Lumax International Corp., 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

The Board of Directors and Shareholders
Lumax International Corp., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Lumax International Corp., Ltd. and its subsidiaries (the Group), 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, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Lumax International Corp., Ltd. and its subsidiaries as of December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

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 Lumax International Corp., Ltd. 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

The descriptions of the key audit matters of 2017 consolidated financial statements are as follows:

Impairment Loss on Trade Receivables

Refer to Note 9. The trade receivables of the Group amounted to $1,087,839 thousand, consisting 16% of total consolidated assets. Trade receivables are a significant account in the consolidated balance sheet. Impairment of receivables mainly depends on the possible uncollectability. In estimating irrecoverable amounts, the management considers the counterparty's history of default as well as its current financial position and classifies the counterparties into groups according to the degree of credit risk. The process of evaluating impairment loss involves the management's subjective estimation and judgement. The result directly impacts

the amount recognized as impairment loss; therefore, we deem impairment loss of trade receivables as a key audit matter.

The audit procedures we performed are as follows:

1. We obtained an understanding of the policy on evaluating impairment of trade receivables. We tested the accuracy of the aging report of trade receivables.

2. We reviewed the counterparties' historical payment schedules, and analyzed the possibility of impairment loss.

3. We obtained an understanding of the basis for recognition of allowance for trade receivables and we evaluated the rationality by referring to the status of the collection process and any other available information, and we checked individual overdue receivables.

4. We checked the collection of sample trade receivables in the subsequent period to confirm collectability and decide whether it is necessary to increase the amount of impairment loss recognized.

5. We reviewed the impairment loss calculated by the management based on the classification of counterparties according to the degree of credit risk; we assessed the appropriateness of the recognition of the impairment loss in accordance with the history of impairment loss by classification.

Impairment Loss on Inventories

Refer to Note 10. The Group's inventories amounted to $1,593,742 thousand, consisting 24% of total assets as of December 31, 2017. Inventories are a significant account in the consolidated balance sheet. The risk of inventory valuation resides mainly on the impairment assessment that is primarily based on the management's estimation of lower of cost or net realizable value as well as judgment on the recognition of slow-moving and obsolete inventories. The process of impairment evaluation is subjective with results that directly impact the amount recognized as impairment loss. Therefore, we deem impairment loss of inventories as a key audit matter.

We have audited the amount of inventories as of December 31, 2017 which are stated at the lower of cost or net realizable value. The procedures we performed are as follows:

1. We reviewed the management's year-end physical inventory count plan, and we observed the physical count and condition of the inventories to evaluate whether the inventories are impaired.

2. We selected samples from the year-end inventories to verify that the quantities agreed with the physical count and the values were stated at the lower of cost or net realizable value.

3. We obtained the aging report of the inventories to evaluate the appropriateness of the provision for impairment loss estimated by management.

Other Matter

We have also audited the parent company only financial statements of Lumax International Corp., Ltd. as of and for the years ended December 31, 2017 and 2016, on which we have issued an unmodified unqualified report, respectively.

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 Lumax International Corp., Ltd. 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 Lumax International Corp., Ltd. and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including supervisors, are responsible for overseeing Lumax International Corp., Ltd. 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 Lumax International Corp., Ltd. 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 Lumax International Corp., Ltd. 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 Lumax International Corp., Ltd. 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 Lumax International Corp., Ltd. and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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 Wen-chin Lin and Li-wen Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 23, 2018

Notice to Readers

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.

