	68,615	85.00	63,481	85.00
Tatung Vietnam Co. Ltd. (Note 4)	(247,512)	100.00	(243,822)	100.00
Tatung Electric Technology (Vietnam) Co., Ltd.	22,665	100.00	40,257	100.00
Shang Chih Investment Co., Ltd.	652,346	95.83	499,474	95.83
Chih Sheng Investment Co., Ltd.	703,272	100.00	704,151	100.00
Taipei Industry Corporation	15	0.0026	14	0.0026
Tatung Forever Energy Co., Ltd. (Note 5)	257,710	98.55	194,564	98.12
Chunghwa Picture Tubes (Labuan) Ltd.	587,394	41.03	806,760	41.03
Tatung Global Strategy Investment And Trading (BVI) Inc. (Note 6)	-	-	(677,463)	100.00
Absolute Alpha Limited	20,240	100.00	20,090	100.00
Leap High Limited	471	65.00	6,289	65.00
Tungyang Energy Co., Ltd. (Note 7)	149,678	100.00	-	-
Hsieh-Chih Industrial Library Publishing Co.	955	6.91	931	6.91
Lansong International Co., Ltd.	-	98.33	-	98.33
Subtotal	35,678,794		34,708,950	
Investment in associates:				
Listed companies				
Elitegroup Computer System Co., Ltd.	3,789,505	27.35	3,846,228	27.35
Non-public companies				
Tatung-Okuma Co., Ltd.	1,184,201	49.00	1,074,358	49.00
Kuender & Co., Ltd.	80,458	50.00	142,461	50.00
Chung-Tai Technology Development Engineering Co.	13,165	22.00	14,162	22.00
Subtotal	5,067,329		5,077,209	
The balance of the investment accounted for using equity method	44,755,869		43,394,932	
Add: the credit balance of the investment accounted for using equity method	2,409,575		2,795,395	
Total	$47,165,444		$46,190,327	

B. Investments in subsidiaries:

Investments in subsidiaries were presented as investments accounted for using the equity method and adjusted by necessary measurements.

Note 1: Tatung Global Strategy Investment and Trading (BVI) sold all the shares of Chunghwa Picture Tubes, Ltd. to the Company in December 2017. Hence, the Company's holding percentage of Chunghwa Picture Tubes, Ltd. increased to 28.56%. Also, the Company bought shares of Chunghwa Picture Tubes, Ltd. in the amount of NTD2,285,524 thousand from Compal Electronics, Inc. ("Compal") according to the arbitration outcome with Compal (Such amount was recognized under other payables as of December 31, 2016.) The related settlement and payment procedures of the shares were completed in the 1st quarter of 2017.

Note 2: Green Energy Technology Inc. issued 19,724 thousand shares in December 2017 through private placement. The Company subscribed all the shares, and thus the Company's holding percentage increased to 4.54%.

Note 3: Tatung Medical Healthcare Technologies Co., Ltd. held a capital injection in August 2017. The Company subscribed to the shares proportionately and thus the Company's holding percentage increased to 95.33%.

Note 4: The Company transferred the receivables due from Tatung Vietnam Co., Ltd. in the amount of NTD526,285 thousand to increase capital in December 2017. However, as of December 31, 2017, Tatung Vietnam Co., Ltd. hasn't finished the alternation registration procedure. Hence, the Company recognized such amount under prepayments for investment, non-current.

Note 5: Tatung Forever Energy Co., Ltd. held a capital injection in November 2017. The Company subscribed all the shares, and thus the Company's holding percentage increased to 98.55%.

Note 6: Tatung Global Strategy Investment and Trading (BVI) Inc. had completed the liquidation procedure in December 2017, and thus the Company's holding percentage decreased from 100% to 0%.

Note 7: The Company invested NTD150,000 thousand in November 2017 to establish Tungyang Energy Co., Ltd. to expand the solar energy business.

For the years ended December 31, 2017 and 2016, the Company received dividends from investing in subsidiaries and associates using the equity method amounting to NTD 879,087 thousand and NTD1,164,044 thousand, respectively.

Please refer to Note 8 for investment in subsidiaries that were pledged as collateral.

(Expressed in Thousands of New Taiwan Dollars unless otherwise specified)

C. Investments in associates:

a. Information on the material associate of the Company:

Company name: Elitegroup Computer Systems Co., Ltd.

Nature of the relationship with the associate: Elitegroup Computer Systems Co., Ltd. is in the business of manufacturing and selling related products in the Company's industry chain. The Company invested in Elitegroup Computer Systems Co., Ltd. for the purpose of upstream/downstream integration.

Principal place of business (country of incorporation): Taiwan

Fair value of the investment in the associate when there is a quoted market price for the investment: Elitegroup Computer Systems Co., Ltd. is a listed entity on the Taiwan Stock Exchange (TWSE). The fair value of the investment in Elitegroup Computer Systems Co., Ltd. was NTD3,026,637 thousand and NTD2,378,616 thousand, as of December 31, 2017 and 2016, respectively.

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

The summarized financial information of the associate is as follows:

	As of December 31,	
	2017	2016
Current assets	$15,582,748	$16,383,504
Non-current assets	6,337,971	7,001,020
Current liabilities	(9,631,841)	(10,710,784)
Non-current liabilities	(528,556)	(698,150)
Equity	11,760,322	11,975,590
Proportion of the Company's ownership	27.35%	27.35%
Subtotal	3,216,448	3,275,324
Goodwill	614,638	614,638
Other adjustments	(41,581)	(43,734)
Carrying amount of the investment	$3,789,505	$3,846,228

(Expressed in Thousands of New Taiwan Dollars unless otherwise specified)

	For the years ended December 31,	
	2017	2016
Operating revenue	$29,947,340	$29,945,931
Profit (loss) from continuing operations	224,119	(878,808)
Other comprehensive income, net of income tax	(429,894)	(484,597)
Total comprehensive income	(205,775)	(1,363,405)

b. Except the associate mentioned above, other associates were not individually material. The aggregate financial information based on Company's share of other associates was as follows:

	For the years ended December 31,	
	2017	2016
Profit from continuing operations	$103,809	$51,568
Other comprehensive income, net of income tax	711	2,173
Total comprehensive income	104,520	53,741

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

d. Please refer to Note 8 for the investments in associates pledged as collateral of the Company.

D. The balances of certain investments accounted for under the equity method that were audited by other auditors were NTD5,086,768 thousand and NTD5,147,543 thousand as of December 31, 2017 and 2016, respectively. The shares of profit (loss) of associates accounted for using equity method and joint ventures that were audited by other auditors were NTD117,231 thousand and NTD(235,052) thousand for the years ended December 31, 2017 and 2016, respectively. The shares of other comprehensive income (loss) of associates accounted for using equity method and joint ventures that were audited by other auditors were NTD(93,854) thousand and NTD(114,986) thousand as of December 31, 2017 and 2016, respectively.

(Expressed in Thousands of New Taiwan Dollars unless otherwise specified)

(12) Property, plant and equipment

A. The details of property, plant and equipment are as follows:

	Buildings	Machinery and equipment	Office equipment	Transportation equipment	Leasehold improvements	Other equipment	Construction in progress and equipment awaiting examination	Total
Cost:								
As of January 1, 2017	$541,513	$7,096,421	$385,168	$59,112	$447,678	$1,513,344	$644,573	$10,687,809
Additions	1,406	63,198	17,584	1,791	42,802	41,935	1,131,683	1,300,399
Disposals	-	(282,996)	(6,808)	(3,031)	(11,231)	(98,648)	(775)	(403,489)
Other changes (Note)	7,080	1,233,578	384	-	7,080	10,382	(1,227,284)	31,220
As of December 31, 2017	$549,999	$8,110,201	$396,328	$57,872	$486,329	$1,467,013	$548,197	$11,615,939
As of January 1, 2016	$632,484	$6,731,400	$400,863	$61,508	$413,495	$1,513,665	$571,105	$10,324,520
Additions	3,745	29,226	12,476	510	35,544	50,544	643,609	775,654
Disposals	(95,800)	(557,664)	(30,477)	(2,906)	(7,556)	(82,018)	(6,526)	(782,947)
Other changes (Note)	1,084	893,459	2,306	-	6,195	31,153	(563,615)	370,582
As of December 31, 2016	$541,513	$7,096,421	$385,168	$59,112	$447,678	$1,513,344	$644,573	$10,687,809
Depreciation and impairment:								
As of January 1, 2017	$(391,397)	$(4,677,236)	$(336,377)	$(53,247)	$(277,756)	$(1,325,174)	$-	$(7,061,187)
Depreciation	(14,992)	(353,116)	(33,605)	(1,918)	(73,496)	(88,699)	-	(565,826)
Impairment	-	(46)	(364)	-	(130)	(1,558)	-	(2,098)
Disposals	-	282,222	6,807	3,008	10,749	98,410	-	401,196
Other changes (Note)	-	(520)	520	-	-	-	-	-
As of December 31, 2017	$(406,389)	$(4,748,696)	$(363,019)	$(52,157)	$(340,633)	$(1,317,021)	$-	$(7,227,915)
As of January 1, 2016	$(467,089)	$(4,887,917)	$(325,241)	$(54,088)	$(210,180)	$(1,319,298)	$-	$(7,263,813)
Depreciation	(15,527)	(342,153)	(41,581)	(2,032)	(73,051)	(85,636)	-	(559,980)
Disposals	90,805	552,834	30,445	2,873	5,889	79,760	-	762,606
Other changes (Note)	414	-	-	-	(414)	-	-	-
As of December 31, 2016	$(391,397)	$(4,677,236)	$(336,377)	$(53,247)	$(277,756)	$(1,325,174)	$-	$(7,061,187)
Net carrying amount as of:								
December 31, 2017	$143,610	$3,361,505	$33,309	$5,715	$145,696	$149,992	$548,197	$4,388,024
December 31, 2016	$150,116	$2,419,185	$48,791	$5,865	$169,922	$188,170	$644,573	$3,626,622

(Note: Including transfer from advance payments of equipment and reclassification.)

