Tongtai Machine & Tool Co., Ltd. and Subsidiaries

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

Deloitte.

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INDEPENDENT AUDITORS' REPORT

Tongtai Machine & Tool Co., Ltd.

Opinion

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

In our opinion, based on our audits and the audit reports issued by other independent auditors (refer to Other Matter paragraph below), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2017 and 2016, and their consolidated financial performance and their consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the report of other independent 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 the consolidated financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the Company and its subsidiaries' consolidated financial statements for the year ended December 31, 2017 are stated as follows:

Revenue recognition

For machine and tool makers, the recognition of revenue from sale of machine is crucial. The point of transfer of risks and rewards of a sale of a machine or tool can vary depending on the agreement of the seller and the buyer who sometimes have different points of view with respect to the quality and condition of the machine or tool. The maker may have finished the machine according to agreed specifications but the testing and acceptance by the customer may take some time and affect the timing of revenue recognition. As a result, we deem revenue recognition as a key audit matters.

Refer to Note 4 (17) to the consolidated financial statements for the related accounting policies and disclosures on revenue recognition.

The key audit procedures we performed included the following:

1. We obtained an understanding of and we tested internal controls on the review and approval of sale contracts, production and installation of machine, modification of machine, and delivery to and acceptance by customer.

2. We test-verified the recorded revenue against the supporting documents including contracts, reports on completion of installation, and acceptance receipts signed by customer.

3. We obtained details of sales returns and allowances in the current and subsequent year, examined if there was any abnormal sales return and allowance for adjustment, and confirmed that recorded transactions were properly authorized.

Inventory valuation

Inventory is material to the Company and its subsidiaries. As of December 31, 2017, inventory amounted to NT$6,284,052 thousand, representing 35% of the Company and its subsidiaries' total assets. Also, inventory valuation involves critical accounting estimates. Therefore, we deem inventory valuation as a key audit matters. Refer to Notes 4 (8), 5 (2) and 10 to the consolidated financial statements for the related accounting policies and disclosures on inventory valuation.

The key audit procedures we performed included the following:

1. We participated in the physical count of inventory, and we observed the physical condition of inventory and checked against the records any identified obsolete and slow-moving inventory.

2. We obtained inventory aging report, tested the accuracy of inventory aging and evaluated compliance with the inventory accounting policies;

3. We obtained details of inventory and confirmed that inventory items were stated at the lower of cost or net realizable value. We test-checked the cost and market value of inventory against supporting documents .

Provision for warranty

Estimation of provision for warranty of sold machine is affected by warranty period, change of technology, and the scope of the product warranty as provided in the sales contract. Therefore, we deem provision for warranty as a key audit matter. Refer to Notes 4 (16) , 5 (3) and 22 to the consolidated financial statements for the related accounting policies and disclosures on provision for warranty.

The key audit procedures we performed included the following:

1. We obtained details of the actual costs incurred in the settlement of obligations under issued warranty on sold machine. We evaluated the reasonableness of the actual cost compared to the provision for warranty in the current period. We also compared the ratios of actual cost to provision in the current and past years.

2. We examined the details of the warranty cost for conformity with the provisions of the sales contract. Warranty is free of charge to the customer.

3. We checked whether some contracts do not have warranty which may result in the adjustment of provision ratio.

Other Matter

Certain investments in subsidiaries accounted for using the equity method were included in the consolidated financial statements as of December 31, 2017 and 2016 and for the years then ended based on financial statements audited by other independent auditors. The total of such investments amounted to NT$5,275,022 thousand and NT$5,345,151 thousand , representing 30% and 36% of the Company and its subsidiaries' total assets as of December 31, 2017 and 2016, and the total revenue from such subsidiaries amounted to NT$2,746,026 thousand and NT$4,009,400 thousand, representing 28% and 41% of the Company and its subsidiaries' total revenue for the years ended December 31, 2017 and 2016.

We have also audited the standalone financial statements of Tongtai Machine & Tool Co., Ltd. as of and for the years ended December 31, 2017 and 2016 on which we have issued an unmodified opinion.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Company and its subsidiaries' 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 and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Yu-Shiang Liu and Lee-Yuan Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 23, 2018

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

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

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail. As stated in Note 4 to the consolidated financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2017 Amount	%	December 31, 2016 Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 1,341,922	8	$ 1,247,629	8
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	1,149	-	83,367	1
Available-for-sale financial assets - current (Notes 4 and 8)	39,149	-	51,300	-
Notes receivable, net (Note 9)	525,918	3	334,689	2
Accounts receivable, net (Notes 4, 5 and 9)	3,878,484	22	3,582,340	24
Accounts receivable - related parties (Notes 4, 5, 9 and 34)	13,645	-	13,527	-
Other receivables (Note 34)	120,396	1	109,064	1
Current tax assets (Note 27)	14,906	-	15,455	-
Inventories (Notes 4, 5 and 10)	6,284,052	35	4,745,933	32
Prepayments (Note 11)	271,905	2	178,230	1
Other financial assets - current (Notes 14 and 35)	794,649	4	180,320	1
Other current assets	20,388	-	7,282	-
Total current assets	13,306,563	75	10,549,136	70
NONCURRENT ASSETS				
Available-for-sale financial assets - noncurrent (Notes 4 and 8)	159,349	1	156,042	1
Investments accounted for using equity method (Notes 4 and 13)	14,029	-	15,815	-
Property, plant and equipment (Notes 4, 15 and 35)	3,542,807	20	3,561,598	24
Investment properties (Notes 4 and 16)	261,739	2	275,917	2
Intangible assets (Notes 4 and 17)	84,750	1	93,984	1
Deferred tax assets (Note 27)	256,659	1	212,793	1
Refundable deposits	29,865	-	33,569	-
Long-term notes and accounts receivable (Notes 4 and 9)	18,676	-	11,077	-
Net defined benefit assets (Notes 4, 5 and 23)	1,308	-	1,571	-
Other financial assets - noncurrent (Notes 14 and 35)	54,271	-	35,939	-
Other noncurrent assets (Notes 9 and 18)	82,377	-	73,972	1
Total noncurrent assets	4,505,830	25	4,472,277	30
TOTAL	$ 17,812,393	100	$ 15,021,413	100

LIABILITIES AND EQUITY	December 31, 2017 Amount	%	December 31, 2016 Amount	%
CURRENT LIABILITIES				
Short-term borrowings (Notes 19 and 35)	$ 3,251,365	18	$ 2,504,971	17
Short-term bills payable (Note 19)	419,890	2	189,864	1
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	20,179	-	1,656	-
Notes payable (Note 20)	234,219	1	122,991	1
Accounts payable (Note 20)	2,469,519	14	1,668,296	11
Accounts payable - related parties (Notes 20 and 34)	129,956	1	79,672	-
Other payables (Notes 21 and 34)	854,771	5	686,095	5
Current tax liabilities (Note 27)	75,792	1	50,932	-
Provisions - current (Notes 4, 5 and 22)	117,235	1	37,901	-
Advance received	1,428,750	8	937,298	6
Current portion of long-term bank borrowings (Notes 19 and 35)	1,565,092	9	304,050	2
Other current liabilities	28,724	-	83,302	1
Total current liabilities	10,595,492	60	6,667,028	44
NONCURRENT LIABILITIES				
Long-term bank borrowings (Notes 19 and 35)	1,316,877	7	1,998,577	13
Provisions - noncurrent (Notes 4, 5 and 22)	5,393	-	55,991	-
Deferred tax liabilities (Note 27)	70,720	-	87,610	1
Net defined benefit liabilities (Notes 4, 5 and 23)	74,049	1	70,353	1
Guarantee deposits received	387	-	456	-
Other noncurrent liabilities	1,970	-	138	-
Total noncurrent liabilities	1,469,396	8	2,213,125	15
Total liabilities	12,064,888	68	8,880,153	59
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 24 and 29)				
Ordinary shares	2,548,265	14	2,548,265	17
Capital surplus	1,190,258	7	1,190,258	8
Retained earnings				
Legal reserve	694,026	4	688,260	4
Special reserve	89,749	-	137,857	1
Unappropriated earnings	543,397	3	881,234	6
Total retained earnings	1,327,172	7	1,707,351	11
Other equity	4,566	-	3,336	-
Total equity attributable to owners of the Corporation	5,070,261	28	5,449,210	36
NON-CONTROLLING INTERESTS	677,244	4	692,050	5
Total equity	5,747,505	32	6,141,260	41
TOTAL	$ 17,812,393	100	$ 15,021,413	100

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

(With Deloitte & Touche audit report dated March 23, 2018)

TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2017		2016	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4, 25 and 34)	$ 9,762,815	100	$ 9,768,086	100
OPERATING COSTS (Notes 10, 23, 26 and 34)	7,666,519	78	7,616,854	78
GROSS PROFIT	2,096,296	22	2,151,232	22
OPERATING EXPENSES (Notes 23, 26 and 34)				
Selling and marketing expenses	852,580	9	758,349	8
General and administrative expenses	873,894	9	897,331	9
Research and development expenses	420,296	4	362,775	4
Total operating expenses	2,146,770	22	2,018,455	21
PROFIT (LOSS) FROM OPERATIONS	(50,474)	-	132,777	1
NON-OPERATING INCOME AND EXPENSES (Notes 13,26 and 34)				
Other income	159,126	1	210,096	2
Other gains and losses	(225,384)	(2)	(164,517)	(2)
Finance costs	(84,482)	(1)	(64,417)	-
Share of the loss of associates	(1,786)	-	(3,305)	-
Total non-operating income and expenses	(152,526)	(2)	(22,143)	-
PROFIT (LOSS) BEFORE INCOME TAX	(203,000)	(2)	110,634	1
INCOME TAX EXPENSE (Notes 4 and 27)	29,433	-	44,774	-
NET PROFIT (LOSS) FOR THE YEAR	(232,433)	(2)	65,860	1
OTHER COMPREHENSIVE INCOME (Notes 23, 24 and 27)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	(6,536)	-	(8,100)	-
Income tax benefit relating to items that will not be reclassified subsequently to profit or loss	930	-	1,213	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	(2,172)	-	(126,934)	(1)

(Continued)

TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2017		2016	
	Amount	**%**	**Amount**	**%**
Unrealized gains on available-for-sale financial assets	$ 3,150	-	$ 15,006	-
Income tax benefit relating to items that may be reclassified subsequently to profit or loss	488	-	21,311	-
Other comprehensive loss for the year, net of income tax	(4,140)	-	(97,504)	(1)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	$ (236,573)	(2)	$ (31,644)	-
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Corporation	$ (237,404)	(2)	$ 57,659	1
Non-controlling interests	4,971	-	8,201	-
	$ (232,433)	(2)	$ 65,860	1
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Corporation	$ (241,344)	(2)	$ (38,607)	-
Non-controlling interests	4,771	-	6,963	-
	$ (236,573)	(2)	$ (31,644)	-
EARNINGS (LOSS) PER SHARE (Note 28)				
Basic	$ (0.93)		$ 0.23	
Diluted	$ (0.93)		$ 0.23	

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

(With Deloitte & Touche audit report dated March 23, 2018)

TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Corporation											
			Retained Earnings			Other Equity						
	Ordinary Shares	Capital surplus	Legal reserve	Special reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gains on Available-for-sale Financial Assets	Total	Treasury Shares	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2016	$ 2,560,265	$ 1,200,010	$ 661,137	$ 137,857	$ 1,085,849	$ 42,784	$ 50,345	$ 93,129	$ (28,999)	$ 5,709,248	$ 703,168	$ 6,412,416
Appropriation of 2015 earnings (Note 24)												
Legal reserve	-	-	27,123	-	(27,123)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(203,861)	-	-	-	-	(203,861)	-	(203,861)
	-	-	27,123	-	(230,984)	-	-	-	-	(203,861)	-	(203,861)
Net profit for the year ended December 31, 2016	-	-	-	-	57,659	-	-	-	-	57,659	8,201	65,860
Other comprehensive income for the year ended December 31, 2016, net of income tax	-	-	-	-	(6,473)	(104,556)	14,763	(89,793)	-	(96,266)	(1,238)	(97,504)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	51,186	(104,556)	14,763	(89,793)	-	(38,607)	6,963	(31,644)
Treasury stock retired (Note 24)	(12,000)	(9,752)	-	-	(7,247)	-	-	-	28,999	-	-	-
Changes in percentage of ownership interests in subsidiaries (Note 29)	-	-	-	-	(17,570)	-	-	-	-	(17,570)	-	(17,570)
Adjustment of non-controlling interests (Note 24)	-	-	-	-	-	-	-	-	-	-	(18,081)	(18,081)
BALANCE AT DECEMBER 31, 2016	2,548,265	1,190,258	688,260	137,857	881,234	(61,772)	65,108	3,336	-	5,449,210	692,050	6,141,260
Appropriation of 2016 earnings (Note 24)												
Special reserve reversed	-	-	-	(48,108)	48,108	-	-	-	-	-	-	-
Legal reserve	-	-	5,766	-	(5,766)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(127,413)	-	-	-	-	(127,413)	-	(127,413)
	-	-	5,766	(48,108)	(85,071)	-	-	-	-	(127,413)	-	(127,413)
Net profit (loss) for the year ended December 31, 2017	-	-	-	-	(237,404)	-	-	-	-	(237,404)	4,971	(232,433)
Other comprehensive income for the year ended December 31, 2017, net of income tax	-	-	-	-	(5,170)	(1,995)	3,225	1,230	-	(3,940)	(200)	(4,140)
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	(242,574)	(1,995)	3,225	1,230	-	(241,344)	4,771	(236,573)
Changes in percentage of ownership interests in subsidiaries (Note 29)	-	-	-	-	(10,192)	-	-	-	-	(10,192)	-	(10,192)
Adjustment of non-controlling interests (Note 24)	-	-	-	-	-	-	-	-	-	-	(19,577)	(19,577)
BALANCE AT DECEMBER 31, 2017	$ 2,548,265	$ 1,190,258	$ 694,026	$ 89,749	$ 543,397	$ (63,767)	$ 68,333	$ 4,566	$ -	$ 5,070,261	$ 677,244	$ 5,747,505