LUMAX INTERNATIONAL CORP., LTD. AND SUBSIDIARIES

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

	2017		2016	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 935,283	14	$ 1,350,450	21
Debt investments with no active market - current (Notes 4, 8 and 24)	1,568,073	23	1,106,286	17
Notes receivable	121,146	2	159,997	2
Trade receivables (Notes 4, 5 and 9)	1,087,839	16	1,081,350	17
Other receivables (Notes 9 and 24)	49,614	1	65,076	1
Inventories (Notes 4, 5 and 10)	1,593,742	24	1,413,948	22
Other current assets	44,724	1	44,564	1
Total current assets	5,400,421	81	5,221,671	81
NON-CURRENT ASSETS				
Financial assets measured at cost - non-current (Notes 4 and 7)	12,662	-	22,662	-
Property, plant and equipment (Notes 4, 12 and 24)	1,058,788	16	964,334	15
Investment property (Notes 4, 13 and 24)	115,565	2	118,046	2
Deferred tax assets (Notes 4 and 19)	34,907	-	35,185	1
Refundable deposits	48,813	1	48,650	1
Other non-current assets	14,799	-	28,960	-
Total non-current assets	1,285,534	19	1,217,837	19
TOTAL	$ 6,685,955	100	$ 6,439,508	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Notes payable	$ 25,178	-	$ 29,328	1
Trade payables	382,819	6	361,244	6
Other payables (Note 15)	209,070	3	212,931	3
Current tax liabilities (Note 4)	229,340	4	78,506	1
Advance receipts	1,097,799	16	858,495	13
Current portion of long-term borrowings (Notes 14 and 24)	20,540	-	19,995	-
Other current liabilities	4,159	-	5,339	-
Total current liabilities	1,968,905	29	1,565,838	24
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 14 and 24)	109,851	2	130,600	2
Finance lease payables - non-current	1,047	-	1,540	-
Net defined benefit liabilities - non-current (Notes 4 and 16)	122,916	2	126,271	2
Guarantee deposits	1,628	-	1,893	-
Deferred tax liabilities (Notes 4 and 19)	199,965	3	353,917	6
Total non-current liabilities	435,407	7	614,221	10
Total liabilities	2,404,312	36	2,180,059	34
EQUITY (Note 17)				
Common stocks	1,068,398	16	1,187,109	18
Capital surplus - additional paid-in capital	110,891	2	110,891	2
Retained earnings				
Legal reserve	759,823	11	708,243	11
Special reserve	31,819	1	31,819	1
Unappropriated earnings	2,403,716	36	2,192,155	34
Total retained earnings	3,195,358	48	2,932,217	46
Other equity	(93,004)	(2)	29,232	-
Total equity	4,281,643	64	4,259,449	66
TOTAL	$ 6,685,955	100	$ 6,439,508	100

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

LUMAX INTERNATIONAL CORP., LTD. AND SUBSIDIARIES

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

	2017		2016	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Note 4)				
Sales	$ 3,837,259	83	$ 3,837,403	80
Service revenue	794,669	17	980,027	20
Total operating revenue	4,631,928	100	4,817,430	100
OPERATING COSTS (Notes 9 and 18)				
Cost of goods sold	2,781,572	60	2,977,590	62
Service cost	415,437	9	514,154	11
Total operating costs	3,197,009	69	3,491,744	73
GROSS PROFIT	1,434,919	31	1,325,686	27
OPERATING EXPENSES (Note 18)				
Selling and marketing expenses	498,883	11	499,440	10
General and administrative expenses	195,089	4	168,227	4
Research and development expenses	62,741	1	57,647	1
Total operating expenses	756,713	16	725,314	15
OPERATING INCOME (Note 18)	678,206	15	600,372	12
NON-OPERATING INCOME AND EXPENSES				
Other income	32,306	-	39,671	1
Other gains and losses	(56,215)	(1)	(5,741)	-
Finance costs	(2,401)	-	(2,853)	-
Total non-operating income and expenses	(26,310)	(1)	31,077	1
PROFIT BEFORE INCOME TAX	651,896	14	631,449	13
INCOME TAX EXPENSE (Notes 4 and 19)	145,226	3	115,647	2
NET PROFIT FOR THE YEAR	506,670	11	515,802	11

(Continued)

LUMAX INTERNATIONAL CORP., LTD. AND SUBSIDIARIES

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

	2017		2016	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	$ (7,358)	-	$ (15,445)	(1)
Income tax relating to items that will not be reclassified subsequently to profit or loss	1,251	-	2,625	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(122,236)	(3)	(102,801)	(2)
Other comprehensive income (loss) for the year, net of income tax	(128,343)	(3)	(115,621)	(3)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 378,327	8	$ 400,181	8
EARNINGS PER SHARE (Note 20)				
Basic	$ 4.47		$ 4.35	
Diluted	$ 4.42		$ 4.29	

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

LUMAX INTERNATIONAL CORP., LTD. AND SUBSIDIARIES

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

			Retained Earnings			Other Equity	
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Total Equity
BALANCE AT JANUARY 1, 2016	$ 1,187,109	$ 110,891	$ 650,570	$ 31,819	$ 2,102,978	$ 132,033	$ 4,215,400
Appropriation of 2015 earnings							
Legal reserve	-	-	57,673	-	(57,673)	-	-
Cash dividends - NT$3 per share	-	-	-	-	(356,132)	-	(356,132)
Net profit for the year ended December 31, 2016	-	-	-	-	515,802	-	515,802
Other comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	(12,820)	(102,801)	(115,621)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	502,982	(102,801)	400,181
BALANCE AT DECEMBER 31, 2016	1,187,109	110,891	708,243	31,819	2,192,155	29,232	4,259,449
Appropriation of 2016 earnings							
Legal reserve	-	-	51,580	-	(51,580)	-	-
Cash dividends - NT$2 per share	-	-	-	-	(237,422)	-	(237,422)
Capital reduction by cash	(118,711)	-	-	-	-	-	(118,711)
Net profit for the year ended December 31, 2017	-	-	-	-	506,670	-	506,670
Other comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	(6,107)	(122,236)	(128,343)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	500,563	(122,236)	378,327
BALANCE AT DECEMBER 31, 2017	$ 1,068,398	$ 110,891	$ 759,823	$ 31,819	$ 2,403,716	$ (93,004)	$ 4,281,643