No borrowing costs were capitalized as property, plant and equipment for the years ended December 31, 2017 and 2016.

Components of buildings, including main building structure, electronic engineering, electrical engineering, fire engineering, air conditioning units and elevators, are depreciated by their own respective useful lives.

Please refer to Note 8 for more details on property, plant and equipment that were pledged as collateral.

(Expressed in Thousands of New Taiwan Dollars unless otherwise specified)

B. Assets related to Tatung University are described as follows:

The carrying amount of Hsin-She-Gong Building (“the Building”) was NTD125,402 thousand. The Company provided the fund fully for the building. The ownership registration was completed and the Company has acquired building use permit and related licenses.

On May 6, 2016, Shan-Chih Asset Development purchased the land of Hsin-She-Gong Building and completed the transfer of title. The development plans will go with the overall plans of the Company in the future. The related development plans involved issues such as land usage modifications and urban planning. The long term plans still need continuing communication between Tatung University and the Education ministry and integrated planning.

(13) Intangible assets

Computer software cost

	Cost	Amortization and impairment	Net book value
As of January 1, 2017	$275,578	$(216,495)	$59,083
Addition	305	-	305
Amortization	-	(35,859)	(35,859)
As of December 31, 2017	$275,883	$(252,354)	$23,529
As of January 1, 2016	$235,483	$(163,450)	$72,033
Addition	40,095	-	40,095
Amortization	-	(53,045)	(53,045)
As of December 31, 2016	$275,578	$(216,495)	$59,083

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

	For the years ended December 31,	
	2017	2016
Operating costs	$2,210	$2,210
Operating expense	$33,649	$50,835

(Expressed in Thousands of New Taiwan Dollars unless otherwise specified)

(14) Other non-current assets

	As of December 31,	
	2017	2016
Advance payments in equipment	$153,719	$12,601
Other non-current assets - other	159,115	283,264
Total	$312,834	$295,865

With respect to the above other non-current assets – other, part of the lands and land prepayment in the amount of NTD70,073 thousand and NTD4,669 thousand were held temporarily under third parties' name because of regulatory requirements or other reasons as of December 31, 2017 and 2016. In order to secure the Company's right over the lands, the Company has adopted relevant security measures, including having the lands pledged to the Company.

(15) Long-term receivables-net

	As of December 31,	
	2017	2016
Tatung InfoComm Co., Ltd.	$-	$644,799
Other	78,121	107,024
Less: allowance for doubtful debts	-	(520,799)
Net	$78,121	$231,024

On March 30, 2012, the Company entered into a share purchase contract with Vee Telecom Multimedia Co., Ltd. Under the contract, the Company would sell all of its shares of its fully-owned subsidiary, Tatung InfoComm Co., Ltd., to Vee Telecom Multimedia Co., Ltd. The Company's financing to Tatung InfoComm Co., Ltd amounting to NTD557,980 thousand would be repaid by Tatung InfoComm Co., Ltd in 5 years. However, Tatung InfoComm co., Ltd. was not able to repay the Company as agreed in the contract. Hence, in addition to taking measures to secure creditor rights, the Company evaluated the financial condition of Tatung InfoComm co., Ltd. and the likelihood of collection. Also, the Company recognized allowance for bad debts in full amount. In December 2017, the Company sold all of its creditor rights to its fully-owned subsidiary, Shang-Chih Asset Development Co. in the amount of NTD53,000 thousand.

(Expressed in Thousands of New Taiwan Dollars unless otherwise specified)

(16) Short-term loans

		As of December 31,	
	Interest Rates	2017	2016
Unsecured bank loans	1.77%~2.54%	$750,000	$1,140,000
Secured bank loans	1.73%~2.40%	2,700,000	887,000
L/C loans	1.00%~5.20%	938,082	1,084,412
Short-term loans in foreign currency	1.06%~3.47%	471,202	840,892
Subtotal		4,859,284	3,952,304
Due to employees	0.17%	16,154	16,454
Total		$4,875,438	$3,968,758

The Company’s unused short-term lines of credits amounted to NTD1,074,547 thousand and NTD2,775,357 thousand, as of December 31, 2017 and 2016, respectively.

Part of investments accounted for using the equity method and property, plant and equipment were pledged as collaterals for secured bank loans. Please refer to Note 8 for more details.

(17) Short-term notes and bills payable

		As of December 31,	
Guarantors	Interest Rates	2017	2016
Unsecured domestic bills payable	0.45%-1.17%	$302,000	$200,000
Less: Unamortized discount		(152)	(77)
Net		$301,848	$199,923

(18) Financial liabilities at fair value through profit or loss - current

	As of December 31,	
	2017	2016
Held for trading:		
Derivatives not designated as hedging Instruments		
Forward foreign exchange contracts	$591	$-
Foreign currency option	36	260
Total	$627	$260

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

(19) Long-term loans

Details of long-term loans as of December 31, 2017 and 2016 are as follows:

Lenders	As of December 31, 2017	As of December 31, 2016	Interest rate (%)(Note)	Maturity date and terms of repayment
Secured Long-term loans from King’s Town Bank	$-	$527,000	2.56	Medium-term secured loan (in batches), the loan amount of 600 million (non-revolving use, used in batches, each loan use up to 2 years, cannot exceed expiry date, interest payments due monthly, the grace period of 12 months, first repayment date being the end date of the grace period, quarterly repayment of the 25% of the amount of the loan agreement, balance being reduced if no principal, principal being repaid upon maturity).
Unsecured long-term loans from King’s Town Bank	-	900,000	2.61	Medium-term unsecured loan (in batches), the loan amount of 900 million (non-revolving use, used in batches, each loan use up to 2 years, cannot exceed expiry date, interest payments due monthly, the grace period of 12 months, first repayment date being the end date of the grace period, quarterly repayment of the 25% of the amount of the loan agreement, balance being reduced if no principal, principal being repaid upon maturity).
Secured Long-term loans from King’s Town Bank	500,000	-	2.07	Effective from September 28, 2017 to September 28, 2019. (non-revolving use, used in batches, each loan use up to 2 years, cannot exceed expiry date, interest payments due monthly, only interest payments needed in the grace period of 12 months, first repayment date being the 15th months after the granted day, quarterly repayment of the 25% of the amount of the loan agreement, balance being reduced if no principal, principal being repaid upon maturity).
Unsecured long-term loans from King’s Town Bank	150,000	-	2.07	Effective from September 28, 2017 to September 28, 2019. (non-revolving use, used in batches, each loan use up to 2 years, cannot exceed expiry date, interest payments due monthly, only interest payments needed in the grace period of 12 months, first repayment date being the 15th months after the granted day, quarterly repayment of the 25% of the amount of the loan agreement, balance being reduced if no principal, principal being repaid upon maturity).

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

Lenders	As of December 31, 2017	As of December 31, 2016	Interest rate (%)(Note)	Maturity date and terms of repayment
Unsecured long-term loans from King's Town Bank	$350,000	$-	2.07	Effective from November 27, 2017 to September 28, 2019. (non-revolving use, used in batches, each loan use up to 2 years, cannot exceed expiry date, interest payments due monthly, only interest payments needed in the grace period of 12 months, first repayment date being the 15th months after the granted day, quarterly repayment of the 25% of the amount of the loan agreement, balance being reduced if no principal, principal being repaid upon maturity).
Unsecured long-term loans from King's Town Bank	300,000	-	2.07	Effective from December 29, 2017 to September 28, 2019. (non-revolving use, used in batches, each loan use up to 2 years, cannot exceed expiry date, interest payments due monthly, only interest payments needed in the grace period of 12 months, first repayment date being the 15th months after the granted day, quarterly repayment of the 25% of the amount of the loan agreement, balance being reduced if no principal, principal being repaid upon maturity).
Secured Long-term loans from Bank SinoPac	71,781	84,265	2.57	Effective July 9, 2014 to July 9, 2023. Since the first use date, principal is repaid in 36 quarterly payments.
Secured Long-term loans from Bank SinoPac	262,042	289,625	2.72	Effective April 27, 2015 to April 27, 2027. Since the first use date, principal is repaid in 48 quarterly payments.
Secured Long-term loans from Bank SinoPac	153,333	-	2.56	Effective June 27, 2017 to June 27, 2029. Since the first use date, principal is repaid in 48 quarterly payments.
Unsecured long-term loans from Taiwan Cooperative Bank	1,100,000	1,100,000	2.09	Effective August 19, 2016 to December 29, 2019. The principal will be repaid upon maturity.
Unsecured long-term loans from Far Eastern International Bank	627,417	703,040	2.02	Effective December 10, 2015 to December 22, 2020. Revolving use. Whenever individual project bills and receives payment in the compensation account, 77% of such deposit will be used to repay the principal.
Secured Long-term loans from O-Bank	33,099	-	2.28	Since the first use date, the credit limit would be decreased 0.7% per month for the first 35 months, and 75.5% in the 36th month.
Secured Syndicated loans from Bank of Taiwan	16,200,000	16,200,000	1.93	Effective December 23, 2016 to December 23, 2021. The 1st repayment of principal is in 3 years after first draw. The remaining principal is repaid in 5 semi-annually repayments. The 1st to 4th payments will be 5% and the remaining 80% will be repaid in the 5th repayment.
Secured Syndicated loans from Bank of Taiwan	8,640,000	5,840,000	1.93	Effective December 23, 2016 to December 23, 2021. The 1st repayment of principal is in 3 years after first draw. The remaining principal is repaid in 5 semi-annually repayments. The 1st to 4th repayments will decrease the credit limit by 5% each, and the remaining 80% will be repaid in the 5th repayment.