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

(With Deloitte & Touche audit report dated March 23, 2018)

TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) before income tax	$ (203,000)	$ 110,634
Adjustments for:		
Depreciation expense	231,967	246,766
Amortization expense	53,890	102,829
Impairment loss recognized on accounts receivable (reversal of impairment)	53,382	(44,354)
Net loss on financial assets and liabilities at fair value through profit or loss	64,262	33,297
Finance costs	84,482	64,417
Interest income	(17,317)	(10,676)
Dividend income	(6,987)	(4,219)
Share of the loss of associates	1,786	3,305
Loss on disposal of property, plant and equipment	407	1,443
Loss on disposal of investment property	-	11,172
Gain on disposal of investments	(1,357)	(1,691)
Impairment loss recognized on nonfinancial assets	110,786	169,957
Recognition of provisions	107,851	78,342
Others	2,354	3,521
Changes in operating assets and liabilities		
Financial instruments held for trading	36,479	(76,223)
Notes receivable and long-term notes and accounts receivable	(197,406)	11,661
Accounts receivable	(349,492)	(258,979)
Accounts receivable - related parties	(118)	(2,453)
Other receivables	(7,119)	49,385
Inventories	(1,621,234)	(38,812)
Prepayments	(95,978)	(23,067)
Other current assets	(13,106)	(3,164)
Notes payable	111,228	18,609
Accounts payable	801,223	359,772
Accounts payable - related parties	50,284	16,497
Other payables	166,566	(76,324)
Advance received	491,452	(39,075)
Provisions	(80,886)	(66,485)
Other current liabilities	(54,578)	7,986
Net defined benefit liabilities	(2,577)	(91,801)
Other noncurrent liabilities	1,832	(289)
Cash generated from (used in) operations	(280,924)	551,981
Interest received	12,237	10,867
Dividend received	6,925	4,131
Interest paid	(88,970)	(69,126)
Income taxes paid	(61,368)	(131,380)
Net cash generated from (used in) operating activities	(412,100)	366,473

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TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	$ (76,949)	$ (167,316)
Proceeds from disposal of available-for-sale financial assets	89,133	100,610
Proceeds from the capital reduction on available-for-sale financial assets	-	2,702
Acquisition of investments accounted for using equity method	-	(1,000)
Net cash outflow on acquisition of subsidiaries	-	(58,460)
Disposal of subsidiaries	233	-
Acquisition of property, plant and equipment	(275,483)	(717,543)
Proceeds from disposal of property, plant and equipment	44,639	4,682
Decrease (increase) in refundable deposits	3,704	(1,744)
Acquisition of intangible assets	(27,845)	(46,962)
Acquisition of investment properties	-	(109,528)
Proceeds from disposal investment properties	-	117,151
Increase in other financial assets	(632,661)	(3,037)
Increase in other noncurrent assets	(8,177)	(41,351)
Net cash used in investing activities	(883,406)	(921,796)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	3,287,786	3,587,554
Repayments of short-term borrowings	(2,541,392)	(2,999,719)
Increase (decrease) in short-term bills payable	230,026	(154,814)
Proceeds from long-term bank borrowings	1,083,525	1,001,791
Repayments of long-term bank borrowings	(504,183)	(441,305)
Refund of guarantee deposits received	(69)	(44)
Dividends paid	(127,413)	(203,861)
Decrease in non-controlling interests	(22,659)	(39,250)
Net cash generated from financing activities	1,405,621	750,352
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	(15,822)	(235,367)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	94,293	(40,338)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,247,629	1,287,967
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 1,341,922	$ 1,247,629

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

(With Deloitte & Touche audit report dated March 23, 2018)

1. GENERAL INFORMATION

Tongtai Machine & Tool Co., Ltd. (the Company) was incorporated in January 1969. It mainly manufactures and sells machine tools and computer components, and manufactures and sells computer numerical control lathes and cutting centers.

The Company's shares have been listed on the Taiwan Stock Exchange since September 15, 2003.

The consolidated financial statements are presented in the Company's functional currency, New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors and authorized for issue on March 23, 2018.

3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

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

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

<u>Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers</u>

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

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

The retrospective application of the amendments on January 1, 2017 enhanced the disclosures of related party transactions. Refer to Note 34 for the related disclosures.

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

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

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

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

1) IFRS 9 "Financial Instruments" and related amendments

Classification, measurement and impairment of financial assets

With regard to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value.

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

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

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

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

The Company and its subsidiaries analyzed the facts and circumstances of their financial assets that exist at December 31, 2017 and assessed the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9:

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

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

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

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

The Company and its subsidiaries have performed an assessment that it will apply the simplified approach to recognize full-lifetime expected credit losses for trade receivables, contract assets and lease receivables. In general, the Company and its subsidiaries anticipate that the application of the expected credit losses model of IFRS 9 will result in an earlier recognition of credit losses for financial assets.

The Company and its subsidiaries have elected not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9, but will recognize the cumulative effect of the initial application at the date of initial application and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9.

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

Impact on assets and equity	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
Available-for-sale financial assets - current	$ 39,149	$ (39,149)	$ -
Financial assets at fair value through other comprehensive income - current	-	39,149	39,149
Available-for-sale financial assets - noncurrent	159,349	(159,349)	-
Financial assets at fair value through other comprehensive income - noncurrent	-	159,349	159,349
Deferred tax assets	256,659	(6,701)	249,958
Total effect on assets	$ 455,157	$ (6,701)	$ 448,456
Retained earnings	$ 543,397	$ 32,905	$ 576,302
Unrealized gains on available-for-sale financial assets	68,333	(68,333)	-
Unrealized gains on financial assets at fair value through other comprehensive income	-	28,727	28,727
Total effect on equity	$ 611,730	$ (6,701)	$ 605,029

2) IFRS 15 "Revenue from Contracts with Customers" and related amendments

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

When applying IFRS 15, the Company and its subsidiaries will recognize revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when the Company and its subsidiaries satisfied a performance obligation.

In identifying performance obligations, IFRS 15 and the related amendments require that a good or service is distinct if it is capable of being distinct (for example, the Company and its subsidiaries regularly sells it separately) and the promise to transfer it is distinct within the context of the contract (i.e. the nature of the promise in the contract is to transfer each good or service individually rather than to transfer a combined output).

The Company and its subsidiaries have elected to retrospectively apply IFRS 15 to contracts that are not complete on January 1, 2018 and recognize the cumulative effect of the change in retained earnings on January 1, 2018.

In addition, the Company and its subsidiaries will disclose the difference between the amount that results from applying IFRS 15 and the amount that results from applying current standards for 2018.

	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
Advance received	$ 1,428,750	$ (1,428,382)	$ 368
Contract liabilities - current	-	1,428,382	1,428,382
Total effect on liabilities	$ 1,428,750	$ -	$ 1,428,750

Except for the above impact, as of the date the consolidated financial statements were authorized by the Company's board of directors for issue, the Company and its subsidiaries assessed that application of other standards and interpretations would not have material impact on the financial position and results of operations.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 16 "Leases"	January 1, 2019 (Note 3)
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 4)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019

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

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

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

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

1) IFRS 16 "Leases"

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

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

The application of IFRS 16 is not expected to have a material impact on the accounting of the Company and its subsidiaries as lessor.

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

2) IFRIC 23 "Uncertainty Over Income Tax Treatments"

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

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

Except for the above impacts, as of the date the consolidated financial statements were authorized by the Company's board of directors for issue, the Company and its subsidiaries are continuously assessing the possible impact that the application of other standards and interpretations will have on the Company and its subsidiaries' financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For readers' convenience, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If inconsistencies arise between the English version and the Chinese version or if differences arise in the interpretations between the two versions, the Chinese version of the consolidated financial statements shall prevail. However, the accompanying consolidated financial statements do not include English translation of the additional footnote disclosures that are not required under generally accepted accounting principles but are required by the Securities and Futures Bureau for their oversight purposes.

a. Statement of compliance

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

b. Basis of preparation

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

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

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

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

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

c. Classification of current and noncurrent assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

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

3) Cash and cash equivalents unless the asset is restricted from being used for an exchange or is for use to settle a liability in more than twelve months after the balance sheet date.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities expected to be settled within twelve months after the balance sheet date; and

3) Liabilities without an unconditional right to defer settlement for at least twelve months after the balance sheet date.

Assets and liabilities that are not classified as current are classified as noncurrent.

d. Basis of consolidation

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

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

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

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

See Note 12 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Business combinations

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

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred and the fair value of the acquirer's previously held interests in the acquired entity, the excess is recognized immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Company and its subsidiaries in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. The measurement period does not exceed one year from the acquisition date.

If the initial accounting for a business combination is incomplete by the end of the balance sheet date in which the combination occurs, the Company and its subsidiaries report provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

f. Foreign currencies

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

At balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the year in which they arise.

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

Non-monetary items that are measured at historical cost in a foreign currency are stated at the historical translated amount.

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

Goodwill and fair value adjustments on identifiable assets and liabilities recognized on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of balance sheet date. Exchange differences arising are recognized in other comprehensive income.

g. Factoring of accounts receivable

The following conditions must be met to recognize factoring of accounts receivable:

1) The transferred assets have been isolated from the Company and its subsidiaries - put presumptively beyond the reach of the transferor and its creditors.

2) Each transferee has the right to pledge or exchange the assets it received, and no condition both constrains the transferee from taking advantage of its right to pledge or exchange and provides more than a trivial benefit to the Company and its subsidiaries.

3) The Company and its subsidiaries do not maintain effective control over the transferred asset through either (1) an agreement that both entitles and obligates the transferor to repurchase or redeem them before their maturity or (2) the ability to unilaterally cause the holder to return specific assets.

The difference between the book value of accounts receivable and total proceeds received is recorded as a gain or loss on the disposal of financial assets.

h. Inventories

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

i. Investments in associates

An associate is an entity over which the Company and its subsidiaries have significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Company and its subsidiaries use the equity method to account for their investments in associates. Under the equity method, investments in an associate is initially recognized at cost and adjusted thereafter to recognize the Company and its subsidiaries' share of the profit or loss and other comprehensive income of the associate. The Company and its subsidiaries also recognizes the changes in the Company and its subsidiaries' share of the equity of associates.

Any excess of the cost of acquisition over the Company and its subsidiaries' share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included in the carrying amount of the investment and is not amortized.

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

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

Investment in associate is tested for impairment by treating the entire carrying amount of the investment (including goodwill) as a single asset and then compare that carrying amount with the estimated recoverable amount. Any impairment loss recognized is deducted from investment and the carrying amount of the investment is net of impairment loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment has subsequently increased.

Gains and losses resulting from upstream, downstream and sidestream transactions between and among the Company and its subsidiaries and its associates are recognized in the consolidated financial statements only to the extent of interests in the associate of entities that are not related to the Company and its subsidiaries.

j. Property, plant and equipment

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

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

Freehold land is not depreciated.

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

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

k. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation. Depreciation is recognized using the straight-line method.

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

l. Goodwill

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

For the purposes of impairment testing, goodwill is allocated to the Company and its subsidiaries' cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that are expected to benefit from the synergies of the combination.

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

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

m. Intangible assets

1) Intangible assets acquired separately

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

2) Internally-generated intangible assets - research and development expenditures

Expenditure on research activities is recognized as expense in the period in which it is incurred.

An internal research and development project that has reached its development phase may be recognized as an internally-generated intangible asset if, and only if, all of the following have been demonstrated:

a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;

b) The intention to complete the intangible asset and use or sell it;

c) The ability to use or sell the intangible asset;

d) How the intangible asset will generate probable future economic benefits;

e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

f) The ability to measure reliably the expenditures attributable to the intangible asset during its development.

The amount initially recognized as cost of internally-generated intangible asset is the total expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Subsequent to initial recognition, it is measured on the same basis as intangible asset acquired separately.

3) Intangible assets acquired in a business combination

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

4) Derecognition of intangible assets

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

n. Impairment of tangible and intangible assets other than goodwill

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

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

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

o. Financial instruments

Financial assets and financial liabilities are recognized when the Company and its subsidiaries become a party to the contractual provisions of the instruments.