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

LUMAX INTERNATIONAL CORP., LTD. AND SUBSIDIARIES

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

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 651,896	$ 631,449
Adjustments for:		
Depreciation expenses	31,233	30,540
Amortization expenses	3,042	3,026
Impairment loss recognized (reversed) on trade receivables	17,604	(15,388)
Finance costs	2,401	2,853
Interest income	(22,693)	(19,362)
Dividend income	-	(800)
Loss on disposal of property, plant and equipment	302	42
Impairment loss recognized on financial assets measured at cost	14,032	-
(Reversal of) write-downs of inventories	(5,314)	59,822
Net loss on foreign currency exchange	15,779	2,356
Changes in operating assets and liabilities		
Notes receivable	37,409	59,282
Trade receivables	(57,827)	(68,503)
Other receivables	15,505	40,770
Inventories	(195,791)	109,567
Other current assets	(4,792)	10,057
Notes payable	(4,150)	9,433
Trade payables	40,742	(21,434)
Other payables	(3,122)	26,810
Advance receipts	267,250	(223,318)
Other current liabilities	(1,180)	(2,396)
Finance lease payables	(493)	(162)
Net defined benefit liabilities	(10,713)	(10,390)
Cash generated from operations	791,120	624,254
Interest paid	(2,638)	(3,355)
Interest received	23,388	19,095
Income tax paid	(145,698)	(108,181)
Net cash generated from operating activities	666,172	531,813
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of debt investments with no active market	(545,479)	(173,935)
Purchase of financial assets measured at cost	(4,032)	-
Payments for property, plant and equipment	(103,040)	(76,190)
Proceeds from disposal of property, plant and equipment	46	721
Increase in refundable deposits	(446)	(1,975)
Payments for intangible assets	(1,455)	(1,003)
Increase in prepayments for equipment	(3,095)	(14,301)
Dividends of subsidiaries received	-	800
Net cash used in investing activities	(657,501)	(265,883)

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LUMAX INTERNATIONAL CORP., LTD. AND SUBSIDIARIES

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

	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of long-term borrowings	$ (20,204)	$ (19,837)
Proceeds from guarantee deposits received	-	235
Refund of guarantee deposits received	(265)	-
Cash dividends paid	(237,422)	(356,132)
Capital reduction by cash	(118,711)	-
Net cash used in financing activities	(376,602)	(375,734)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(47,236)	(37,693)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(415,167)	(147,497)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,350,450	1,497,947
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 935,283	$ 1,350,450

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

1. GENERAL INFORMATION

Lumax International Corp., Ltd. (the Company) was incorporated in the Republic of China (ROC) in August 16, 1975, under the Company Law of the Republic of China (ROC) and related laws. The Company's stock had been traded on the ROC Over-the-Counter Securities Exchange (known as GreTai Securities Market) since November 11, 2002. Afterward, the Company's stock have been listed on the Taiwan Stock Exchange since September 27, 2004. The Company is primarily engaged in wholesaling of electronic materials, selling, installation, and integrated maintenance services of process-control devices or system.

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

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, AMENDED AND REVISED 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 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 Group's 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.

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

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

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions and impairment of goodwill are enhanced. Refer to Note 23 for the related disclosures.

b. 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 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
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. Under IFRS 9, the requirement for the classification of financial assets is stated below.

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

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

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

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

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

a) Unlisted stocks measured at cost will be measured at fair value instead;

b) Debt investments classified as debt investments with no active market and measured at amortized cost will be classified as measured at amortized cost under IFRS 9 because, on initial recognition, the contractual cash flows that are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is to collect contractual cash flows.

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, and 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.

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

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

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

	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
Impact on assets, liabilities and equity			
Financial assets measured at amortized cost - current	$ -	$ 1,568,073	$ 1,568,073
Debt investments with no active market - current	$ 1,568,073	$ (1,568,073)	$ -
Financial assets at fair value through other comprehensive income - non-current	$ -	$ 12,662	$ 12,662
Financial assets measured at cost - non-current	$ 12,662	$ (12,662)	$ -

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 Group recognizes revenue by applying the following steps:

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

Input method recognizes revenue on the basis of the entity’s efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation. When a cost incurred is not proportionate to the entity’s progress in satisfying the performance obligation. In those circumstances, the best depiction of the entity’s performance may be to adjust the input method to recognize revenue only to the extent of that cost method. Currently, revenue and costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred to date relative to the estimated total contract cost under IAS 18.