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

	As of December 31,		Interest rate	
Lenders	2017	2016	(%)(Note)	Maturity date and terms of repayment
Hua Nan Bank L/C loans (USD)	$-	$19,259	1.90~3.38	Principal is repaid in 180 days after first draw. The duration of the loan is two years.
Hua Nan Bank L/C loans (RMB)	-	12,443	8.48	Principal is repaid in 180 days after first draw. The duration of the loan is two years.
Mega Bank L/C loans (USD)	-	27,913	2.28~3.38	Principal is repaid in 180 days after first draw. The duration of the loan is two years.
Two-year loans due to stockholders and employees	17,353	17,353		
Subtotal	28,405,025	25,720,898		
Less: unamortized issuing cost	(166,655)	(205,640)		
	28,238,370	25,515,258		
Less: current portion	(398,534)	(1,109,420)		
Total	$27,839,836	$24,405,838		

(Note: Interest rates are rounded off to the second decimal place.)

Shan-Chih Asset Development Co. guaranteed the Company’s long-term loans. As of December 31, 2017 and 2016, the balance of guarantees were NTD27,200,000 thousand and NTD28,200,000 thousand, respectively; the Company’s former Chairman, W. S. Lin, guaranteed part of the Company’s bank loans. However, the responsible person of the Company has changed from W. S. Lin to Wen-Yen Lin Kuo according to the resolutions of the board of directors, and the alternation registration with the Ministry of Economic Affairs was completed on February 8, 2018. Until the date of the financial statements authorized for issue in accordance with a resolution of the board of directors, the guarantees for the bank loans by the former Chairman, W.S. Lin, have been gradually transferred to the current Chairman, Wen-Yen Lin Kuo.

For the years ended December 31, 2017 and 2016, certain long term loans of the Company included debt covenants requiring minimum levels of liquidity ratio, liability to equity ratio, and net assets value. For the years ended December 31, 2017 and 2016, the Company did not breach any such covenants, therefore there was no immediate repayment of the loans triggered by breach of covenants.

Part of the property, plant and equipment, debt instrument investments with no active market exists, and investments accounted for using the equity method were pledged as collateral for secured loans. Please refer to Note 8 for more details.

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

(20) Post-employment benefits

Defined contribution plan

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

Expenses under the defined contribution plan for the years ended December 31, 2017 and 2016 were NTD68,595 thousand and NTD69,421 thousand, respectively.

Defined benefits plan

The Company adopts 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 contributes an amount equivalent to 4% 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 assesses the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandates, 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 Company expects to contribute NTD72,000 thousand to its defined benefit plan during the 12 months beginning after December 31, 2017.

As of December 31, 2017 and 2016, the maturity year of the defined benefit plan is 2028.

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

	For the years ended December 31,	
	2017	2016
Current period service costs	$22,069	$14,272
Interest income or expense	26,014	13,229
Expected return on plan assets	(8,639)	(278)
Total	$39,444	$27,223

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

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

	As of		
	2017.12.31	2016.12.31	2016.01.01
Present value of the defined benefit obligation	$2,145,834	$2,314,571	$2,645,880
Fair value of plan assets	(973,695)	(485,830)	(55,639)
Subtotal	1,172,139	1,828,741	2,590,241
Other	2,622	2,610	2,610
Other non-current liabilities - net defined benefit liabilities(assets)	$1,174,761	$1,831,351	$2,592,851

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

	Present value of Defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
As of January 1, 2016	$2,645,880	$(55,639)	$2,590,241
Current period service costs	14,272	-	14,272
Net interest expense (income)	13,229	(278)	12,951
Subtotal	2,673,381	(55,917)	2,617,464
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in population assumptions	27,984	-	27,984
Actuarial gains and losses arising from changes in financial assumptions	144,262	-	144,262
Experience adjustments	(266,453)	-	(266,453)
Retrun on plan assets	-	(1,616)	(1,616)
Subtotal	(94,207)	(1,616)	(95,823)
Payments from the plan	(88,705)	88,705	-
Benefits paid	(175,898)	-	(175,898)
Contributions by employer	-	(517,002)	(517,002)
As of December 31, 2016	2,314,571	(485,830)	1,828,741
Current period service costs	22,069	-	22,069
Net interest expense (income)	26,014	(8,639)	17,375
Subtotal	2,362,654	(494,469)	1,868,185
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in financial assumptions	-	-	-
Experience adjustments	4,946	-	4,946
Return on plan assets	-	2,830	2,830
Subtotal	4,946	2,830	7,776
Payments from the plan	(100,054)	100,054	-
Benefits paid	(121,712)	-	(121,712)
Contributions by employer	-	(582,110)	(582,110)
As of December 31, 2017	$2,145,834	$(973,695)	$1,172,139

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

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

	As of December 31,	
	2017	2016
Discount rate	1.250%	1.125%
Expected rate of salary increases	2.250%	2.250%

A sensitivity analysis for significant assumption as at December 31, 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 0.25%	$-	$54,073	$-	$62,485
Discount rate decrease by 0.25%	56,243	-	62,550	-

The sensitivity analyses above are based on a change in the actuarial 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.

(21) Provisions, current

	Maintenance warranties
As of January 1, 2017	$47,551
Arising during the period	11,459
As of December 31, 2017	$59,010
As of December 31, 2017	$59,010
As of December 31, 2016	$47,551

Maintenance warranties

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

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

(22) Equities

A. Common stock

As of December 31, 2017 and 2016, the Company's authorized capital and issued capital were NTD100,000,000 thousand and NTD23,395,367 thousand, with a par value of NTD10, totaling 10,000,000 thousand shares and 2,339,537 thousand shares, respectively. Each share is entitled to one voting right and the right to receive dividends.

As of December 31, 2017 and 2016, 1,000,000 thousand shares of the Company were issued as 50,000 thousand units of global depositary receipts ("GDR"), each GDR equaling to 20 shares. The GDR were listed on Luxembourg Stock Exchange.

B. Capital reserve

	As of December 31,	
	2017	2016
Share of changes in net assets of associates and joint ventures accounted for using the equity method	$3,168,370	$2,759,706
Other	105,135	105,135
Total	$3,273,505	$2,864,841

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

C. Treasury stock

As of December 31, 2017 and 2016 the Company's subsidiaries, CPT and its subsidiaries, and Chunghwa Electronics Investment Co., held 70,598 thousand shares and 334 thousand shares of the Company's stock. The stocks mentioned above were held for financing purpose before the amendments of the Company Act on November 12, 2001. In addition, FD, a subsidiary of the Company, purchased shares of the Company in 2016 and sold a portion of them in 2017. It held 33,166 thousand shares and 36,236 thousand shares of the Company's stock as of December 31, 2017 and 2016. Because the holding percentage of Chunghwa Picture Tubes, Ltd. increased, the recognized treasury stock increased to NTD1,629,899 thousand as of December 31, 2017.

D. 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) Appropriate 10% of the remaining amount after deducting items (a) and (b) as a legal reserve
(d) Appropriate or reverse special reserve in accordance with relevant laws or regulations
(e) After deducting items (a), (b), (c) and (d) above from the current year's earnings, the distribution of the remaining portion, if any, will be recommended by the board of directors and resolved in the stockholders' meeting.

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 offset the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal reserve 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 T-IFRS, the FSC on April 6, 2012 issued Order No. Jin-Guan-Zheng-Fa-Zi No. 1010012865, which sets out the following provisions for compliance:

On a public company's first-time adoption of the T-IFRS, 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 T-IFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside 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 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.

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

As of January 1, 2014, special reserve set aside for the first-time adoption of T-IFRS amounted to NTD15,894,690 thousand. In the shareholders' meeting last year, the Company resolved to make up for its losses by special reserve of NTD11,195,032 thousand and to recover the special reserve amounted to NTD124,233 thousand. Therefore the unrecovered special reserve amounted to NTD11,070,799 thousand. Also, after the Company disposed of related assets and reversed special reserves of NTD70,865 thousand to retained earnings, special reserve set aside for the first-time adoption of T-IFRS amounted to NTD4,753,026 thousand as of December 31, 2017.

Details of the 2017 deficits compensation as approved by the boards' meeting on March 15, 2018, and details of the 2016 deficits compensation as approved by the shareholders' meeting on May 11, 2017 are as follows:

	Deficits compensation	
	2017	2016
Special reserve	$281,015	$2,175,074

Please refer to Note 6(25) for more details about provision for employees' bonuses and compensation for directors and supervisors.