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

1) Financial assets

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

a) Measurement categories

Financial assets held by the Company and its subsidiaries include financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

i. Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when such financial assets are held for trading. Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest earned on the financial asset.

ii. Available-for-sale financial assets

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

Available-for-sale financial assets are measured at fair value. Dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and reclassified in profit or loss when the investments are disposed of or are determined to be impaired. Dividends on available-for-sale equity instruments are recognized in profit or loss when the Company and its subsidiaries' right to receive the dividends is established.

iii. Loans and receivables

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

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

b) Impairment of financial assets

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

Financial assets carried at amortized cost, such as accounts receivable, are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company and its subsidiaries' past experience with customers not making payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

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

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

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

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

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

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets, except accounts receivable, where the carrying amount is reduced through the use of an allowance account.

c) Derecognition of financial assets

The Company and its subsidiaries derecognize a financial asset only when the contractual rights to the cash flows from the asset expire or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another party.

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

2) Equity instruments

Equity instruments issued by the Company and its subsidiaries are recognized at the proceeds received, net of direct issue costs.

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

3) Financial liabilities

a) Subsequent measurement

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

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

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

The Company and its subsidiaries enter into a variety of derivative financial instruments to manage their exposure to interest rate and foreign exchange rate risks, including cross-currency swap contracts, swap contracts and foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each balance sheet date. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

p. Provisions

Provisions are measured at the best estimate of the cash flows required to settle the present obligation at the end of the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Provisions for the expected cost of warranty obligations are recognized at the date of sale of the relevant products at the Company and its subsidiaries' best estimate of the expenditure required to settle the obligations.

q. Revenue recognition

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

1) Sale of goods

Revenue from the sale of goods is recognized when the conditions of sales contract are satisfied. Revenue from export sales is recognized according to the trade conditions or the date of completion of installation of machine. Revenue from domestic sales is recognized when the installation of a machine is completed.

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

2) Rendering of services and rental income

Maintenance revenue is recognized when services are provided. Commission revenue is recognized at the rates provided in the contracts after the delivery of the goods. Rental revenue is recognized monthly in accordance with the lease contract.

3) Dividend and interest income

Dividend income from investments is recognized when a shareholder's right to receive payment has been established.

Interest income from a financial asset is accrued on a time basis by reference to the principal outstanding and applicable effective interest rate.

r. Leasing

The Company and its subsidiaries are both lessors and lessees of operating leases. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Operating lease payments are recognized as expenses on a straight-line basis over the lease term. Contingent rentals are recognized as income or expenses in the year in which the contingency is removed.

s. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

t. Taxation

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

1) Current tax

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized on all taxable temporary differences. Deferred tax assets are generally recognized on all deductible temporary differences, unused loss carry forward and research and development expenditure to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. The effect of a change in an accounting estimate is recognized prospectively by including it in profit or loss in the year of the change, if the change affects that period only, or in the year of the change and future periods, if the change affects both.

a. Estimated impairment of accounts receivable

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

b. Valuation of inventory

Inventories are stated at the lower of cost or net realizable value, and the Company and its subsidiaries use judgment and estimate to determine the net realizable value of inventory at the end of the reporting period. Since the net realizable value of inventory is mainly determined on the basis of future selling price, it might be adjusted significantly.

c. Estimation of provisions

Provisions are measured using the cash flows estimated settle the present obligation. Change in future cash flows more than expected will affect and may have a material impact on the amount of provisions.

d. Recognition of defined benefit plans

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2017	**2016**
Cash on hand	$ 3,577	$ 4,262
Checking accounts and demand deposits	1,316,141	1,236,267
Cash equivalents		
Time deposits with original maturities less than three months	7,100	7,100
Bonds with repurchase agreements	15,104	-
	$ 1,341,922	$ 1,247,629

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31 2017	December 31 2016
Financial assets held for trading		
Non-derivative financial assets		
Mutual funds	$ -	$ 75,430
Derivative financial assets		
Cross-currency swap contracts	985	1,041
Swap contracts	164	6,896
	$ 1,149	$ 83,367
Financial liabilities held for trading		
Derivative financial liabilities		
Swap contracts	$ 10,671	$ 1,656
Cross-currency swap contracts	9,483	-
Foreign exchange forward contracts	25	-
	$ 20,179	$ 1,656

a. At the balance sheet date, outstanding cross-currency swap contracts not accounted for by hedge accounting were as follows:

Notional Amounts (In Thousands)	Maturity Date	Range of interest Rates Paid	Range of Interest Rates Received
December 31, 2017			
USD2,000/NTD63,150	2018.01.18	0.85	USD Libor 1M+ 0.75
USD2,000/NTD61,600	2018.03.01	0.85	USD Libor 1M+ 0.75
USD2,000/NTD60,200	2018.05.07	0.65	USD Libor 3M+ 0.5
USD2,000/NTD60,600	2018.04.19	0.67	USD Libor 1M+ 0.75
USD2,000/NTD60,800	2018.04.24	0.65	USD Libor 3M+ 0.50
USD2,000/NTD60,400	2018.08.03	0.65	USD Libor 1M+ 0.75
USD2,000/NTD60,162	2018.02.12	0.69	2.52
CNY7,000/NTD31,430	2018.02.12	-	3.1
December 31, 2016			
USD2,000/NTD64,100	2017.01.18	0.88	USD Libor 1M+0.75
USD2,000/NTD63,600	2017.10.19	0.88	USD Libor 1M+0.46

b. At the balance sheet date, outstanding swap contracts and foreign exchange forward contracts not accounted for by hedge accounting were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
December 31, 2017			
Swap	USD/NTD	2018.01-2018.12	USD29,800/NTD885,568
Swap	CNY/NTD	2018.03	CNY5,000/NTD22,585

(Continued)

	Currency	Maturity Date	Contract Amount (In Thousands)
Foreign exchange forward	USD/MRY	2018.03	USD100/MRY418
December 31, 2016			
Swap	USD/NTD	2017.03.09-2017.12.27	USD21,500/NTD680,793

(Concluded)

The Company and its subsidiaries entered into cross-currency swap contracts, swap contracts and foreign exchange forward contracts to manage exposures to exchange rate and interest rate fluctuations of foreign currency denominated assets and liabilities. For the years ended December 31, 2017 and 2016, the Company and its subsidiaries recognized loss on cross-currency swap contracts, swap contracts and foreign exchange forward contracts not accounted for by hedge accounting in the amounts of NT$64,143 thousand and NT$32,771 thousand, respectively, which were included in loss on financial instruments at fair value through profit or loss (refer to Note 26).

For the years ended December 31, 2017 and 2016, the Company entered into mutual funds and recognized loss of NT$119 thousand and NT$526 thousand, respectively, included in loss on financial instruments at fair value through profit or loss (refer to Note 26).

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2017	2016
Current		
Foreign investments		
RMB floating rate financial products	$ 39,149	$ 51,300
Noncurrent		
Domestic investments		
Listed shares	$ 109,929	$ 112,327
Unlisted shares	49,420	43,715
	$ 159,349	$ 156,042

9. NOTES AND ACCOUNTS RECEIVABLE, LONG-TERM NOTES AND ACCOUNTS RECEIVABLE, AND OVERDUE RECEIVABLE, NET

	December 31	
	2017	2016
Notes receivable		
Operating	$ 532,146	$ 334,684
Non-operating	-	5
	532,146	334,689
Less: Unrealized interest revenue	6,228	-
	$ 525,918	$ 334,689

(Continued)

	December 31	
	2017	2016
Accounts receivable	$ 4,126,535	$ 3,767,526
Less: Allowance for doubtful accounts	248,051	185,186
	$ 3,878,484	$ 3,582,340
Accounts receivable - related parties	$ 13,645	$ 13,527
Long-term notes and accounts receivable		
Operating	$ 24,166	$ 17,632
Less : Allowance for doubtful accounts	5,490	6,555
	$ 18,676	$ 11,077
Overdue receivable (included in other noncurrent assets)		
Operating	$ 72,348	$ 83,804
Less : Allowance for doubtful accounts	72,348	83,804
	$ -	$ -

(Concluded)

a. Accounts receivable

The credit period of the Company and its subsidiaries' receivables depends on customer classification and product category. Allowance for doubtful accounts is provided based on the estimated irrecoverable amounts determined by reference to historical experience, past default experience of the counterparties and an analysis of their current financial position.

Refer to Note 33 for the Company and its subsidiaries' concentration of credit risk related to the significant clients as of December 31, 2017 and 2016.

As of December 31, 2017 and 2016, accounts receivable of NT$0 and NT$69,118 thousand, respectively, were past due but not impaired (refer to the aging of accounts receivable below) because there was no significant change in credit quality and the amounts were still considered recoverable. The Company and its subsidiaries did not hold any collateral or other credit enhancements for these balances.

The aging of accounts receivable for 2017 based on the past due days from the end of credit term was as follows:

	December 31, 2017
Not past due	$ 3,681,326
Less than 90 days	455,499
91-180 days	191,100
181-270 days	116,982
271-365 days	58,251
366-720 days	140,500
More than 720 days	125,182
	$ 4,768,840

The aging of accounts receivable for 2016 based on the past due days from the invoice date was as follows:

	December 31, 2016
Less than 60 days	$ 1,758,643
61 to 180 days	918,537
181-360 days	721,434
More than 361 days	818,564
	$ 4,217,178

The aging of accounts receivable that were past due but not impaired for 2016 (no past due but not impaired for 2017) was as follows:

	December 31, 2016
Less than 270 days	$ 39,371
271-330 days	299
331-360 days	29,448
	$ 69,118

Movements in the allowance for doubtful accounts recognized on notes and accounts receivable, long-term notes and accounts receivable and overdue receivable were as follows:

	For the Year Ended December 31	
	2017	2016
Balance, beginning of year	$ 275,545	$ 351,720
Recognition (reversal)	53,382	(44,354)
Write off	(2,512)	(28,425)
Effect of foreign currency exchange difference	(526)	(3,396)
Balance, end of year	$ 325,889	$ 275,545

b. Factored accounts receivable of the Company and its subsidiaries were as follows:

Counterparty	Advances Received at Beginning of Year	Receivables Sold	Amounts Collected by Bank	Advances Received at End of Year	Interest Rate on Advances Received (%)	Credit Line
For the Year Ended December 31, 2016						
Wells Fargo	$ 102,782	$ -	$ 102,782	$ -	0.83-1.17	-

The above credit lines may be used on a revolving basis.

The Company and its subsidiaries had issued promissory notes to bank as collaterals for factored accounts receivable. Pursuant to the factoring agreements, loss due to commercial disputes will be borne by the Company and its subsidiaries and loss due to credit risk will be borne by the bank.

10. INVENTORIES

	December 31	
	2017	2016
Raw materials	$ 2,118,879	$ 1,302,119
Supplies	115,900	14,571
Work in progress	2,831,719	2,605,367
Finished goods	876,414	659,610
Merchandise	75,104	109,705
Inventory in transit	266,036	54,561
	$ 6,284,052	$ 4,745,933

The cost of inventories recognized as operating costs for the years ended December 31, 2017 and 2016 was NT$7,174,527 thousand and NT$7,115,681 thousand, respectively.

	For the Year Ended December 31	
	2017	2016
Write-downs of inventories	$ 65,894	$ 99,909
Loss on idle capacity	15,650	70,048

11. PREPAYMENT

	December 31	
	2017	2016
Prepayment for purchase	$ 105,036	$ 86,702
Excess VAT Paid	38,228	13,563
Input Tax	33,547	245
Prepayment for import and export costs	19,375	21,805
Other prepaid expenses	75,719	55,915
	$ 271,905	$ 178,230

12. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

			Proportion of Ownership		
Investor	Investee	Nature of Activities	December 31, 2017	December 31, 2016	Remark
Tongtai Machine & Tool Co., Ltd.	Union Top Industrial (Samoa) Limited (Union Top)	General investment	100	100	
	Honor Seiki Co., Ltd. (Honor Seiki)	Sales and manufacturing of equipment	51	51	
	Quick-Tech Machinery Co., Ltd. (Quick-Tech)	Sales and manufacturing of equipment	52	52	
	Chin-Jig Technology Co., Ltd. (Chin-Jig)	Sales of mold and equipment	70	70	
	Tongfong Auto Tech Co., Ltd.	Sales of electric automation equipment	99	99	
	Asia Pacific Elite Corp. (APEC)	Sales and manufacturing of equipment	99	99	

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership December 31, 2017	December 31, 2016	Remark
	Tongtai Europe B.V.(TTE)	Sales of merchandise	100	100	
	Tong-Yeh Precision Co., Ltd. (Tong-Yeh)	Manufacturing and processing of metal part	63	65	Note 1
	Tong-Tai Seiki USA, Inc. (TSU)	Sales of equipment	100	100	
	Tongtai Machine Tool (MFG) Sdn. Bhd. (TMM)	Sales and manufacturing of equipment	100	100	
	Tong Tai Machinery Co., Ltd. (TTM)	Sales of customized machine	49	49	Note 2
	Tongtai Seiki Vietnam Co., Ltd. (TTVN)	Sales of customized machine	100	100	
	Tongtai Machine Tool (SEA) Sdn. Bhd. (TTS)	Sales of customized machine	52	52	
	Tongtai Machine & Tool Japan Co., Ltd. (TTJP)	Sales and manufacturing of equipment	100	100	
	Eastai Technology (M) Sdn. Bhd. (ETM)	Sales of customized machine	-	80	Note 3
	Process Conception Ingenierie-Societe de Construction D'equipments, De Mecanisations Et De Machines (PCI)	Sales and maintenance of machine tools	100	100	
	Tongan GmbH (Tongan)	General investment	100	100	
Union Top	Suzhou Tongyu Machine Tool Co., Ltd.	Manufacturing of digital control machine and system	100	100	
	Shanghai Tong-Tai-Shin Trading Co., Ltd.	International trade	100	100	
	Tong-Yu Machine Tool (Shanghai) Co., Ltd.	Sales and maintenance of machine tools	100	100	
	Great Pursuit Limited	General investment	55	55	
Great Pursuit Limited	Hao-Tern-Shin Electronics (Shenzhen) Co., Ltd.	Sales and manufacturing of printed circuit board	100	100	
Honor Seiki	Honor Seiki International Co., Ltd. (HSI)	Sales of machine tools	100	100	
	Honor Seiki USA Corporation (HSU)	Sales of machine tools	100	100	
Chin-Jig	Time Trade International Limited (Time Trade)	General investment	100	100	
Time Trade	Chin-Jig Precision Machine (Shanghai) Co., Ltd. (Shanghai Chin-Jig)	Sales and manufacturing of mold and equipment	100	100	
TTE	Topper East Europe S.R.L. (TEE)	Sales of merchandise	100	100	
Tongan	Mbi-group Beteiligung GmbH (MBI)	General investment	99.95	99.90	Note 4
MBI	HPC Producktions GmbH (HPC)	Sales, manufacturing and maintenance of machine tools	100	100	
	Anger Machining GmbH (Anger)	Sales, manufacturing and maintenance of machine tools	100	100	
Anger	Anger Machining Inc. (Anger - US)	Sales and maintenance of machine tools	100	100	
	Anger Service Deutschland GmbH (Anger - DE)	Sales and maintenance of machine tools	100	100	
	Anger Machining Japan K.K. (Anger - JP)	Sales and maintenance of machine tools	100	100	
TTJP	SKTD Co., Ltd. (SKTD)	Design and development of machine tools Co., Ltd.	98.73	99.87	Note 5

(Concluded)

Note 1: In August 2017, the Company subscribed for additional new shares at a percentage different from its existing ownership percentage. (Refer to Note 29)

Note 2: The Company has practical control over TTM's financial and operational decisions; therefore, TTM was included in the consolidated entities.

Note 3: In November 2017, the Company disposed of its investments in ETM and received the refund of NT$233 thousand.

Note 4: In December 2017, the Company acquired 0.05% of MBI's shares from non-controlling interest. (Refer to Note 29)

Note 5: In September 2017, the subsidiary TTJP disposed of its 1.14% share in the subsidiary SKTD. (Refer to Note 29)

b. Details of subsidiaries that have material non-controlling interests

	Percentage of Ownership and Voting Rights of Non-controlling Interests	
	December 31	
Name of subsidiary	**2017**	**2016**
Honor Seiki	49%	49%

	Profit Allocated to Non-controlling Interests For the Year Ended December 31		Accumulated, Non-controlling Interests December 31	
Name of subsidiary	**2017**	**2016**	**2017**	**2016**
Honor Seiki	$ 5,599	$ 52,277	$ 521,717	$ 533,699

Honor Seiki's financial information below represents amounts before intragroup eliminations.

	December 31	
	2017	**2016**
Current assets	$ 2,050,361	$ 1,659,655
Noncurrent assets	439,853	452,016
Current liabilities	(1,287,252)	(858,518)
Noncurrent liabilities	(132,401)	(158,005)
Equity	$ 1,070,561	$ 1,095,148
Equity attributable to		
Owner of Honor Seiki	$ 548,844	$ 561,449
Non-controlling interests of Honor Seiki	521,717	533,699
	$ 1,070,561	$ 1,095,148

	For the Year Ended December 31	
	2017	**2016**
Revenue	$ 1,154,943	$ 1,197,262
Profit for the year	$ 11,492	$ 107,272
Other comprehensive income for the year	(474)	(579)
Total comprehensive income for the year	$ 11,018	$ 106,693

(Continued)

	For the Year Ended December 31	
	2017	2016
Profit attributable to		
Owners of Honor Seiki	$ 5,893	$ 54,995
Non-controlling interests of Honor Seiki	5,599	52,277
	$ 11,492	$ 107,272
Total comprehensive income attributable to		
Owners of Honor Seiki	$ 5,649	$ 54,698
Non-controlling interests of Honor Seiki	5,369	51,995
	$ 11,018	$ 106,693
Net cash inflow / (outflow) from		
Operating activities	$ 277,018	$ 50,633
Investing activities	(431,814)	(34,582)
Financing activities	248,914	(46,600)
Effect of exchange rate	(238)	(144)
Net cash inflow / (outflow)	$ 93,880	$ (30,693)

(Concluded)

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2017	2016
Associates that are not individually material		
Cyber Laser Inc.	$ 13,026	$ 15,372
Solid CAM Taiwan Co., Ltd.	1,003	443
	$ 14,029	$ 15,815

	For the Year Ended December 31	
	2017	2016
The Company and its subsidiaries' share of		
Net loss for the year	$ (1,786)	$ (3,305)
Other comprehensive income	-	-
Total comprehensive income	$ (1,786)	$ (3,305)

The Company held 33% ownership of Cyber Laser Inc. It mainly manufactures equipment, electric wedge and optical instruments.

In June 2016, the subsidiary Quick-Tech invested in Solid CAM Taiwan Co., Ltd. NT$1,000 thousand and held 40% ownership. Solid CAM Taiwan Co., Ltd. mainly provides software service.

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

14. OTHER FINANCIAL ASSETS

	December 31	
	2017	**2016**
Current		
Pledged time deposits	$ 567,347	$ 155,169
Restricted time deposits	186,992	-
Restricted deposits	22,716	23,416
Time deposits with original maturities more than three months	17,594	1,735
	$ 794,649	$ 180,320
Noncurrent		
Deposits for projects	$ 29,593	$ 23,354
Pledged time deposits	12,585	12,585
Restricted deposits	12,093	-
	$ 54,271	$ 35,939

Refer to Note 35 for information relating to other financial assets pledged as collateral.

15. PROPERTY, PLANT AND EQUIPMENT

For the year ended December 31, 2017

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in Progress and Equipment to be Inspected	Total
Cost								
Balance at January 1, 2017	$ 925,383	$ 2,230,938	$ 1,007,424	$ 124,349	$ 143,320	$ 386,315	$ 724,759	$ 5,542,488
Additions	1,704	734,401	50,580	41,253	18,400	68,057	(647,809)	266,586
Disposals	-	(27,292)	(32,662)	(1,729)	(3,995)	(5,823)	-	(71,501)
Reclassification	-	-	(987)	2,499	(2,499)	-	-	(987)
Effect of foreign currency exchange difference	3,145	6,343	12,905	(654)	4,973	4,403	(2,450)	28,665
Balance at December 31, 2017	930,232	2,944,390	1,037,260	165,718	160,199	452,952	74,500	5,765,251
Accumulated depreciation and impairment								
Balance at January 1, 2017	-	824,549	705,864	94,195	108,067	248,215	-	1,980,890
Depreciation	-	89,149	65,021	10,813	13,675	40,346	-	219,004
Disposals	-	(2,475)	(16,160)	(1,228)	(2,931)	(3,661)	-	(26,455)
Impairment losses	-	-	29,242	-	-	-	-	29,242
Reclassification	-	-	(741)	1,526	(1,526)	-	-	(741)
Effect of foreign currency exchange difference	-	2,866	10,701	(59)	4,100	2,896	-	20,504
Balance at December 31, 2017	-	914,089	793,927	105,247	121,385	287,796	-	2,222,444
Carrying amount at December 31, 2017	$ 930,232	$ 2,030,301	$ 243,333	$ 60,471	$ 38,814	$ 165,156	$ 74,500	$ 3,542,807

For the year ended December 31, 2016

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in Progress and Equipment to be Inspected	Total
Cost								
Balance at January 1, 2016	$ 733,887	$ 2,187,117	$ 1,051,097	$ 119,680	$ 156,233	$ 375,274	$ 412,793	$ 5,036,081
Additions	194,536	84,407	51,128	9,905	8,467	49,988	326,816	725,247
Disposals	-	(1,830)	(28,687)	(2,907)	(13,693)	(27,438)	-	(74,555)
Reclassification	-	-	(23,520)	-	-	867	(5,333)	(27,986)

(Continued)

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in Progress and Equipment to be Inspected	Total
Effect of foreign currency exchange difference	$ (3,040)	$ (38,756)	$ (42,594)	$ (2,329)	$ (7,687)	$ (12,376)	$ (9,517)	$ (116,299)
Balance at December 31, 2016	925,383	2,230,938	1,007,424	124,349	143,320	386,315	724,759	5,542,488
Accumulated depreciation and impairment								
Balance at January 1, 2016	-	745,189	717,150	84,644	105,478	239,209	-	1,891,670
Depreciation	-	91,384	69,328	13,481	20,076	41,722	-	235,991
Disposals	-	(1,028)	(28,248)	(2,415)	(11,787)	(24,952)	-	(68,430)
Reclassification	-	-	(22,524)	-	-	734	-	(21,790)
Effect of foreign currency exchange difference	-	(10,996)	(29,842)	(1,515)	(5,700)	(8,498)	-	(56,551)
Balance at December 31, 2016	-	824,549	705,864	94,195	108,067	248,215	-	1,980,890
Carrying amount at December 31, 2016	$ 925,383	$ 1,406,389	$ 301,560	$ 30,154	$ 35,253	$ 138,100	$ 724,759	$ 3,561,598

(Concluded)

The subsidiary Anger has evaluated that estimated future cash inflows from machinery and equipment declined due to unsatisfactory operating conditions, and the estimated recoverable amount was lower than the carrying amount. As a result, the subsidiary Anger recognized impairment loss of NT$29,242 thousand for the year ended December 31, 2017. The recoverable amount of the impaired machinery and equipment was determined based on its fair value less costs of disposal, of which the fair value was based on the quoted prices of assets with similar obsolescence classification provided by vendors in the market. The quoted prices were categorized as level 3 input because the market was not very active.

The following items of property, plant and equipment are depreciated on a straight-line basis over the following useful lives:

Buildings	
Main structure	35-60 years
Mechanical and electrical facilities	5-35 years
Engineering system	3-35 years
Air conditioning system	10-15 years
Decoration	10 years
Machinery and equipment	
Lathe and grinder	5-12 years
Air compressor	5-8 years
Others	2-10 years
Transportation equipment	
Overhead crane	6-15 years
Fork lift trucks	3-5 years
Others	2-6 years
Office equipment	
Computer information equipment	2-15 years
Others	2-10 years
Other equipment	
Air condition equipment	3-10 years
Testing equipment	4-7 years
Others	2-15 years

(Concluded)

Property, plant and equipment pledged by the Company and its subsidiaries as collateral for bank borrowings are described in Note 35.

16. INVESTMENT PROPERTIES

For the year ended December 31, 2017

	Land	Buildings	Total
Cost			
Balance at January 1, 2017	$ 81,840	$ 220,455	$ 302,295
Effect of foreign currency exchange difference	-	(1,172)	(1,172)
Balance at December 31, 2017	81,840	219,283	301,123
Accumulated depreciation			
Balance at January 1, 2017	-	26,378	26,378
Depreciation	-	12,963	12,963
Effect of foreign currency exchange difference	-	43	43
Balance at December 31, 2017	-	39,384	39,384
Carrying amount at December 31, 2017	$ 81,840	$ 179,899	$ 261,739

For the year ended December 31, 2016

	Land	Buildings	Total
Cost			
Balance at January 1, 2016	$ 182,621	$ 152,931	$ 335,552
Additions	-	109,528	109,528
Disposals	(100,781)	(36,775)	(137,556)
Effect of foreign currency exchange difference	-	(5,229)	(5,229)
Balance at December 31, 2016	81,840	220,455	302,295
Accumulated depreciation			
Balance at January 1, 2016	-	24,919	24,919
Depreciation	-	10,775	10,775
Disposals	-	(9,233)	(9,233)
Effect of foreign currency exchange difference	-	(83)	(83)
Balance at December 31, 2016	-	26,378	26,378
Carrying amount at December 31, 2016	$ 81,840	$ 194,077	$ 275,917

The above items of investment properties are depreciated on a straight-line basis over the following estimated useful lives:

Buildings	
Main structure	10-50 years
Engineering system	10 years

The investment properties of the Company and its subsidiaries are located at Luzhu District in Kaohsiung City and Shanghai City in China. The fair value of the investment properties was assessed by the management of the Company and its subsidiaries based on the actual price registration information of nearby area or market evidence of transaction prices categorized as Level 3 input. Professional independent valuators were not involved in the fair value assessment.

	December 31	
	2017	2016
Fair value	$ 412,254	$ 412,254

All of the Company and its subsidiaries' investment properties are held under freehold interests.