(23) Operating revenue

	For the years ended December 31,	
	2017	2016
Sale of goods	$15,951,584	$15,813,268
Less: sales returns, discounts and allowances	(168,295)	(132,149)
Revenue arising from rendering of services	630,987	490,028
Construction contract revenue	547,845	585,661
Other operating revenues	520,714	502,824
Total	$17,482,835	$17,259,632

(24) Operating leases

Company as lessee

The Company entered into commercial leases on land and plants. These leases have an average life of one year with no renewal option included in the contracts. There are no restrictions placed upon the Company by entering into these leases.

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

Future minimum rentals payable under non-cancellable operating leases as of December 31, 2017 and 2016 are as follows:

	As of December 31,	
	2017	2016
Not later than one year	$233,841	$244,299

Operating lease expenses recognized are as follows:

	For the years ended December 31,	
	2017	2016
Not later than one year	$256,546	$254,919

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

By Function / By Nature	For the years ended December 31,					
	2017			2016		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	$860,469	$1,179,873	$2,040,342	$904,334	$1,169,334	$2,073,668
Labor and health insurance	79,477	105,527	185,004	81,631	103,486	185,117
Pension	33,921	74,118	108,039	27,223	69,421	96,644
Other employee benefits expense	36,016	9,685	45,701	38,096	9,782	47,878
Depreciation	466,146	99,680	565,826	469,772	90,208	559,980
Amortization	2,210	33,649	35,859	2,210	50,835	53,045

As of December 31, 2017 and 2016, the Company employed 3,070 and 3,167 employees, respectively.

The Company's Article of Incorporation states that if there is a profit, the Company should set aside employee compensation no less than 1% of the profit and board member compensation no more than 2%. When the Company suffers an accumulated deficit, the profit should be retained to recover the deficit. The employee compensation should be paid out by shares or cash, and should be resolved in the board of directors' meeting, with 2/3 of the board members present and over half of the present members agree. Information of 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.

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

The Company had net income in 2017. However, there is still accumulated deficits that need to be covered, hence, the Company did not estimate employees' compensation and remuneration to directors and supervisors.

The Company suffered net loss in 2016 and thus did not estimate employee compensation and remuneration for the directors and supervisors.

(26) Non-operating income and expenses

A. Other income

	For the years ended December 31,	
	2017	2016
Dividend income	$39,399	$35,994
Interest income	80,419	80,219
Others	349,609	351,193
Total	$469,427	$467,406

B. Other gains and losses

	For the years ended December 31,	
	2017	2016
Gains (losses) on disposal of property, plant and equipment	$1,026	$(1,900)
Impairment loss of property, plant and equipment	(2,098)	-
Gains (losses) on disposal of investments	(19,381)	194
Foreign exchange gains (losses), net	(200,715)	(40,058)
Gains (losses) on financial assets / financial liabilities at fair value through profit or loss	3,533	(19,874)
Other gains and losses	(317,239)	(398,645)
Total	$(534,874)	$(460,283)

C. Finance costs

	For the years ended December 31,	
	2017	2016
Interest on borrowings from bank	$721,032	$695,579
Other	304	449
Total finance costs	$721,336	$696,028

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

(27) Components of other comprehensive income

For the year ended December 31, 2017:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax benefit (expense) 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	$(7,776)	$-	$(7,776)	$-	$(7,776)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	15,279	-	15,279	-	15,279
To be reclassified to profit or loss in subsequent periods:					
Unrealized gains (losses) from available-for-sale financial assets	6,707	-	6,707	-	6,707
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method	(176,516)	38,848	(137,668)	-	(137,668)
Total of other comprehensive income (loss)	$(162,306)	$38,848	$(123,458)	$-	$(123,458)

For the year ended December 31, 2016:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax benefit (expense) 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	$95,823	$-	$95,823	$-	$95,823
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	96,246	-	96,246	-	96,246
To be reclassified to profit or loss in subsequent periods:					
Unrealized gains (losses) from available-for-sale financial assets	(555)	-	(555)	-	(555)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(612,693)	-	(612,693)	-	(612,693)
Total of other comprehensive income	$(421,179)	$-	$(421,179)	$-	$(421,179)

The Company has accumulated a large amount of loss carry forward. Therefore, there was not significant deferred income tax effect resulted from other comprehensive income and changes in equity in 2017 and 2016, and thus the Company did not record related income tax.

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

(28) Income tax

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

Income tax expense (income) recognized in profit or loss

	For the years ended December 31,	
	2017	2016
Current income tax expense (income):		
Current income tax charge	$(56,675)	$(90,829)
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	20,000	19,999
Total income tax (income) expense	$(36,675)	$(70,830)

There was not significant deferred income tax effect resulted from other comprehensive income and changes in equity in 2017 and 2016, and thus the Company did not record related income tax.

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

	For the years ended December 31,	
	2017	2016
Accounting income (loss) before tax from continuing operations	$37,395	$(2,414,775)
Tax at the domestic rates applicable to profits in the country concerned	$6,357	$(410,512)
Tax effect of revenues exempt from taxation	(6,736)	275,515
Tax effect of expenses not deductible for tax purposes	(187,175)	8,764
Other	6,530	6,497
Tax effect of deferred tax assets/liabilities	201,024	139,735
Income tax benefit from consolidated return system	(56,675)	(90,829)
Total income tax expense (income) recognized in profit or loss	$(36,675)	$(70,830)

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

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2017

	Beginning balance	Recognized in profit or loss	Ending balance
Temporary differences			
Deferred tax assets			
Investments accounted for using the equity method	$413,936	$38,940	$452,876
Unrealized intragroup profits and losses	12,505	154	12,659
Allowance for doubtful accounts	67,769	(877)	66,892
Others	8,084	1,949	10,033
Subtotal	502,294	40,166	542,460
Deferred tax liabilities			
Investments accounted for using the equity method	(141,934)	(43,006)	(184,940)
Unrealized gain on foreign exchange	(155,626)	(17,160)	(172,786)
Reserve for land revaluation	(3,417)	-	(3,417)
Subtotal	(300,977)	(60,166)	(361,143)
Deferred tax (expense)/ income		$(20,000)	
Net deferred tax assets/(liabilities)	$201,317		$181,317
Reflected in balance sheet as follows:			
Deferred tax assets	$502,294		$542,460
Deferred tax liabilities	$(300,977)		$(361,143)

For the year ended December 31, 2016

	Beginning balance	Recognized in profit or loss	Ending balance
Temporary differences			
Deferred tax assets			
Investments accounted for using the equity method	$424,698	$(10,762)	$413,936
Unrealized intragroup profits and losses	11,245	1,260	12,505
Allowance for doubtful accounts	66,446	1,323	67,769
Others	7,675	409	8,084
Subtotal	510,064	(7,770)	502,294
Deferred tax liabilities			
Investments accounted for using the equity method	(130,598)	(11,336)	(141,934)
Unrealized gain on foreign exchange	(154,733)	(893)	(155,626)
Reserve for land revaluation	(3,417)	-	(3,417)
Subtotal	(288,748)	(12,229)	(300,977)
Deferred tax (expense)/ income		$(19,999)	
Net deferred tax assets/(liabilities)	$221,316		$201,317
Reflected in balance sheet as follows:			
Deferred tax assets	$510,064		$502,294
Deferred tax liabilities	$(288,748)		$(300,977)

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

The following table contains information of the unused tax losses of the Company:

Year	Tax losses for the period	Unused tax losses as of December 31, 2017	Unused tax losses as of December 31, 2016	Expiration year
2017	$958,696	$622,552	$-	2027
2016	954,656	325,961	325,961	2026
2015	426,620	-	-	2025
2014	822,903	506,008	506,008	2024
2013	1,307,119	1,197,171	1,197,171	2023
2012	247,968	-	-	2022
2010	2,041,023	1,781,104	1,781,104	2020
2009	1,782,046	1,627,157	1,627,157	2019
	$8,541,031	$6,059,953	$5,437,401	

Unrecognized deferred tax assets

As of December 31, 2017 and 2016, deferred tax assets that have not been recognized as they may not be used to offset taxable profits amounted to NTD3,687,984 thousand, and NTD3,699,987 thousand, respectively.

Imputation credit information

	As of December 31, 2017	As of December 31, 2016
Balances of imputation credit amounts	$-	$1,457,642
	(Note 1)	(Note 2)

The actual creditable ratio for 2016 was 0%.

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

(Note 1): The amendments to the Income Tax Act with retrospective effect from January 1, 2018 were passed by the Legislative Yuan on January 18, 2018, and announced by the President on February 7, 2018. According to the amendments, the imputation tax scheme under the integrated income tax system is repealed.

(Note 2): According to Article 66-6 of the Income Tax Act, the imputation credit ratio for the earnings of 2016 distributed to individual stockholders residing in R.O.C. would be half of the original ratio.

The assessment of income tax returns

As of December 31, 2017, the R.O.C. income tax authorities have assessed the income tax returns of the Company through 2014.

(29) 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 Company (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.

	For the years ended December 31,	
	2017	2016
Basic and diluted earnings (loss) per share:		
Net income (loss) (in thousands of NTD)	$74,070	$(2,343,945)
Weighted average number of ordinary shares outstanding for basic and diluted earnings per share (in thousands)	2,233,870	2,259,391
Basic and diluted earnings (loss) per share	$0.03	$(1.03)

There were no other transactions involving ordinary shares or potential ordinary shares between the balance sheet date and the issuance date of the financial statements.

7. Related party transactions

Related parties and relationship

Name of related parties	Relationship with the Company
Tatung University	Significant influence over the Company
Tatung Senior High School	Significant influence over the Company
Chunghwa Picture Tubes, Ltd. (“CPT”)	Subsidiaries
Tatung System Technologies Inc. (“TSTI”)	Subsidiaries
Forward Electronics Co., Ltd. (“FD”)	Subsidiaries
San Chih Semiconductor Co., Ltd.(“SCSC”)	Subsidiaries
Tatung Fine Chemicals Co., Ltd.	Subsidiaries
Taiwan Telecommunication Industry Company Ltd.	Subsidiaries
Central Research Technology Co.	Subsidiaries
Tatung Consumer Products (Taiwan) Co., Ltd.	Subsidiaries

Name of related parties	Relationship with the Company
Tatung SM-Cyclo Co.	Subsidiaries
Shan-Chih Asset Development Co. (“SCAD”)	Subsidiaries
Tatung Die Casting Co.	Subsidiaries
Tatung (Thailand) Co., Ltd.	Subsidiaries
Tatung Co. of Japan, Inc.	Subsidiaries
Tatung Electronics (S) Pte. Ltd.	Subsidiaries
Tatung Electric (Singapore) Pte. Ltd.	Subsidiaries
Tatung Co. of America Inc.	Subsidiaries
TMX Logistics, Inc	Subsidiaries
Tatung Electric Company of America, Inc.	Subsidiaries
TATUNG CZECH S.R.O	Subsidiaries
Tatung Medical Healthcare Technologies Co., Ltd.	Subsidiaries
Toes Opto-Mechatronics Co.	Subsidiaries
Tatung Vietnam Co. Ltd.	Subsidiaries
Tatung Electric Technology (VN) Co., Ltd.	Subsidiaries
Shan Chih Investment Co., Ltd.	Subsidiaries
Chih Sheng Investment Co., Ltd.	Subsidiaries
Taipei Industry Corporation	Subsidiaries
Tatung Forever Energy Co., Ltd.	Subsidiaries
Tatung Global Strategy Investment and Trading (BVI) Inc. (The liquidation procedure was completed in December 2017.)	Subsidiaries
Tatung Forestry and Construction Co.	Subsidiaries
Giantplus Technology Co., Ltd. (“Giantplus”) (CPT has sold all of its shares of Giantplus in March 2017.	Subsidiaries
Green Energy Technology Inc. (“GET”)	Subsidiaries
Sheng Yang Energy Co., Ltd.	Subsidiaries
Tatung (Shanghai) Co., Ltd	Subsidiaries
Tatung Information Technology (Jiangsu) Co., Ltd.	Subsidiaries
TATUNG COMPRESSORS (ZHONG SHAN) CO.	Subsidiaries
TMX TECHNOLOGIES,INC.	Subsidiaries
Wu-jiang Tatung Electronics Trading Co. LTD	Subsidiaries
SHAN-CHIH WIRE & CABLE TECHNOLOGY (WUJIANG) CO.	Subsidiaries
TATUNG SCIENCE & TECHNOLOGY,INC.	Subsidiaries
Tatung Netherlands B.V.	Subsidiaries
Tatung Medical Healthcare Technologies Co., Ltd.	Subsidiaries
Apollo Solar Energy Co., Ltd.	Subsidiaries

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

Name of related parties	Relationship with the Company
Chyun Huei Health Technology Inc.	Subsidiaries
HEDA Biotechnology Co., Ltd.	Subsidiaries
Tisnet Technology Inc.	Subsidiaries
TATUNG ATHERTON CO., LTD.	Subsidiaries
Chunghwa Picture Tubes (Bermuda) Ltd. (“CPTB”)	Subsidiaries
TATUNG MEXICO S.A. DE C.V.	Subsidiaries
Chyun Huei Commercial Technologies Inc.	Subsidiaries
Myanmar Tatung Co., Ltd.	Subsidiaries
Hsieh-Chih Industrial Library Publishing Co.	Subsidiaries
Tatung Okuma Co., Ltd.	Associates
Elitegroup Computer Systems Co., Ltd.	Associates
Taiwan Nissei Display System Co., Ltd	Associates
Kuender Co., Ltd.	Associates
The Employee Welfare Committee of Tatung united legal foundation	Other related party
The Employee Welfare Committee of Tatung Company	Other related party
The Employee Welfare Committee of GET	Other related party

If the transaction amount of single related party doesn’t reach 10% of the transaction total amount, it will be combined to present with others.

(1) Sales (including leasing revenue)

	For the years ended December 31, 2017	2016
Entity with joint control or significant influence over the Company	$4,686	4,023
Subsidiaries		
Tatung Consumer Products (Taiwan) Co., Ltd.	3,362,693	3,474,203
Others	1,303,485	1,097,210
Associates	31,454	19,517
Other related parties	638	129
Total	$4,702,956	$4,595,082

The sales price to related parties was determined through mutual agreement based on market conditions. The collection terms for domestic related parties were 90 days, equivalent to those for domestic third parties; the collection terms for foreign related parties were 30-180 days, equivalent to these for foreign third parties.

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

(2) Purchase

	For the years ended December 31,	
	2017	2016
Subsidiaries	$1,120,549	$1,458,905
Associates	48,689	9,494
Total	$1,169,238	$1,468,399

The purchase price from related parties was determined through mutual agreement based on market conditions. The payment terms to related parties and third parties for domestic purchases were both net 30-150 days, while the terms for overseas purchases were both net 30-120 days.

(3) Accounts receivable – related parties

	As of December 31,	
	2017	2016
Entity with joint control or significant influence over the Company	$812	$1,409
Subsidiaries		
Tatung Consumer Products (Taiwan) Co., Ltd.	1,740,419	1,531,309
Others	458,071	421,477
Associates	19,209	2,635
Other related parties	-	1
Total	2,218,511	1,956,831
Less: allowance for doubtful accounts	(1,119)	(315)
Unrealized interest revenue – trade receivables from instalment sales	(2,168)	(855)
Net	$2,215,224	$1,955,661

(4) Construction receivables

	As of December 31,	
	2017	2016
Subsidiaries		
Chunghwa Picture Tubes, Ltd.	$17,299	$59,822
Shan-Chih Asset Development Co.	7,113	5,247
	$24,412	$65,069

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

(5) Others receivable – related parties (current and non-current)

	As of December 31, 2017	As of December 31, 2016
Loans receivable(Note)	$-	$1,421,009
Reclassified from accounts receivable due to over-due:		
Entity with joint control or significant influence over the Company	329	135
Subsidiaries		
Tatung Information Technology (Jiangsu) Co., Ltd.	559,330	1,186,274
Green Energy Technology Inc.	989,537	553,219
Shan-Chih Asset Development Co.	453,453	355,373
Others	254,117	419,128
Associates	5,160	1,548
Total	2,261,926	3,936,686
Less: allowance for doubtful accounts	(65,352)	(84,168)
Net	2,196,574	3,852,518
Non-current portion (Reclassified as non-current assets)	(1,168,155)	(2,728,002)
Current portion	$1,028,419	$1,124,516

Note:

Loans receivable details are as below:

December 31, 2017

Name of related parties	2017 Maximum balance	Balance as of December 31, 2017	Interest rates	Interest revenue
Tatung Vietnam Co. Ltd.	$495,653	$-	2%	$10,139
Tatung Global Strategy Investment and Trading (BVI) Inc.	$815,641	$-	2%	$16,458

December 31, 2016

Name of related parties	2016 Maximum balance	Balance as of December 31, 2016	Interest rates	Interest revenue
Tatung Vietnam Co. Ltd.	$537,124	$537,124	2%	$10,774
Tatung Global Strategy Investment and Trading (BVI) Inc.	$883,885	$883,885	2%	$17,682

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

(6) Prepayments

	As of December 31,	
	2017	2016
Subsidiaries	$-	$17,464

(7) Prepayments for business facilities

	As of December 31,	
	2017	2016
Subsidiaries	$149,624	$-

(8) Accounts payable – related parties

	As of December 31,	
	2017	2016
Subsidiaries		
Tatung Co. of Japan, Inc.	$200,204	$55,741
Others	135,255	178,728
Associates	28,783	111
Total	$364,242	$234,580

(9) Other payable– related parties

	As of December 31,	
	2017	2016
Entity with joint control or significant influence over the Company	$70	$524
Subsidiaries		
Tatung Forever Energy Co., Ltd.	37,000	-
Tatung System Technologies Inc.	19,430	17,453
Apollo Solar Energy Co., Ltd.	5,635	7,293
Green Energy Technology Inc.	6,671	5,589
Others	10,898	12,680
Associates	1,357	1,353
Other related parties	50	50
Total	$81,111	$44,942

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

(10) Acquisition of property, plant and equipment and intangible assets

	Acquisition proceeds	
	2017	2016
Subsidiaries		
Apollo Solar Energy Co., Ltd.	$381,915	$269,690
Tatung Forever Energy Co., Ltd.	88,190	135,532
Green Energy Technology Inc.	-	124,918
Others	28,849	14,919
Associates	940	3,154
Total	$499,894	$548,213

(11) Compensation of key management personnel

	For the years ended December 31,	
	2017	2016
Short-term employee benefits	$33,034	$29,434
Post-employment benefits	155	222
Total	$33,189	$29,656

(12) Operating expense－rent expenditure

	For the years ended December 31,	
	2017	2016
Entity with joint control or significant influence over the Company	$30	$30
Subsidiaries		
Shan-Chih Asset Development Co.	127,996	130,287
	$128,026	$130,317

There were no significant differences in terms of rental between related parties and arm’s length transactions. The rent was decided by the local market, location, floor, and size.