17. INTANGIBLE ASSETS

For the year ended December 31, 2017

	Computer Software	Goodwill	Project Development	Patents	Others	Total
Cost						
Balance at January 1, 2017	$ 176,919	$ 13,731	$ 40,367	$ 3,607	$ 8,022	$ 242,646
Additions	27,606	-	-	239	-	27,845
Disposals	(3,813)	-	-	-	-	(3,813)
Derecognition	(3,325)	-	(40,367)	(673)	(504)	(44,869)
Reclassified	-	-	-	-	1,027	1,027
Effect of foreign currency exchange differences	4,754	-	-	171	(331)	4,594
Balance at December 31, 2017	202,141	13,731	-	3,344	8,214	227,430
Accumulated amortization						
Balance at January 1, 2017	107,212	-	40,367	283	800	148,662
Amortization expenses	35,790	-	-	939	1,632	38,361
Disposals	(3,802)	-	-	-	-	(3,802)
Derecognition	(3,325)	-	(40,367)	(673)	(504)	(44,869)
Reclassified	-	-	-	-	926	926
Effect of foreign currency exchange differences	2,796	-	-	680	(74)	3,402
Balance at December 31, 2017	138,671	-	-	1,229	2,780	142,680
Carrying amount at December 31, 2017	$ 63,470	$ 13,731	$ -	$ 2,115	$ 5,434	$ 84,750

For the year ended December 31, 2016

	Computer Software	Goodwill	Project Development	Patents	Others	Total
Cost						
Balance at January 1, 2016	$ 146,434	$ 13,731	$ 42,724	$ 3,818	$ -	$ 206,707
Additions	38,311	-	-	-	8,651	46,962
Disposals	(902)	-	-	-	-	(902)
Reclassified	(867)	-	-	-	-	(867)
Effect of foreign currency exchange differences	(6,057)	-	(2,357)	(211)	(629)	(9,254)
Balance at December 31, 2016	176,919	13,731	40,367	3,607	8,022	242,646

(Continued)

Accumulated amortization	Computer Software	Goodwill	Project Development	Patents	Others	Total
Balance at January 1, 2016	$ 75,946	$ -	$ -	$ 286	$ -	$ 76,232
Amortization expenses	36,952	-	42,510	33	863	80,358
Disposals	(902)	-	-	-	-	(902)
Reclassified	(715)	-	-	(19)	-	(734)
Effect of foreign currency exchange differences	(4,069)	-	(2,143)	(17)	(63)	(6,292)
Balance at December 31, 2016	107,212	-	40,367	283	800	148,662
Carrying amount at December 31, 2016	$ 69,707	$ 13,731	$ -	$ 3,324	$ 7,222	$ 93,984

(Concluded)

The above items of intangible assets are amortized on a straight-line basis over the following estimated useful lives:

Computer software	2-7 years
Patents	3-8 years
Project development	1 years
Others	5-8 years

18. OTHER NON-CURRENT ASSETS

	December 31	
	2017	2016
Prepayments for equipment	$ 24,626	$ 9,131
Unamortized expense	24,494	46,364
Prepayments for leases	14,321	17,936
Others	18,936	541
	$ 82,377	$ 73,972

19. BORROWINGS

a. Short-term borrowings

	December 31	
	2017	2016
Bank loans	$ 3,053,115	$ 2,359,182
Letters of credit	198,250	33,789
Bank mortgage loans	-	112,000
	$ 3,251,365	$ 2,504,971
Annual interest rate (%)	0.936-4.785	0.84-3.50

b. Short-term bills payable

	December 31 2017	December 31 2016
Commercial paper	$ 420,000	$ 190,000
Less: Unamortized discounts	110	136
	$ 419,890	$ 189,864
Annual interest rate (%)	0.56-0.852	0.65-1.23

The above commercial paper was secured by Mega Bills Finance Corporation, International Bills Finance Corporation, Taching Bill Finance Ltd., Dah Chung Bills Finance Corp., China Bills Finance Corporation and Taiwan Cooperative Bills Finance Corporation.

c. Long-term borrowings

	December 31 2017	December 31 2016
Bank loans		
Due on various dates through September 2024, interest at 0.99%-2.875% p.a. and 1.14%-1.65% p.a. for 2017 and 2016, respectively	$ 1,911,364	$ 718,056
Mortgage loans		
Due on various dates through October 2036, interest at 0.6%-1.8% p.a. and 1.33%-1.80% p.a. for 2017 and 2016, respectively	970,605	1,584,571
	2,881,969	2,302,627
Less: Current portion	1,565,092	304,050
	$ 1,316,877	$ 1,998,577

1) The subsidiary APEC entered into a loan agreement with Ta Chong Bank. The loan agreement stipulated that specified current ratio, debt ratio and net worth should be met based on the APEC's unreviewed financial statements for the six months ended June 30 and audited annual consolidated financial statements. The bank will check compliance with the agreement every six months. Violation of the required financial ratios and amounts will be considered breach of contract.

   The subsidiary APEC did not meet the required ratios in 2017; therefore, the long-term borrowings were all classified as current portion of long-term bank borrowings.

   The subsidiary APEC was in compliance with the loan agreement during 2016.

2) The subsidiaries MBI and Anger entered into a loan agreement with CTBC Bank. The loan agreement stipulated that specified current ratio, debt ratio, interest protection multiples and tangible net worth should be met based on the Company and its subsidiaries' reviewed consolidated financial statements for six months ended June 30 and audited annual consolidated financial statements. The subsidiaries Tongan, MBI and Anger should meet certain amount of net worth based on unreviewed financial statements for six months ended June 30. The subsidiaries Tongan and Anger should meet certain amount of net worth based on audited annual financial statements. The bank will check compliance with the loan agreement every six months. If the subsidiaries do not meet the financial ratios and amounts, they should take remedial measures within a specified period; otherwise, the management bank could cancel or adjust the amounts, period and interest in accordance with the agreement.

The Company and the subsidiaries did not meet the required ratios in 2017; therefore, the long-term borrowings were all classified as current portion of long-term bank borrowings. The Company and the subsidiaries was in compliance with the loan agreement during 2016.

3) The subsidiaries MBI and Anger entered into a loan agreement with Taipei Fubon Bank. The loan agreement stipulated that specified current ratio, debt ratio, interest protection multiples and tangible net worth should be met based on the Company and the subsidiaries reviewed consolidated financial statements for six months ended June 30 and audited annual consolidated financial statements. The subsidiaries MBI and Anger should meet certain amount of net worth based on unreviewed financial statements for six months ended June 30 and based on audited annual financial statements. The bank will check compliance with the loan agreement every six months. If the subsidiaries breach the financial ratios and amounts, the management bank could increase interest rate by 0.25% on the first time of breach, and immediately terminate the credit line on the second time of breach in accordance with the agreement.

The Company and the subsidiaries breached the contract in 2017; therefore, the long-term borrowings were all classified as current portion of long-term bank borrowings. The Company and the subsidiaries was in compliance with the loan agreement during 2016.

20. NOTES PAYABLE AND ACCOUNTS PAYABLE

	December 31	
	2017	2016
Notes payable		
Operating	$ 234,219	$ 122,991
Accounts payable to unrelated parties	$ 2,469,519	$ 1,668,296
Accounts payable to related parties	$ 129,956	$ 79,672

The Company and its subsidiaries have financial risk management policies to ensure that all payables are paid within the agreed credit terms.

21. OTHER PAYABLES

	December 31	
	2017	2016
Salaries and incentive bonus	$ 273,107	$ 260,207
Commission and service fee	170,936	94,718
Purchases of equipment	59,667	59,479
Compensation	46,241	-
VAT expense	45,970	26,011
Employee compensation and remuneration of directors and supervisors	40,115	54,512
Pension	21,161	57,189
Others	197,574	133,979
	$ 854,771	$ 686,095

22. PROVISIONS

	December 31	
	2017	2016
Current		
Warranties	$ 117,235	$ 37,901
Noncurrent		
Warranties	$ -	$ 49,996
Others	5,393	5,995
	$ 5,393	$ 55,991

	Warranties	Others	Total
Balance at January 1, 2017	$ 87,897	$ 5,995	$ 93,892
Recognized	107,421	430	107,851
Paid	(79,589)	(1,297)	(80,886)
Effect of foreign currency exchange differences	1,506	265	1,771
Balance at December 31, 2017	$ 117,235	$ 5,393	$ 122,628
Balance at January 1, 2016	$ 78,421	$ 8,661	$ 87,082
Recognized (Reversed)	80,647	(2,305)	78,342
Paid	(66,485)	-	(66,485)
Effect of foreign currency exchange differences	(4,686)	(361)	(5,047)
Balance at December 31, 2016	$ 87,897	$ 5,995	$ 93,892

The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Company and its subsidiaries' obligations for warranties under local sale of goods legislation. The estimate was made on the basis of historical warranty trends and may vary with actual as a result of new materials, altered manufacturing processes or other events affecting product quality.

23. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company and its domestic subsidiaries adopted a pension plan under the Labor Pension Act (the LPA), which is a state-managed defined contribution plan in the ROC. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. The foreign subsidiaries also make contributions in accordance with local regulations, which is a defined contribution plan.

The employees of subsidiaries Suzhou Tongyu, Shanghai Tong-tai Shin and Shanghai Chin-Jig in China make contributions in accordance with the local regulations. The subsidiaries are required to contribute a specified percentage of payroll cost to government.

b. Defined benefit plans

The Company and its domestic subsidiaries adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company and its domestic subsidiaries make contributions, equal to a certain percentage of total monthly salaries, to a pension fund, which is deposited in the Bank of Taiwan in the name of and administered by the pension fund monitoring committee. Before the end of each year, the Company and its domestic subsidiaries assess the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company and its domestic subsidiaries are required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the Bureau); the Company and its subsidiaries have no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Company and its subsidiaries' defined benefit plans were as follows:

	December 31	
	2017	**2016**
Present value of defined benefit obligation	$ 297,898	$ 309,797
Fair value of plan assets	(225,157)	(241,015)
	72,741	68,782
Less : Net defined benefit liabilities	74,049	70,353
Net defined benefit assets	$ (1,308)	$ (1,571)

Movements of net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liabilities (Assets)**
Balance at January 1, 2016	$ 311,134	$ (158,651)	$ 152,483
Service cost			
Current service cost	3,652	-	3,652
Interest expense (income)	5,445	(2,955)	2,490
Recognized in profit or loss	9,097	(2,955)	6,142
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	1,359	1,359
Actuarial loss - changes in demographic assumptions	1,977	-	1,977
Actuarial loss - changes in financial assumptions	9,884	-	9,884
Actuarial gain - experience adjustments	(5,120)	-	(5,120)
Recognized in other comprehensive income	6,741	1,359	8,100
Contributions from the employer	-	(97,943)	(97,943)
Benefits paid	(17,175)	17,175	-
	(17,175)	(80,768)	(97,943)

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at December 31, 2016	$ 309,797	$ (241,015)	$ 68,782
Service cost			
Current service cost	3,510	-	3,510
Interest expense (income)	4,260	(3,362)	898
Recognized in profit or loss	7,770	(3,362)	4,408
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	1,106	1,106
Actuarial gain - changes in demographic assumptions	(479)	-	(479)
Actuarial gain - changes in financial assumptions	(2,393)	-	(2,393)
Actuarial loss - experience adjustments	8,302	-	8,302
Recognized in other comprehensive income	5,430	1,106	6,536
Contributions from the employer	-	(6,985)	(6,985)
Benefits paid	(25,099)	25,099	-
	(25,099)	18,114	(6,985)
Balance at December 31, 2017	$ 297,898	$ (225,157)	$ 72,741

(Concluded)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2017	2016
Operating costs	$ 3,316	$ 4,519
Operating expenses	1,092	1,623
	$ 4,408	$ 6,142

Through the defined benefit plans under the Labor Standards Law, the Company and its subsidiaries are exposed to the following risks:

1) Investment risk

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

2) Interest risk

   A decrease in the government and corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk

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

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

	December 31	
	2017	**2016**
Discount rate (%)	1.25	1.375-1.75
Expected rate of salary increase (%)	2.25-3.25	2.25-3.25
Turnover rate (%)	1-30	1-30
Voluntary retirement rate (%)	5-100	5-100

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

	December 31	
	2017	**2016**
Discount rate		
0.25% increase	$ (6,250)	$ (6,696)
0.25% decrease	$ 6,469	$ 6,936
Expected rate of salary increase		
0.25% increase	$ 6,204	$ 6,643
0.25% decrease	$ (6,025)	$ (6,447)

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

	December 31	
	2017	**2016**
The expected contributions to the plan for the next year	$ 6,896	$ 6,918
The average duration of the defined benefit obligation	7-13 years	7-13 years

24. EQUITY

a. Ordinary Shares

	December 31	
	2017	**2016**
Number of shares authorized (in thousands)	400,000	400,000
Shares authorized	$ 4,000,000	$ 4,000,000

(Continued)

	December 31	
	2017	2016
Number of shares issued and fully paid (in thousands)	254,827	254,827
Shares issued	$ 2,548,265	$ 2,548,265

(Concluded)

In June 2016, the shareholders' meeting of the Company approved the increase in the number of authorized shares to 400,000 thousand. However, according to the Company Law, the original number of authorized shares of 300,000 thousand should be fully issued before an increase can be made and the original 300,000 thousand was not yet fully issued at that time. Therefore, the increase cannot be accepted for change registration.

In 2013, the Company acquired 1,200 thousand shares of treasury stock to be sold to employees; the cost was NT$28,999 thousand. The shares should be transferred to employees within three years but the shares were not transferred and had expired. The Company retired 1,200 thousand shares of treasury stock (NT$12,000 thousand) on October 1, 2016. The difference between the cost of acquired and retired shares of NT$16,999 thousand was allocated as deductions in capital surplus - additional paid in capital of NT$4,538 thousand, capital surplus - convertible of bonds of NT$1,051 thousand, capital surplus - treasury transactions of NT$4,163 thousand and retained earnings of NT$7,247 thousand.