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

(13) Notes endorsement and guarantee

The balances of guarantees that the Company provided for related parties as of December 31, 2017, and 2016 were as follows:

Name of related parties	Purpose	December 31, 2017
Tatung Company of Japan, Inc.	Pledged for financing	NTD 1,772,400 thousand
Chunghwa Picture Tubes, Ltd.	Pledged for financing	NTD 3,000,000 thousand

Name of related parties	Purpose	December 31, 2016
Tatung Company of Japan, Inc.	Pledged for financing	NTD 1,772,400 thousand
Chunghwa Picture Tubes, Ltd.	Pledged for financing	NTD 3,000,000 thousand

Please refer to Note 6(19) for more details of the subsidiary's endorsement for the Company.

(14) Other

In December 2017, the Company sold all of its creditor rights to its fully-owned subsidiary, Shang-Chih Asset Development Co. in the amount of NTD53,000 thousand.

Please refer to Note6(15) for more details.

8. Assets pledged as collateral

The following table lists assets of the Company pledged as collateral:

	Carrying amounts as of December 31,		
	2017	2016	Purpose of pledge
Machines and other Equipment	$487,063	$301,200	Long-term and short-term loans
Investment in debt instrument investments with no active market exists	4,061,106	3,782,368	Construction security deposit, long-term and short-term loans, and guarantees for subsidiaries
Investments accounted for under the equity method	2,772,568	3,322,971	Long-term and short-term loans, commodity tax controversy, and guarantees for subsidiaries
Total	$7,320,737	$7,406,539	

9. Commitments and contingencies

(1) The promissory notes issued by the Company to secure bank loans, construction performance bond and tariff guarantee amounted to NTD2,816,234 thousand.

(2) The Company's unused letters of credit for importing raw materials and machinery amounted to NTD55,780 thousand, USD12,379 thousand, EUR642 thousand, JPY8,912 thousand, RMB675 thousand, SEK42 thousand, and CHF59 thousand.

(3) Performance bond issued by financial institutions amounted to NTD846,907 thousand, and USD131 thousand.

(4) The Company applied to Mega International Commercial Bank and Bank of Taiwan for credit lines to be issued for Tatung Co., of Japan, Inc. The promissory notes amounted to NTD972,400 thousand and NTD800,000 thousand. The Company applied to Industrial Bank of Taiwan, Fubon Bank and Far Eastern Commercial Bank for credit lines to be issued for CPT. The promissory notes of credit amounted to NTD1,000,000 thousand, NTD500,000 thousand and NTD1,500,000 thousand.

(5) As of December 31, 2017, the significant contingencies and unrecognized contract commitments of the Company are as follows:

A. King Pro Group ("King Pro") and Ka Hung Exhibition Co., Ltd. ("Ka Hung") contracted with the Company as subcontractors to construct part of the Talin Power Plant, for which tender the Company contracted with Kai Yuan Construction Co., Ltd. However, King Pro and Ka Hung failed to complete the construction upon deadline and both parties claimed to terminate the contract. King Pro and Ka Hung claimed that the Company had not paid construction examination fees, prepayments and advances and filed an action against the Company to claim payment of NTD23,610 thousand. The next trial date was set on May 8, 2018. In addition, the Company filed for provisional seizure against King Pro and Ka Hung on March 21, 2016 and claimed indemnities resulted from advances and contract termination. The next trial date is April 11, 2018.

B. The Company engaged in a construction project with Taiwan Railways Administration, MOTC ("Taiwan Railways"). There is still a dispute regarding the overdue fine charged by Taiwan Railways as the Company didn't complete the project on time. The Company had engaged an attorney to file a mediation to the Public Construction Commission.

C. Yung Loong Engineering Corp. (Yung Loong) was engaged in a construction project, "BI-HAI machinery installing project", with the Company, however, Yung Loong claimed that the Company's power generation set was defective and caused delay in the construction. Therefore, Yung Loong claimed payment of NTD56,997 thousand from the Company. After failing a mediation on July 22, 2014, the action is pending at the court of first instance. Yung Loong requested for an appraisal for the items in dispute on court. The appraisal report was filed on February 21, 2017 and the counterparty filed an application to the court for re-appraisal.

D. Compal Electronics, Inc. ("Compal") made a public announcement on March 29, 2013 to request the Company to purchase shares of Chunghwa Picture Tubes Ltd. held by Compal and it filed for arbitration to the Arbitration Association of the Republic of China. The Company received the arbitration appeal submitted by Compal from the Association on April 3, 2013. The Company received on May 19, 2014 the arbitration award 102-Chung-Sheng-He-Zi No. 25 Arbitration Judgment, which was issued on May 16, 2014, from the Arbitration Association of the Republic of China. The main context is as follows:

a. The respondent (referring to the Company) shall make a payment to the claimant ("Compal") for NTD2,118,607 thousand. The first payment of NTD718,607 thousand shall be paid within a month after the arbitration award is delivered to the respondent. The second payment of NTD700,000 thousand shall be paid within four months after the arbitration award is delivered to the respondent. The third payment of NTD700,000 thousand shall be paid within seven months after the arbitration award is delivered to the respondent. In addition, the Company shall pay the interest at an annual rate of 5% from April 3, 2013 to full repayment day.

b. The claimant shall deliver the private placement shares in question for the corresponding payments in 374,274,704 shares, 364,583,334 shares and 364,583,333 shares.

c. Other claims from Compal are dismissed.

d. Two thirds of the arbitration fees shall be borne by the claimant while the rest is borne by the respondent.

Compal was dissatisfied with the outcome of the arbitration award and filed an action to revoke the unfavorable part of the arbitration award. On January 11, 2017, the Supreme Court of the ROC ruled to revoke the appeal of Compal. After this ruling, Compal cannot continue to argue against the arbitration. Both parties settled the shares on February 9, 2017. The representatives of both parties were present to confirm accuracy of the stock transferred and payments and then signed a memorandum.

E. The Company and Toshiba Electronics Components Taiwan Corporation ("Toshiba") signed a contract regarding "the purchase and the assembly of motor and fan of the Taiwan Railways TILTING train and EMU800 train". The Company completely followed the blueprint of Toshiba, but Toshiba claimed that the products were faulty and claimed damages amounting to NTD58,125 thousand, requiring the Company to pay. The Chinese Arbitration Association, Taipei made a judgement that it wouldn't handle this case because of the jurisdiction. Toshiba also filed an arbitration in Tokyo. The Japan Commercial Arbitration Association held the first arbitration on October 17, 2017, and the second one will be held on March 5, 2018.

F. The Company engaged in a smart electrical meter project with Taiwan Power Company, ("Taiwan Power"). The Company delivered the products according to the purchase contracts signed and finished the inspection and acceptance, and payment collection. However, there is still a dispute regarding the warranty coverage of "Meter Interface Unit" of the smart electrical meter.

G. Hwang Chang General Contractor Co., LTD ("Hwang Chang") engaged in a construction project led by the East District Project Office of the Department of Rapid Transit Systems, Taipei City Government: "Taipei Urban Metro System Circular Line Sections CF640 to CF641A Electricity, Plumbing and Environmental Control Construction." Such project was outsourced to the Company on August 3, 2014. However, the Company deemed that Hwang Chang delayed in delivering the construction site for about a year during the contract period. The Company couldn't start the construction and collect payments during the delay period. Hence, the construction cost was a lot higher than expected. The Company terminated the contract after giving notice to Hwang Chang. Afterwards, Hwang Chang claimed against the Company for damages of price differences between contract prices with other subcontractors. This legal action is under Taiwan Shilin District Court's jurisdiction and the trial date would be decided when both parties provide related information.

H. The Company outsourced "Office relocation and expansion of Taiwan Taoyuan District Court and new construction project of Dang Cheng Building" to Da Hong Chung Technical Engineering Co., Ltd ("Da Hong Chung"). The Company deemed that Da Hong Chung did not assign sufficient workers as contracted and hence delayed the construction progress. The Company notified Da Hong Chung to increase manpower for the project. However, Da Hong Chung refused to do so because it claimed that the Company had not paid the additional construction fee. The Company terminated the contract on October 19, 2017 and would claim damages against Da Hong Chung for the delay when the construction is completed. Da Hong Chung filed a legal action to the Taiwan Taipei District Court to claim its construction receivable in February 2018. As of now, Da Hong Chung has not paid the judgement fee, and the trial date hasn't been decided. Therefore, there is no actual legal action at the moment.

I. United Aerotech System Corporation filed a legal action against the Company on January 6, 2010, claiming payments of consultant fees amounting to NTD1,490 thousand. Both parties reached a settlement in 2017. However, on March 12, 2018, the Company received the indictment from United Aerotech System Corporation claiming consulting fee amounting to NTD32,643 thousand. The Company had appointed attorneys to handle the issue.

10. Significant disaster loss

None.