Fully paid ordinary shares, which have a par value of NT$10, carry one vote per share and the right to dividends.

b. Capital surplus

	December 31	
	2017	2016
May be used to offset deficit, distribute cash or transfer to share capital (see Note below)		
Additional paid-in capital	$ 960,854	$ 960,854
Conversion of bonds	222,593	222,593
Interest compensation	5,577	5,577
	1,189,024	1,189,024
May be used to offset deficit only		
Expired employee stock warrants	1,234	1,234
	$ 1,190,258	$ 1,190,258

Note: The capital surplus could be used to offset a deficit and distributed as cash dividends or transferred to capital when the Company has no deficit (limited to a certain percentage of the Company's paid-in capital and once a year).

c. Retained earnings and dividend policy

Under the Company's Articles of Incorporation, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders.

The Company's dividend policy takes into consideration the entire corporate environment, the growth of industry, long-term financial planning for sustainable development, and stable business development. In the planning of dividend distribution, the Company perform the following steps:

1) Determine the best capital budget.

2) Determine the need for capital loan to satisfy the best capital budget.

3) Determine how much capital could be raised from retained earnings.

4) Determine the funds needed to maintain the profitable operations of the Company. After the operations are funded, dividends could be distributed to shareholders. In principle, cash dividends should not be less than 50% of the total dividends distributed.

Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under Rule No. 1010012865 and Rule No.1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse special reserve.

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

The appropriations of earnings for 2016 and 2015 were approved in the shareholders' meetings in June 2017 and June 2016, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		**Dividend Per Share (NT$)**	
	2016	**2015**	**2016**	**2015**
Legal reserve	$ 5,766	$ 27,123		
Special reserve	(48,108)	-		
Cash dividends	127,413	203,861	$ 0.5	$ 0.8
	$ 85,071	$ 230,984		

In March 2018, the board of directors of the Company proposed to recover the net loss in 2017 from the undistributed earnings in the previous year, and will not distribute earnings. The proposal is subject to the resolution in the shareholders' meeting to be held in June 2018.

d. Special reserves

On the first-time adoption of IFRSs, the Company transferred retained earnings to special reserve due to IFRSs adjustments. In 2017, the Company reversed special reserve to retained earnings. As of December 31, 2017, the balance of special reserve in equity was NT$89,749 thousand.

e. Other equity

1) Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2017	2016
Balance, beginning of year	$ (61,772)	$ 42,784
Exchange differences arising on translating the net assets of foreign operations	(2,536)	(125,984)
Loss reclassified to profit or loss on disposal of foreign operations	112	-
Income tax	429	21,428
Balance, end of year	$ (63,767)	$ (61,772)

2) Unrealized gains and losses on available-for-sale financial assets

	For the Year Ended December 31	
	2017	2016
Balance, beginning of year	$ 65,108	$ 50,345
Unrealized gains on available-for-sale financial assets	4,554	16,544
Loss reclassified to profit or loss on disposal of available-for-sale financial assets	(1,357)	(1,691)
Income tax	28	(90)
Balance, end of year	$ 68,333	$ 65,108

f. Non-controlling interests

	For the Year Ended December 31	
	2017	2016
Balance, beginning of year	$ 692,050	$ 703,168
Attributable to non-controlling interests:		
Share of net profit for the year	4,971	8,201
Exchange difference on translating foreign operations	224	(950)
Loss reclassified to profit or loss on disposal of foreign operations	28	-
Income tax relating to exchange difference on translating foreign operations	19	12
Unrealized gains and losses on available-for-sale financial assets	(47)	153
Income tax relating to unrealized gain on available-for-sale financial assets	12	(39)
Dividend distributed by subsidiaries	(22,834)	(39,281)
Remeasurement on defined benefit plans	(436)	(414)
Effect of change in subsidiaries' ownership percentage in investees	3,082	21,169
Increase in non - controlling interests	175	31
Balance, end of year	$ 677,244	$ 692,050

25. OPERATING REVENUES

	For the Year Ended December 31	
	2017	2016
Revenues from sale of goods	$ 8,754,823	$ 8,655,062
Revenues from maintenance and rebuilding services	1,007,992	1,113,024
	$ 9,762,815	$ 9,768,086

26. PROFIT (LOSS) BEFORE INCOME TAX

The following items were included in profit (loss) before income tax:

a. Other income

	For the Year Ended December 31	
	2017	2016
Subsidy income	$ 71,960	$ 34,475
Interest income	17,317	10,676
Rental income	10,478	9,246
Dividend income	6,987	4,219
Gain from write off of overdue payable	4,285	2,000
Gain on recovery of accounts receivable	-	44,354
Others	48,099	105,126
	$ 159,126	$ 210,096

b. Other gains and losses

	For the Year Ended December 31	
	2017	2016
Net foreign exchange loss	$ (86,790)	$ (88,882)
Loss on financial instruments at fair value through profit or loss	(64,262)	(33,297)
Loss on disposal of property, plant and equipment	(407)	(1,443)
Loss on disposal of investment property	-	(11,172)
Depreciation expense	(13,065)	(12,674)
Compensation expense	(46,503)	(6,120)
Gain on disposal of investments	1,357	1,691
Others	(15,714)	(12,620)
	$ (225,384)	$ (164,517)

The components of net foreign exchange loss were as follows:

	For the Year Ended December 31	
	2017	2016
Foreign exchange gain	$ 129,878	$ 288,084
Foreign exchange loss	(216,668)	(376,966)
Net foreign exchange loss	$ (86,790)	$ (88,882)

c. Finance costs

	For the Year Ended December 31	
	2017	2016
Bank loan interest	$ 88,986	$ 68,055
Interest of short-term instruments	1,906	1,224
	90,892	69,279
Less: Amounts included in the cost of qualifying assets	6,410	4,862
	$ 84,482	$ 64,417

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2017	2016
Capitalized amounts	$ 6,410	$ 4,862
Capitalization annual rates (%)	1.07	1.22

d. Depreciation and amortization

	For the Year Ended December 31	
	2017	2016
Depreciation expense		
Property, plant and equipment	$ 219,004	$ 235,991
Investment properties	12,963	10,775
	$ 231,967	$ 246,766
An analysis of depreciation by function		
Operating costs	$ 126,574	$ 137,575
Operating expenses	92,328	96,517
Non-operating expenses	13,065	12,674
	$ 231,967	$ 246,766
Amortization expense		
Computer software	$ 35,790	$ 36,952
Project development	-	42,510
Patents	939	33
Other intangible assets	1,632	863
Others	15,529	22,471
	$ 53,890	$ 102,829
An analysis of amortization by function		
Operating costs	$ 33,337	$ 30,119
Operating expenses	20,553	72,710
	$ 53,890	$ 102,829

e. Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2017	2016
Direct operating expenses of investment properties that generated rental income	$ 13,983	$ 13,296

f. Employee benefits

	For the Year Ended December 31	
	2017	2016
Short-term employee benefits	$ 1,885,719	$ 1,846,877
Post-employment benefits		
Defined contribution plans	61,292	61,695
Defined benefit plans (Note 23)	4,408	6,142
	65,700	67,837
	$ 1,951,419	$ 1,914,714
Analysis of employee benefits by function		
Operating costs	$ 1,261,838	$ 1,165,463
Operating expenses	689,581	749,251
	$ 1,951,419	$ 1,914,714

To be in compliance with the Company Act, the Company distributed employees' compensation and remuneration of directors and supervisors at the rates no less than 1% and no higher than 5%, respectively, of the pre-tax profit before deduction for employees' compensation and remuneration of directors and supervisors.

Because of the net operating loss in 2017, employees' compensation and remuneration of directors and supervisors were not accrued.

The employees' compensation and remuneration of directors and supervisors (all in cash) for the year ended December 31, 2016 which have been approved by the Company's board of directors in March 2017 were as follows:

	For the Year Ended December 31, 2016
Employees' compensation	$ 3,401
Remuneration of directors and supervisors	958

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

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

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

g. Impairment losses on non-financial assets (under operating costs)

	For the Year Ended December 31	
	2017	2016
Inventories	$ 65,894	$ 99,909
Loss on idle capacity	15,650	70,048
Property, plant and equipment	29,242	-

27. INCOME TAX

a. Income tax recognized in profit or loss

	For the Year Ended December 31	
	2017	2016
Current tax		
In respect of the current year	$ 63,232	$ 75,708
Income tax on unappropriated earnings	9,028	9,043
In respect of prior years	14,417	12,799
	86,677	97,550
Deferred tax		
In respect of the current year	(60,790)	(52,776)
In respect of prior years	3,546	-
	(57,244)	(52,776)
	$ 29,433	$ 44,774

The reconciliation of accounting profit and income tax expense was as follows:

	For the Year Ended December 31	
	2017	2016
Profit (loss) before income tax	$ (203,000)	$ 110,634
Income tax expense (benefit) calculated at the statutory rate	$ (45,524)	$ 33,500
Non-deductible expenses in determining taxable income	53,084	10,766
Tax-exempt income	-	(12,138)
Unrecognized deductible temporary differences	(20,136)	(91)
Loss carryforwards adjustment	15,018	(1,879)
Additional income tax under the Alternative Minimum Tax Act	-	5,073
Income tax on unappropriated earnings	9,028	9,043
Investment credits of current year	-	(12,299)
In respect of prior years	17,963	12,799
	$ 29,433	$ 44,774

The applicable tax rate used above is the corporate tax rate of 17% payable by the Company and its domestic subsidiaries in the ROC, while the applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other subsidiaries operating in other jurisdictions are based on the tax laws in those jurisdictions.

In February 2018, the government of the ROC announced the amendment of the Income Tax Act to adjust the corporate income tax rate from 17% to 20% starting from 2018. In addition, the rate of corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets and deferred tax liabilities recognized as of December 31, 2017 are expected to be adjusted and would increase by NT$36,650 thousand and NT$90 thousand, respectively, in 2018.

b. Income tax recognized directly in equity

	For the Year Ended December 31	
	2017	2016
Deferred tax		
Change in percentage of ownership	$ 2,044	$ 3,599

c. Income tax benefit recognized in other comprehensive income

	For the Year Ended December 31	
	2017	2016
Deferred tax		
Translation of foreign operations	$ 448	$ 21,440
Remeasurement on defined benefit plans	930	1,213
Unrealized gains and losses on available-for-sale financial asset	40	(129)
	$ 1,418	$ 22,524

d. Current tax

	December 31	
	2017	2016
Current tax assets		
Tax refund receivable	$ 14,906	$ 15,455
Current tax liabilities		
Income tax payable	$ 75,792	$ 50,932

e. Deferred tax assets and liabilities

Movements of deferred tax assets and liabilities were as follows:

For the Year Ended December 31, 2017

Deferred tax assets	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Exchange Differences	Balance, End of Year
Temporary differences						
Write-downs of inventory	$ 56,015	$ 11,866	$ -	$ -	$ (62)	$ 67,819
Allowance for bad debts	40,950	8,237	-	-	(86)	49,101
Share of loss of foreign subsidiaries	245	22,537	-	2,044	-	24,826
Exchange difference on translating foreign operations	12,676	-	448	-	-	13,124

(Continued)

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Exchange Differences	Balance, End of Year
Defined benefit plan	$ 12,660	$ (372)	$ 930	$ -	$ -	$ 13,218
Deduction of development cost	12,077	(5,072)	-	-	-	7,005
Provisions	11,545	4,947	-	-	62	16,554
Others	66,625	(1,727)	-	-	114	65,012
	$ 212,793	$ 40,416	$ 1,378	$ 2,044	$ 28	$ 256,659
Deferred tax liabilities						
Temporary differences						
Land value increment tax	$ 66,990	$ -	$ -	$ -	$ -	$ 66,990
Share of profit of foreign subsidiaries	10,783	(10,783)	-	-	-	-
Others	9,837	(6,045)	(40)	-	(22)	3,730
	$ 87,610	$ (16,828)	$ (40)	$ -	$ (22)	$ 70,720

(Concluded)

For the Year Ended December 31, 2016

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Exchange Differences	Balance, End of Year
Deferred tax assets						
Temporary differences						
Write-downs of inventory	$ 35,552	$ 21,044	$ -	$ -	$ (581)	$ 56,015
Allowance for bad debts	46,175	(4,775)	-	-	(450)	40,950
Exchange difference on translating foreign operations	-	-	12,676	-	-	12,676
Defined benefit plan	26,127	(14,680)	1,213	-	-	12,660
Deduction of development cost	801	11,276	-	-	-	12,077
Provisions	11,313	232	-	-	-	11,545
Share of loss of foreign subsidiaries	184	61	-	-	-	245
Others	44,712	22,756	-	-	(843)	66,625
	$ 164,864	$ 35,914	$ 13,889	$ -	$ (1,874)	$ 212,793
Deferred tax liabilities						
Temporary differences						
Land value increment tax	$ 66,990	$ -	$ -	$ -	$ -	$ 66,990
Share of profit of foreign subsidiaries	22,349	(7,967)	-	(3,599)	-	10,783
Others	27,698	(8,895)	(8,635)	-	(331)	9,837
	$ 117,037	$ (16,862)	$ (8,635)	$ (3,599)	$ (331)	$ 87,610

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

	December 31 2017	2016
Subsidiary		
Loss carryforwards	$ 320,740	$ 271,686

The unrecognized loss carryforwards will expire through 2036.

	December 31 2017	2016
Subsidiary		
Deductible temporary differences	$ -	$ 6,466

g. Information about unused investment credits

As of December 31, 2017, investment credits comprised of the following:

Laws and Statutes	Tax Credit Source	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Research and development expenditure	$ 70,050	2018

h. Integrated income tax

	December 31	
	2017	2016
Unappropriated earnings on and after January 1, 1998	Note	$ 881,234
Imputation credits account (ICA)	Note	$ 192,660

	For the Year Ended December 31	
	2017	2016 (Actual)
Tax creditable ratio for distribution of earnings (%)	Note	21.23

Note: Since the amended Income Tax Act announced in February 2018 abolished the imputation tax system, the related information about integrated income tax in 2017 is no longer applicable.

i. Income tax assessments

The income tax returns of the Company through 2014 and of domestic subsidiaries through 2015 have been assessed by the tax authorities.

28. EARNINGS (LOSS) PER SHARE

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

Net profit (loss) for the year

	For the Year Ended December 31	
	2017	2016
Net profit for the year attributable to owners of the Company	$ (237,404)	$ 57,659

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

	For the Year Ended December 31	
	2017	2016
Weighted average number of ordinary shares in computation of basic earnings (loss) per share	254,827	254,827

(Continued)

	For the Year Ended December 31	
	2017	2016
Effect of dilutive potential ordinary shares:		
Employees' compensation	-	321
Weighted average number of ordinary shares used in the computation of diluted earnings (loss) per share	254,827	255,148

(Concluded)

The dilutive loss per share in 2017 was the same as the basic loss per share because the result was net loss and, therefore, no earnings distribution and no potential dilutive shares from earnings distribution.

Since the Company offered to settle the compensation paid to employees by cash or shares, the Company assumed that the entire amount of the compensation would be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the shares have a dilutive effect. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

29. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In October 2017, subsidiary Tongan acquired additional 0.05% of shares of MBI, and increased its continuing interest from 99.9% to 99.95%. The above transaction was accounted for as equity transaction since the Company did not cease to have control over the subsidiary, and reduced the retained earnings by NT$9,993 thousand (net of income tax of NT$2,044 thousand)

In August 2017, the Company subscribed for additional new shares of Tong-Yeh at a percentage different from its existing ownership percentage, and reduced its continuing interest from 64.67% to 63.10%. The above transaction was accounted for as equity transaction since the Company did not cease to have control over the subsidiary.

	Amount
Cash consideration received	$ 554
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	(764)
Difference recognized from equity transaction	$ (210)

In September 2017, subsidiary TTJP disposed of 1.14% of its interest in subsidiary SKTD, and reduced its continuing interest from 99.87% to 98.73%. The above transaction was accounted for as equity transaction since TTJP did not cease to have control over the subsidiary.

	Amount
Cash consideration received	$ 245
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	(234)
Difference recognized from equity transaction	$ 11

The above transactions decreased retained earnings by NT$10,192 thousand in 2017.

In December 2016, the Company subscribed for additional new shares of Tongan, and Tongan subscribed for additional new shares of MBI at a percentage different from its existing ownership percentage, and increased its shareholding interest from 76% to 99.9%. The above transactions were accounted for as equity transactions, since the Company did not cease to have control over these subsidiaries, and reduced the retained earnings by NT$17,570 thousand (net of income tax of NT$3,599 thousand).

30. NON-CASH TRANSACTIONS

For the years ended December 31, 2017 and 2016, the Company and its subsidiaries entered into the following non-cash investing activities which were not reflected in the consolidated statements of cash flows:

	For the Year Ended December 31	
	2017	**2016**
Investing activities affecting both cash and non-cash items		
Property, plant and equipment	$ 266,586	$ 725,247
Payable for equipment	(188)	(4,795)
Prepayment for equipment	15,495	1,953
Capitalized interest	(6,410)	(4,862)
Cash paid	$ 275,483	$ 717,543

31. OPERATING LEASE ARRANGEMENTS

a. The Company as lessee

The Company is leasing from Southern Taiwan Science Park the land site of the Kaohsiung Luke plant. The lease period will expire in February 2035. The Company does not have a bargain purchase option to acquire the leased land at the expiration of the lease period.

The future minimum lease payments for the above operating lease are as follows:

	December 31	
	2017	**2016**
Not later than 1 year	$ 27,223	$ 27,223
Later than 1 year and not later than 5 years	108,894	108,894
Later than 5 years	204,337	231,573
	$ 340,454	$ 367,690

b. The subsidiaries as lessee

The subsidiary Suzhou Tong-Yu is leasing land from the China government. The lease is recorded as land use rights with useful life 50 years until July 2059.

The subsidiary Shanghai Chin-Jig is leasing its location from non-related parties. The lease period will expire in December 2020. The rental expense is NT$1,983 thousand per year (CNY440 thousand).

The subsidiary PCI is leasing its location from non-related parties. The lease period will expire in May 2020. The rental expense is NT$10,305 thousand per year (EUR300 thousand).

32. CAPITAL MANAGEMENT

The Company and its subsidiaries manage their capital to ensure that, as a whole, they will be able to continue as going concerns; they use operating capital effectively and optimize debt and equity balance.

The key management personnel of the Company and its subsidiaries review the capital structure periodically. As part of the review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company and its subsidiaries may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and the amount of new debt issued or existing debt redeemed.

The capital structure of the Company and its subsidiaries consists of net debt and equity. It is the policy of the Company and its subsidiaries to monitor and comply with the terms of loan agreements (refer to Note 19).

33. FINANCIAL INSTRUMENTS

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

Except as detailed in the following table, the Company and its subsidiaries believe the carrying amounts of financial asset and liabilities recognized in the consolidated financial statements approximate their fair values.

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

1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
December 31, 2017				
Financial assets at fair value through profit or loss - current				
Cross - currency swap contract	$ -	$ 985	$ -	$ 985
Swap contract	-	164	-	164
	$ -	$ 1,149	$ -	$ 1,149
Available-for-sale financial assets - current				
RMB floating rate financial products	$ -	$ -	$ 39,149	$ 39,149
Available-for-sale financial assets - noncurrent				
Domestic listed shares	$ 109,929	$ -	$ -	$ 109,929
Domestic unlisted shares	-	-	49,420	49,420
	$ 109,929	$ -	$ 49,420	$ 159,349

(Continued)

	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss - current				
Swap contracts	$ -	$ 10,671	$ -	$ 10,671
Cross - currency swap contract	-	9,483	-	9,483
Foreign exchange forward contracts	-	25	-	25
	$ -	$ 20,179	$ -	$ 20,179
December 31, 2016				
Financial assets at fair value through profit or loss - current				
Mutual funds	$ 75,430	$ -	$ -	$ 75,430
Swap contract	-	6,896	-	6,896
Cross - currency swap contract	-	1,041	-	1,041
	$ 75,430	$ 7,937	$ -	$ 83,367
Available-for-sale financial assets - current				
RMB floating rate financial products	$ -	$ -	$ 51,300	$ 51,300
Available-for-sale financial assets - noncurrent				
Domestic listed shares	$ 112,327	$ -	$ -	$ 112,327
Domestic unlisted shares	-	-	43,715	43,715
	$ 112,327	$ -	$ 43,715	$ 156,042
Financial liabilities at fair value through profit or loss - current				
Swap contracts	$ -	$ 1,656	$ -	$ 1,656

(Concluded)

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

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

Unlisted Equity Investments Available-for-sale Financial Assets

	December 31	
Financial assets	2017	2016
Balance, beginning of year	$ 95,015	$ 52,410
Change in fair value recognized in other comprehensive income	6,051	(8,281)

(Continued)

	December 31	
	2017	2016
Change in fair value recognized in profit or loss	$ 1,357	$ 1,691
Purchase	76,949	153,783
Disposal	(89,133)	(100,610)
Capital reduction and withdrawal of shares	-	(2,702)
Effect of foreign currency exchange difference	(1,670)	(1,276)
Balance, end of year	$ 88,569	$ 95,015

(Concluded)

3) Valuation techniques and input applied for the purpose of measuring Level 2 fair value measurement

Derivative instruments used the quoted price of bank as the basis of the fair values.

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

If there are no market price for reference, fair values were estimated by assessment approach.

For unlisted shares, fair values were determined based on the net worth of companies. For RMB floating rate financial products, fair values were estimated on the basis of expected rate of return.

c. Categories of financial instruments

	December 31	
	2017	2016
Financial assets		
Fair value through profit or loss - held for trading	$ 1,149	$ 83,367
Available-for-sale financial assets (current and noncurrent)	198,498	207,342
Loans and receivables 1)	6,777,826	5,548,154
Financial liabilities		
Fair value through profit or loss - held for trading	20,179	1,656
Measured at amortized cost 2)	10,242,076	7,554,972

1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable (including related parties), other receivables, other financial assets (current and non-current), and long-term notes and accounts receivable, and refundable deposits.

2) The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, short-term bills payable, notes and accounts payable (including related parties), other payables, long-term borrowings (including those due in one year) and deposits received.

d. Financial risk management objectives and policies

The Company and its subsidiaries' major financial instruments include equity investments, notes and accounts receivable, notes and accounts payable, borrowings and short-term bills payable. The Finance Department provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company and its subsidiaries through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Company and its subsidiaries minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Company and its subsidiaries' policies approved by the board of directors, which provided written principles on foreign currency risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Company and its subsidiaries do not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Company and its subsidiaries' activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below), interest rates (see (b) below) and other price (see (c) below).

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

a) Foreign currency risk

The Company and its subsidiaries are exposed to foreign currency risk due to sales, purchases, capital expenditures and equity investments denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters utilizing swap contract, cross-currency swap contract, and foreign exchange forward contracts.

The carrying amounts of significant foreign currency monetary assets and liabilities at the balance sheet date are disclosed in Note 37.

The Company and its subsidiaries are mainly exposed to the currencies USD, CNY and EUR. The following table details the Company and its subsidiaries' sensitivity to a 3% increase and decrease in the functional currency against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 3%. The sensitivity analysis included only outstanding foreign currency denominated monetary items.

	USD Impact		**CNY Impact**		**EUR Impact**	
	For the Year Ended December 31		**For the Year Ended December 31**		**For the Year Ended December 31**	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Pre-tax profit or loss (Note)	$ (42,857)	$ (30,675)	$ (68,833)	$ (36,168)	$ (1,850)	$ (1,678)

Note: These were mainly attributable to the exposure of the currencies USD, CNY and EUR (including cash and cash equivalent, accounts receivable and payable (including related parties), other receivable, other payable and short-term and long-term borrowings), which were not hedged at the balance sheet date.

In management's opinion, the sensitivity analysis was unrepresentative of the inherent foreign exchange risk because the exposure at the balance sheet date did not reflect the exposure during the period. Foreign currency sales change according to customer order and business cycle.

b) Interest rate risk

The Company and its subsidiaries are exposed to interest rate risk because the Company and its subsidiaries borrowed funds at both fixed and floating interest rates. The risk is managed by the Company and its subsidiaries by maintaining an appropriate mix of fixed and floating rate borrowings.

The carrying amounts of the Company and its subsidiaries' financial liabilities with exposure to interest rates at the balance sheet date were as follows:

	December 31	
	2017	**2016**
Fair value interest rate risk		
Financial assets	$ 18,676	$ 11,077
Financial liabilities	60,099	463,625
Cash flow interest rate risk		
Financial liabilities	3,875,205	3,612,123

The sensitivity analysis below was determined based on the Company and its subsidiaries' exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year. The interest rates change of 1% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates of financial liabilities had been 1% higher/lower and all other variables were held constant, the Company and its subsidiaries' pre-tax profit would have been lower/higher by NT$38,752 thousand for the year ended December 31, 2017, and would have been lower/higher by NT$36,121 thousand for the year ended December 31, 2016.

c) Other price risk

The Company and its subsidiaries are exposed to equity price risk through their investments in mutual funds, and domestic listed shares.

If equity prices had been 1% higher/lower, the pre-tax profit for the years ended December 31, 2017 and 2016 would have been higher/lower by NT$0 and NT$754 thousand, respectively, as a result of the fair value changes of financial assets at fair value through profit or loss, and the pre-tax other comprehensive income for the years ended December 31, 2017 and 2016 would have been higher/lower by NT$1,099 thousand and NT$1,123 thousand, respectively, as a result of the changes in fair value of available-for-sale financial assets.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company and its subsidiaries. As of the balance sheet date, the Company and its subsidiaries' maximum exposure to credit risk is the carrying amount of the financial assets on the consolidated balance sheets.

The Company and its subsidiaries adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company and its subsidiaries' exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Except for the following customer, the Company and its subsidiaries did not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Company and its subsidiaries' concentration of credit risk in receivables (including notes and accounts receivable, overdue receivables and other receivables) by customer follows:

	December 31	
Customer	**2017**	**2016**
A Company	$ 1,160,808	$ 815,309

3) Liquidity risk

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

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

To the extent that interest flows are at floating rates, the undiscounted amount was derived from the interest rate at the end of the balance sheet date.