11. Significant subsequent events

(1) The amendments to the Income Tax Act were passed by the Legislative Yuan on January 18, 2018, and announced by the President in February 2018. According to the amendments, the corporate income tax rate was raised from 17% to 20%. If recalculated with the new tax rates, there might be impact of NTD95,728 thousand and NTD63,731 thousand on the deferred tax assets and deferred tax liabilities as of December 31, 2017, respectively.

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

(2) According to the resolutions of the board of directors on February 1, 2018, the Company started a joint venture with financial investors to establish a solar power project development company. The capital was set at NTD4,000,000 thousand.

(3) According to the resolutions of the board of directors on February 1, 2018, the Company agreed to invest in Tainan Qigu Yuguang District Phase 2 solar power plant. The plant would be built by the Company's fully-owned subsidiary, Tungyang Energy Co., Ltd. in the future.

(4) The responsible person of the Company has changed from W. S. Lin to Wen-Yen Lin Kuo according to the resolutions of the board of directors on February 1, 2018 and the alternation registration with the Ministry of Economic Affairs was completed on February 8, 2018.

12. Others

(1) Categories of financial instruments

Financial assets

	As of December 31,	
	2017	2016
Financial assets at fair value through profit or loss:		
Held for trading	$2,994	$23,930
Available-for-sale financial assets (including $31,538 reported as financial assets measured at cost) (including the non-current portion)	432,501	425,795
Held-to-maturity financial assets	-	826,250
Loans and receivables:		
Cash and cash equivalents (excluding cash on hand and demand deposit)	1,744,278	2,044,349
Debt instrument investments with no active market exists (including the non-current portion)	4,061,106	3,782,368
Notes receivable (including related parties)	262,273	256,817
Accounts receivable (including related parties)(including the construction receivable)	4,707,447	4,414,986
Other receivables (including related parties)(including the non - current portion)	2,388,106	4,105,418
Other non - current assets－deposits-out	287,757	259,107
Subtotal	13,450,967	14,863,045
Total	$13,886,462	$16,139,020

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

Financial liabilities

	As of December 31,	
	2017	2016
Financial liabilities at amortized cost:		
Short-term loan	$4,875,438	$3,968,758
Short-term notes and bills payable	301,848	199,923
Payables (including related parties)(including non-current)	4,283,164	6,351,344
Loan (including the current portion)	28,238,370	25,515,258
Deposits in	1,755	4,390
Subtotal	37,700,575	36,039,673
Financial liabilities at fair value through profit or loss:		
Held-for-trading	627	260
Total	$37,701,202	$36,039,933

(2) Financial risk management objectives and policies

The Company's risk management objectives are to manage market risk, credit risk and liquidity risk related to its operating activities. The Company identifies measures and manages the aforementioned risks based on policy and risk preference.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant financial activities, due approval process by the board of directors and audit committee must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

(3) Market risk

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

In practice, it is rarely the case that a single risk variable will change independently from other risk variables, 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 Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries.

The Company has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Company 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 Company.

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

The information of the sensitivity analysis is as follows:

A. When NTD appreciates or depreciates against USD by 1%, the profit for the years ended December 31, 2017 and 2016 will increase (decrease) by NTD3,104 thousand and NTD14,788 thousand respectively.

B. When NTD appreciates or depreciates against JPY by 1%, the profit for the years ended December 31, 2017 and 2016 would will increase (decrease) by NTD685 thousand and NTD1,228 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 Company's exposure to the risk of changes in market interest rates relates primarily to the Company's loans and receivables at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

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

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as of the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the balance sheet date, a change of 10 basis points of interest rate could cause the profit for the years ended December 31, 2017 and 2016 to increase (decrease) by NTD31,091 thousand and NTD13,501 thousand, respectively.

Equity price risk

The Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company'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 Company 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 Company's senior management on a regular basis. The Company's board of directors reviews and approves all equity investment decisions.

At the balance sheet date, a decrease of 1% in the price of the listed equity securities classified under available-for-sale could have an impact of NTD2,487 thousand and NTD2,590 thousand on the Company's equity for the years ended December 31, 2017 and 2016, 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 Company 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 Company'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 Company'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 of December 31, 2017 and 2016, amounts receivables from top ten customers represented 65.94% and 58.19% of the total accounts receivables of the Company, respectively. The credit concentration risk of other accounts receivables is insignificant.

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

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

(5) Liquidity risk management

The Company'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 Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial instruments

	Less Than 1 Year	2-3 Years	4-5 Years	More than 5 Years	Total
December 31, 2017					
Loans (including contracted interests)	$6,055,052	$5,116,838	$2,226,039	$22,386,919	$35,784,848
Short-term notes and bills payable	302,000	-	-	-	302,000
Payables (including related parties) (including non-current portion)	4,249,800	28,598	4,766	-	4,283,164
Deposit-in	1,755	-	-	-	1,755
December 31, 2016					
Loans (including contracted interests)	5,968,002	2,809,486	22,688,715	177,981	31,644,184
Short-term notes and bills payable	200,000	-	-	-	200,000
Payables (including related parties) (including non-current portion)	6,237,480	36,213	25,651	-	6,299,344
Deposit-in	4,390	-	-	-	4,390

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

Derivative financial instruments

	Less Than 1 Year	2-3 Years	4-5 Years	More than 5 Years	Total
December 31, 2017					
Flow-in	$-	$-	$-	$-	$-
Flow-out	(627)	-	-	-	(627)
Net	$(627)	$-	$-	$-	$(627)
December 31, 2016					
Flow-in	$5,071	$-	$-	$-	$5,071
Flow-out	(260)	-	-	-	(260)
Net	$4,811	$-	$-	$-	$4,811

The above tables about the disclosures of derivative financial instruments used the undiscounted net cash flow.

(6) Fair value of financial instruments

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

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

(a) The carrying amount of cash and cash equivalents, receivables, payables and other current liabilities approximate their fair value due to their short maturities.

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

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

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

(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. The carrying amount of the Company's financial instruments measured at amortized cost such as cash and cash equivalents, accounts receivables, accounts payable, long-term and short-term loans, short-term notes and bills payable approximate their fair value.

C. Fair value measurement hierarchy for financial instruments

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

(7) Derivative financial instruments

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

<u>Forward exchange contracts</u>

Forward foreign exchange contracts to manage exposure part partial transactions, but not designated as hedging instruments:

<u>December 31, 2017</u>

	Currency	Period	Amount (thousands)
Buying currency exchange forward	Buy USD Sell NTD	2017.09~2018.03	USD2,600
	Buy RMB Sell USD	2017.12~2018.01	RMB6,621
	Buy JPY Sell USD	2017.11~2018.02	JPY167,430

December 31, 2016

	Currency	Period	Amount (thousands)
Buying currency exchange forward	Buy USD Sell NTD	2016.11~2017.03	USD9,500
	Buy RMB Sell USD	2016.12~2017.01	RMB16,974
	Buy USD Sell JPY	2016.10~2017.01	JPY500

Exchange options

December 31, 2017

The following table refers to the related conditions with regard to the Company's unamortized exchange options on December 31, 2017.

Counterparty bank	Foreign exchange rate	Foreign exchange rate on the date of settlement FX	Term of settlement (USD in thousands)
A	USD/CNH	FX > 6.68	Executing price at 6.68 to sell USD 1,000
B	USD/JPY	FX < 110.60	Executing price at 110.60 to buy USD 1,000

As of December 31, 2017, foreign exchange options contracts that had settled amounted to USD77,200 thousand, EUR3,000 thousand, and the remaining unsettled contracts amounted to USD2,000 thousand, with a fair value of NTD(36) thousand (including royalties amounted to NTD175 thousand and unrealized gain amounted to NTD139 thousand), recognized as financial liabilities carried at fair value through profit or loss - current.

December 31, 2016

The following table refers to the related conditions with regard to the Company's unamortized exchange options on December 31, 2016.

Counterparty bank	Foreign exchange rate	Foreign exchange rate on the date of settlement FX	Term of settlement (USD in thousands)
A	USD/TWD	FX > 32.90	Executing price at 32.90 to sell USD1,000
B	USD/TWD	FX < 31.36	Executing price at 31.36 to buy USD1,000

As of December 31, 2016, foreign exchange options contracts that had settled amounted to USD150,000 thousand, EUR 500 thousand, and the remaining unsettled contracts amounted to USD2,000 thousand, with a fair value of NTD(260) thousand (including royalties amounted to NTD390 thousand and unrealized gain amounted to NTD130 thousand), recognized as financial liabilities carried at fair value through profit or loss - current.

The counterparties of the aforementioned derivative transactions are reputable financial institutions with good credit ratings, the credit risk is fairly low.

The forward foreign exchange contracts aim at hedging the exchange rate risk of net assets or net liabilities with cash inflows or outflows upon maturity. The company also has sufficient working capital so there's no significant cash flow risk.