	Less Than 1 Year	**1-5 Years**	**Over 5 Years**	**Total**
December 31, 2017				
Short-term borrowings	$ 3,266,776	$ -	$ -	$ 3,266,776
Short-term bills payable	420,000	-	-	420,000
Notes payable	234,219	-	-	234,219
Accounts payable (including related parties)	2,599,475	-	-	2,599,475

(Continued)

	Less Than 1 Year	1-5 Years	Over 5 Years	Total
Other payables	$ 854,771	$ -	$ -	$ 854,771
Long-term borrowings (including those due in one year)	1,592,974	1,224,798	146,814	2,964,586
	$ 8,968,215	$ 1,224,798	$ 146,814	$ 10,339,827
December 31, 2016				
Short-term borrowings	$ 2,521,308	$ -	$ -	$ 2,521,308
Short-term bills payable	190,000	-	-	190,000
Notes payable	122,991	-	-	122,991
Accounts payable (including related parties)	1,747,968	-	-	1,747,968
Other payables	686,095	-	-	686,095
Long-term borrowings (including those due in one year)	312,184	1,913,479	164,152	2,389,815
	$ 5,580,546	$ 1,913,479	$ 164,152	$ 7,658,177

(Concluded)

34. TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Company and its subsidiaries and other related parties are disclosed below:

a. The name of the company and its relationship with the Company and its subsidiaries

Company	Relationship
Pt Tong - Tai Seikindo Utama	Substantial related party
Contrel Technology Co., Ltd.	Other related parties
Eagle Industry Taiwan Co., Ltd.	Other related parties
Sysco Machinery Corporation	Other related parties
Sheng Li Machine Industry Co., Ltd.	Other related parties
San Shin Co., Ltd.	Other related parties
Shiang Jen Co., Ltd.	Other related parties
Dong Ying Investment Co., Ltd.	Other related parties

b. Operating revenues

		For the Year Ended December 31	
Account Item	Related Party Type	2017	2016
Revenues from sales	Other related parties	$ 30,129	$ 26,715

Sales to related parties are made at arm’s length and the collection terms have no material difference with unrelated parties.

c. Purchase of goods

Related Party Type	For the Year Ended December 31 2017	2016
Other related parties	$ 239,349	$ 166,629

The purchase prices and payment term have no material difference with unrelated parties.

d. Receivables from related parties

Account Item	Related Party Type	December 31 2017	2016
Accounts receivable from related parties	Other related parties	$ 13,645	$ 13,527
Other accounts receivable	Other related parties	$ 9,925	$ 8,507

e. Payables to related parties

Account Item	Related Party Type	For the Year Ended December 31 2017	2016
Accounts payable to related parties	Other related parties	$ 129,956	$ 79,672
Other accounts payable	Other related parties	$ 2,782	$ 2,651

f. Other transactions with related parties

1) Commission expense (under operating expenses)

Related Party Type	For the Year Ended December 31 2017	2016
Others related parties	$ 5,709	$ 5,456

2) Lease

The Company and its subsidiaries are leasing buildings and equipment as lessors, the rental is NT$405 thousand per month and rental income for the years ended December 31, 2017 and 2016 was both NT$4,860 thousand.

The above rent was determined by negotiation and collected according to the contract. The contract price is comparable to the prices of similar contracts in the area.

g. Compensation of key management personnel

	For the Year Ended December 31 2017	2016
Short-term employee benefits	$ 8,401	$ 12,432
Post-employment benefits	286	624
	$ 8,687	$ 13,056

35. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The Company and its subsidiaries' assets mortgaged or pledged as collateral for short-term and long-term borrowings, and lease of land at Southern Science Industrial Park were as follows:

	December 31	
	2017	2016
Property, plant and equipment	$ 1,286,045	$ 1,338,949
Pledged deposits (under other financial assets, including current and noncurrent)	579,932	167,754
	$ 1,865,977	$ 1,506,703

36. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in Note 31, significant commitments and contingencies of the Company and its subsidiaries as of December 31, 2017 were as follows:

a. Unused letters of credit in the amounts of NT$21,054 thousand and EUR455 thousand.

b. For sales bidding, export tariff and commodity tax, the Company and its subsidiaries entered into credit facility agreements with banks for commitment amounts of NT$341,010 thousand, USD2,764 thousand and EUR11,875 thousand.

c. Construction contracts for NT$16,417 thousand were signed, of which NT$2,674 thousand not yet completed.

37. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Company and its subsidiaries and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

	Foreign Currency (In Thousands)	Exchange Rate		Carrying Amount (In Thousands of New Taiwan Dollars)
December 31, 2017				
Monetary foreign currency assets				
USD	$ 74,538	29.76	(USD:NTD)	$ 2,218,253
USD	475	4.21	(USD:MYR)	14,140
USD	1,819	0.8367	(USD:EUR)	54,119
RMB	510,311	4.565	(RMB:NTD)	2,329,569
EUR	3,075	35.57	(EUR:NTD)	109,390

(Continued)

	Foreign Currency (In Thousands)	Exchange Rate		Carrying Amount (In Thousands of New Taiwan Dollars)
Non-monetary foreign currency assets				
The subsidiaries for using equity method				
USD	$ 474	29.76	(USD:NTD)	$ 14,117
EUR	4,807	35.57	(EUR:NTD)	170,994
MRY	6,749	7.072	(MRY:NTD)	47,727
JPY	83,590	0.2642	(JPY:NTD)	22,085
Monetary foreign currency liabilities				
USD	28,179	29.76	(USD:NTD)	838,594
USD	650	4.21	(USD:MYR)	19,342
RMB	7,699	4.565	(RMB:NTD)	35,147
EUR	1,341	35.57	(EUR:NTD)	47,709
December 31, 2016				
Monetary foreign currency assets				
USD	54,388	32.25	(USD:NTD)	1,753,998
USD	580	4.67	(USD:MYR)	18,707
USD	490	0.9513	(USD:EUR)	15,796
RMB	275,316	4.617	(RMB:NTD)	1,217,136
EUR	1,964	33.9	(EUR:NTD)	66,574
Non-monetary foreign currency assets				
The subsidiaries for using equity method				
USD	495	32.25	(USD:NTD)	15,958
EUR	12,971	33.9	(EUR:NTD)	439,702
MRY	6,704	6.905	(MRY:NTD)	46,290
JPY	87,467	0.2756	(JPY:NTD)	24,106
Monetary foreign currency liabilities				
USD	16,437	32.25	(USD:NTD)	530,088
USD	3,568	0.9513	(USD:EUR)	115,057
USD	2,940	6.985	(USD:RMB)	94,830
USD	807	4.67	(USD:MYR)	26,027
RMB	2,497	4.617	(RMB:NTD)	11,529
EUR	314	33.9	(EUR:NTD)	10,639

(Concluded)

The total foreign exchange net loss amounted to NT$86,790 thousand and NT$88,882 thousand for the years ended December 31, 2017 and 2016, respectively. It is impractical to disclose net foreign exchange gains and losses by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies.

38. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Reported segments of the Company and its subsidiaries were as follows:

- Tongtai - Mainly engaged in business described in Note 1.
- Union Top and its subsidiaries - Mainly engaged in business described in Note 12.
- Honor Seiki and its subsidiaries - Mainly engaged in business described in Note 12.
- APEC - Mainly engaged in business described in Note 12.
- PCI - Mainly engaged in business described in Note 12.
- Tongan and its subsidiaries - Mainly engaged in business described in Note 12.
- Others - The subsidiaries of the consolidated individual are the operating units that engaged in business described in Note 12, were not reached the quantitative.

a. Segment revenues and operating results

The following is an analysis of the Company and its subsidiaries' revenues and results of operations by reportable segment.

	Tongtai	**Union Top**	**Honor Seiki**	**APEC**	**PCI**	**Tongan**	**Others**	**Adjustment and Elimination**	**Total**
For the year ended December 31, 2017									
Revenues from external customers	$ 3,922,517	$ 2,047,372	$ 1,065,077	$ 475,900	$ 882,673	$ 734,224	$ 635,052	$ -	$ 9,762,815
Inter-segment revenues	981,924	47,351	89,866	228	43,591	9,340	176,766	(1,349,066)	-
Segment revenues	$ 4,904,441	$ 2,094,723	$ 1,154,943	$ 476,128	$ 926,264	$ 743,564	$ 811,818	$ (1,349,066)	$ 9,762,815
Segment profit (loss)	$ 43,102	$ 62,424	$ 104,332	$ (73,439)	$ 34,246	$ (265,575)	$ 25,693	$ 18,743	$ (50,474)
Interest income	9,762	2,612	6,321	64	-	13	543	(2,098)	17,317
Financial costs	(36,505)	(12,593)	(8,935)	(7,629)	(1,250)	(11,067)	(8,601)	2,098	(84,482)
Share of the profit of associates	(256,480)	-	-	-	-	-	7,264	247,430	(1,786)
Other non-operating income and expenses	2,320	20,085	(77,860)	(2,090)	5,304	(17,726)	(2,870)	(10,738)	(83,575)
Profit (loss) before income tax	(237,801)	72,528	23,858	(82,994)	38,300	(294,355)	22,029	255,435	(203,000)
Income tax expense (benefit)	(397)	19,884	12,366	(3,400)	(7,371)	(2,226)	(10,577)	-	29,433
Net profit (loss) for the year	$ (237,404)	$ 52,644	$ 11,492	$ (79,594)	$ 45,671	$ (292,129)	$ 11,452	$ 255,435	$ (232,433)
For the year ended December 31, 2016									
Revenues from external customers	$ 3,970,783	$ 1,523,531	$ 1,144,858	$ 527,047	$ 1,189,755	$ 741,616	$ 670,496	$ -	$ 9,768,086
Inter-segment revenues	925,194	30,476	52,404	63,704	626	62,412	145,653	(1,280,469)	-
Segment revenues	$ 4,895,977	$ 1,554,007	$ 1,197,262	$ 590,751	$ 1,190,381	$ 804,028	$ 816,149	$ (1,280,469)	$ 9,768,086
Segment profit (loss)	$ 31,874	$ 45,944	$ 137,692	$ (12,137)	$ 56,681	$ (210,279)	$ 60,516	$ 22,486	$ 132,777
Interest income	11,361	2,204	2,118	49	-	6	243	(5,305)	10,676
Financial costs	(28,076)	(8,120)	(7,071)	(6,780)	(864)	(11,359)	(6,796)	4,649	(64,417)
Share of the profit of associates	45,660	-	-	-	-	-	(557)	(48,408)	(3,305)
Other non-operating income and expenses	(4,105)	(6,372)	(1,628)	12,210	9,914	13,081	41,074	(29,271)	34,903
Profit (loss) before income tax	56,714	33,656	131,111	(6,658)	65,731	(208,551)	94,480	(55,849)	110,634
Income tax expense (benefit)	(945)	(2,767)	23,839	720	18,268	(12,950)	18,609	-	44,774
Net profit (loss) for the year	$ 57,659	$ 36,423	$ 107,272	$ (7,378)	$ 47,463	$ (195,601)	$ 75,871	$ (55,849)	$ 65,860

Segment profit represented the profit from operations earned by each segment and was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

	December 31	
	2017	**2016**
Segment assets		
Tongtai	$ 11,807,919	$ 10,085,449
Union Top and its subsidiaries	2,880,156	2,209,840
Honor Seiki and its subsidiaries	2,490,214	2,111,671
APEC	1,023,486	710,626
PCI	969,980	926,738
Tongan and its subsidiaries	707,911	911,276
Others	1,494,019	1,242,449
Adjustment and elimination	(3,561,292)	(3,176,636)
	$ 17,812,393	$ 15,021,413
Segment liabilities		
Tongtai	$ 6,737,658	$ 4,636,239
Union Top and its subsidiaries	1,928,830	1,299,241
Honor Seiki and its subsidiaries	1,419,653	1,016,523
APEC	955,111	556,016
PCI	642,234	659,452
Tongan and its subsidiaries	871,924	766,970
Others	742,792	672,881
Adjustment and Elimination	(1,233,312)	(727,169)
	$ 12,064,890	$ 8,880,153

c. Revenues from major products and services

Revenues from major products and services of the Company and its subsidiaries were as follows:

	For the Year Ended December 31	
	2017	**2016**
Sales		
Machining Center	$ 3,743,281	$ 4,393,252
CNC Lathe	2,364,107	1,978,303
PCB Machine	1,309,589	1,056,245
Customized Machine	727,478	876,169
Others	610,368	351,093
Maintenance and rebuilding revenue	1,007,992	1,113,024
	$ 9,762,815	$ 9,768,086

d. Geographical information

The Company and its subsidiaries operate in three principal geographical areas - Taiwan, Asia and Europe.

The Company and its subsidiaries' revenues from continuing operations from external customers and information about their noncurrent assets by geographical location are detailed below:

	Revenues from External Customers		Noncurrent Assets	
	For the Year Ended December 31		December 31	
	2017	2016	2017	2016
Taiwan	$ 1,063,465	$ 1,392,598	$ 2,995,960	$ 2,913,768
Asia	5,694,603	5,059,872	621,276	664,053
Europe	2,071,568	2,537,509	354,437	427,650
Others	933,179	778,107	-	-
	$ 9,762,815	$ 9,768,086	$ 3,971,673	$ 4,005,471

Noncurrent assets excluded available-for-sale financial assets, investment accounted for using equity method, deferred tax assets, refundable deposits, long-term notes and accounts receivables, defined benefit assets and other financial assets.

e. Information about major customers

No revenue from any individual customer exceeds 10% of the Company and its subsidiaries' total revenues for the years ended December 31, 2017 and 2016.