(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 Company 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 Company's assets and liabilities

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

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

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss:				
Forward exchange contracts	$-	$-	$-	$-
Open-end funds	-	2,994	-	2,994
Available-for-sale financial assets:				
Stocks	248,688	-	152,275	400,963
Financial liabilities				
Financial liabilities at fair value through profit or loss:				
Foreign currency option	-	36	-	36
Forward exchange contracts	-	591	-	591

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss:				
Forward exchange contracts	$-	$5,071	$-	$5,071
Open-end funds	-	18,859	-	18,859
Available-for-sale financial assets:				
Stocks	259,049	-	135,208	394,257
Financial liabilities				
Financial liabilities at fair value through profit or loss:				
Forward exchange contracts	-	260	-	260

Transfers between Level 1 and Level 2 during the period

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

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

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

	Stocks
January 1, 2017	$135,208
Total income (loss) recognized, 2017:	
Recognized in other comprehensive income, 2017 (recognized under unrealized gain or loss on valuation of Available-for-sale financial assets)	17,067
December 31, 2017	$152,275
January 1, 2016	$130,065
Total income (loss) recognized, 2016:	
Recognized in other comprehensive income, 2016 (recognized under unrealized gain or loss on valuation of Available-for-sale financial assets)	5,143
December 31, 2016	$135,208

Information on significant unobservable inputs to valuation in Level 3

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

As at December 31, 2017

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Available-for-sale					
Stocks	Market approach	discount for lack of marketability	25%~30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	1% increase (decrease) in the discount for lack of marketability would result in increase (decrease) in the Company's equity by NTD1,523 thousand

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

As at December 31, 2016

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Available-for-sale					
Stocks	Market approach	discount for lack of marketability	25%~30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	1% increase (decrease) in the discount for lack of marketability would result in increase (decrease) in the Company's equity by NTD1,352 thousand

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

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

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

As at December 31, 2017

	Level 1	Level 2	Level 3	Total
Investments accounted for using the equity method (please refer to Note 6 (11))	$3,026,637	$-	$-	$3,026,637

As at December 31, 2016

	Level 1	Level 2	Level 3	Total
Investments accounted for using the equity method (please refer to Note 6 (11))	$2,378,616	$-	$-	$2,378,616

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

(9) Significant assets and liabilities denominated in foreign currencies

The exchange rates used to translate assets and liabilities denominated in foreign currencies are disclosed as follows:

Foreign currency-dollar, NTD-thousands

		As of December 31, 2017		
		Foreign currency	Exchange rate	NTD
Financial Assets - Monetary items				
	USD	$52,228,171	29.7600	$1,554,310
	JPY	660,376,800	0.26420	174,472
	EUR	878,275	35.5700	31,240
	RMB	539,664	4.55450	2,458
Non-Monetary items				
	USD	9,835,510	29.7600	292,705
	RMB	165,718,414	4.55450	754,764
	THB	492,517,515	0.91760	451,934
	JPY	2,421,667,298	0.26420	639,805
	SGD	4,304,247	22.2600	95,813
	MXN	101,031,135	1.51062	152,619
	VND	(171,574,641,667)	0.00131	(224,847)
Financial Liabilities - Monetary items				
	USD	62,659,872	29.7600	1,864,758
	JPY	919,773,126	0.26420	243,004
	EUR	1,455,924	35.5700	51,787
	RMB	2,476,238	4.55450	11,278

		As of December 31, 2016		
		Foreign currency	Exchange rate	NTD
Financial Assets - Monetary items				
	USD	$22,512,760	32.2500	$726,036
	JPY	224,255,614	0.27560	61,805
	EUR	281,727	33.9000	9,551
	RMB	1,346,984	4.64898	6,262
Non-Monetary items				
	USD	10,562,527	32.2500	340,642
	RMB	179,840,984	4.64898	836,078
	THB	472,079,084	0.9050	427,232
	JPY	2,273,292,089	0.27560	626,519
	SGD	4,762,600	22.29	106,158
	MXN	152,070,830	1.5571	236,785
	VND	(143,666,313,030)	0.00142	(204,006)
Financial Liabilities - Monetary items				
	USD	68,366,685	32.2500	2,204,826
	JPY	699,251,330	0.27560	192,714
	EUR	632,899	33.90000	21,455
	RMB	7,840,364	4.64898	36,450

The Company has various kinds of foreign currency transactions, and hence it's impractical to disclose the foreign exchange information of monetary financial assets and liabilities by each significant foreign currencies. For the years ended 2017 and 2016, the foreign currency exchange losses were NTD200,715 thousand and NTD40,058 thousand, respectively.

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

(10) Capital management

The primary objective of the Company'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 Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

(11) On December 7, 2015, the Supreme Court of the ROC revoked the judgment made by the Taiwan High Court on the Nature Worldwide Technology Co., case and remanded the case to the Taiwan High Court. On August 23, 2017, former Chairman Lin was sentenced to fixed-term imprisonment and penalties by Taiwan High Court. Former Chairman Lin appealed to the the Supreme Court of the ROC and the the Supreme Court of the ROC confirmed that all documents were successfully transferred.

According to the amended regulations regarding confiscation, the items to be confiscated shall be possessions owned by the ultimate beneficiary. However, former Chairman Lin did not have any actual gains and was not the ultimate beneficiary. The judgement seemed to be mistaken. Shang Chih Investment Co., Ltd. ("Shang Chih") discovered the fraudulent financial reporting after investing in Nature Worldwide Technology Co. The financial statements were modified and the fund from the fraudulent loan was nowhere to be found. Because of the loan fraud, Nature Worldwide Technology Co., was unable to pay back their bank loans. In consideration of the Group's credibility, the Company increased the capital of Nature Worldwide Technology Co., to pay back their bank loans. Former Chairman Lin never handled any of the payment and was not the final beneficiary.

As for guarantee responsibilities, the confiscation of guarantee expected gains is actually against the purpose of the legislation and related regulations of confiscation. Also, the calculation of illegal income did not follow the rule of logic and empirical rule. The original judgement was wrong in both acknowledgement of the facts and legal citations. Former Chairman Lin had appointed an attorney to appeal to the the Supreme Court of the ROC.

The Securities and Futures Investors Protection Center filed a legal action in connection with damages against former Chairman Lin to the Taiwan High Court. According to the syllabus of the Taiwan High Court’s judgment, former Chairman Lin shall pay the Company NTD1,900,000 thousand and related interests. The judgement was incorrect in both fact determination and legal citation. Former Chairman Lin had appointed an attorney to appeal to the Supreme Court of the ROC. The Supreme Court of the ROC revoked the judgment on December 11, 2017, and remanded the case to the Taiwan High Court. It is currently pending in the Taiwan High Court.

The Securities and Futures Investors Protection Center filed a chairman dismissal legal action against former Chairman Lin. The District Court and High Court have ruled that the basis of the legal action was invalid, and hence ruled in favor of the Company. However, the Supreme Court of the ROC revoked the judgment on July 10, 2017 and remanded the case to the Taiwan High Court. The Securities and Futures Investors Protection Center had withdrawn the civil action from the Taiwan High Court on February 21, 2018.

The Company's operations, finance and business were not affected by the above personal cases and will continue as usual.

13. Other disclosure

(1) Information at significant transactions:

A. Financing provided to others: refer to Attachment 1.

B. Endorsement/Guarantee provided to others: refer to Attachment 2.

C. Securities held: refer to Attachment 3.

D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NTD300 million or 20% of the capital stock: refer to Attachment 4.

E. Acquisition of real estate in the amount exceeding the lower of NTD300 million or 20% of capital stock: refer to Attachment 5.

F. Disposal of real estate up to the amount exceeding the lower of NTD300 million or 20% of capital stock: refer to Attachment 6.

G. Related party transactions for purchases and sales amounts exceeding the lower of NTD100 million or 20% of capital stock: refer to Attachment 7.

H. Receivables from related parties with amounts exceeding the lower of NTD100 million or 20% of capital stock: refer to Attachment 8.

I. Engaging in derivative transactions: refer to Note 6 and Note 12 in the parent company only financial statements.

J. Intercompany Relationships and Significant Intercompany Transactions: refer to Attachment 12.

(2) Information on investees:

A. Of the investee company directly or indirectly has significant influence or control over, their investee companies' information: refer to Attachment 10.

B. Of the investee company who directly or indirectly has control, the following information is disclosed:

(a) Financing provided to others: refer to Attachment 1.

(b) Endorsement/Guarantee provided to others: refer to Attachment 2.

(c) Securities held: refer to Attachment 3.

(d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NTD300 million or 20% of the capital stock: refer to Attachment 4.

(e) Acquisition of real estate in the amount exceeding the lower of NTD300 million or 20% of capital stock: refer to Attachment 5.

(f) Disposal of real estate up to the amount exceeding the lower of NTD300 million or 20% of capital stock: refer to Attachment 6.

(g) Related party transactions for purchases and sales amounts exceeding the lower of NTD100 million or 20% of capital stock: refer to Attachment 7.

(h) Receivables from related parties with amounts exceeding the lower of NTD100 million or 20% of capital stock: refer to Attachment 8.

(i) Engaging in derivative transactions: Attachment 9.

C. Information on investments in mainland China:

(a) The investee company name, main business, paid-in capital, investment, capital outflow, ownership, investment gains and losses, ending balance of investment, repatriation of investment income and have to go to the mainland investment limit scenario: refer to Attachment 11.

(b) With the investee companies directly or indirectly through a third country following the occurrence of significant transactions, prices, payment terms and unrealized gains and losses were as follows:

i. Ending balance and percentage, purchase amount and percentage of related payables: refer to Attachment 7.
ii. Sales amount and percentage of the balance and percentage of the related receivables: refer to Attachment 7.
iii. Gains and loss on the transaction amount of property: None.
iv. Endorsement guarantees or collateral ending balance and purpose: refer to Attachment 2.
v. The highest balance of financing, the total ending balance, and interest rate range and current total interest: refer to Attachment 1.
vi. Other transactions that have a significant impact on the profit or loss or financial position of the current period, such as the provision of services or received, etc.: None.