Under IFRS 15, the net effect of revenue recognized and consideration received and receivable is recognized as a contract asset or a contract liability. Currently, the receivable is recognized or the deferred revenue is reduced when revenue is recognized for the contract under IAS 18.

If a contract with a customer becomes onerous, the Group will recognize impairment of related inventories or provisions for onerous contracts. Currently, the expected loss on construction contracts is recognized and adjusted to amounts due from (to) customers for construction contracts.

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

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

The anticipated impact on assets, liabilities and equity when retrospectively applying IFRS 15 as of January 1, 2018 is detailed below:

	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
Contract assets	$ -	$ 148,466	$ 148,466
Trade receivables	1,087,839	(216,654)	871,185
Deferred income tax assets	34,907	29,885	64,792
Total effect on assets	$ 1,122,746	$ (38,303)	$ 1,084,443
Contract liabilities	$ -	$ 1,206,858	$ 1,206,858
Trade payables	382,819	(11,621)	371,198
Provisions	-	10,167	10,167
Advance receipts	1,097,799	(1,097,799)	-
Total effect on liabilities	$ 1,480,618	$ 107,605	$ 1,588,223
Retained earnings	$ 3,195,358	$ (145,908)	$ 3,049,450

3) IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

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

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

Except for the above impact, as of the date the financial statements were authorized for issue, the Group is assessed the that the application of other standards and interpretations will not have a material impact on the Group's financial position and financial performance.

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 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.

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

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

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

2) IFRIC 23 "Uncertainty Over Income Tax Treatments"

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

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

3) Annual Improvements to IFRSs 2015-2017 Cycle

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

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

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurements inputs are observable and the significance of the inputs to the fair value measurement in its entirety. The levels of inputs 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 the asset or liability.

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

Current assets include:

1) Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

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

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

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

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the subsidiaries controlled by the Company. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

See Note 11, Tables 4 and 5 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

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

Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group foreign operations (including of the subsidiaries in other countries or currencies used different with the Company) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income.

f. Inventories

Inventories 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. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

g. Property, plant and equipment

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

Depreciation on 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 method are reviewed at the end of each reporting period, with the effect of any changes in estimate 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.

h. Investment property

Investment property is property held to earn rentals and/or for capital appreciation. Investment property also includes land held for a currently undetermined future use.

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

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

i. Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the 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 that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

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

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

<u>Financial assets</u>

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

1) Measurement category

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

a) Available-for-sale financial assets

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

b) Loans and receivables

Loans and receivables including trade receivables, cash and cash equivalent and debt investments with no active market are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

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

2) Impairment of financial assets

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

For financial assets carried at amortized cost, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and aging analysis.

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

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

3) Derecognition of financial assets

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

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and any associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

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.

Equity instruments

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

Financial liabilities

1) Subsequent measurement

All the financial liabilities are measured at amortized cost using the effective interest method.

2) Derecognition of financial liabilities

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

k. 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.

1) Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

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

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

c) The amount of revenue can be measured reliably;

d) It is probable that the economic benefits associated with the transaction will flow to the Group; and

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

2) Rendering of services

Service income is recognized when services are provided.

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract.

The completion of the contract is measured based on the proportion of contract costs incurred to date relative to the estimated total contract costs.

l. Leasing

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

1) The Group as lessor

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

2) The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheets as a finance lease obligation.

Finance expenses implicit in lease payments for each period are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized.

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

3) Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. The minimum lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

If the allocation of the lease payments can be made reliably, lease interest of land under operating leases is amortized over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

m. 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 service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the 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 liability are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability represents the actual deficit in the Group's defined benefit plan.

3) Other long-term employee benefits

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

n. 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 stockholders approve to retain the 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 in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all taxable profits will be available against which those deductible temporary differences can be utilized.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period 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 the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

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

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

a. Estimated impairment of trade receivables

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

b. Impairment of inventory

Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value was based on current market conditions and the historical experience of selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2017	**2016**
Cash on hand	$ 902	$ 1,444
Checking accounts and demand deposits	825,581	1,190,618
Cash equivalent (investment with original maturities less than three months)		
Time deposits	108,800	158,388
	$ 935,283	$ 1,350,450

The market rate intervals of cash in bank at the end of the reporting period were as follows:

	December 31	
	2017	**2016**
Bank deposits (%)	0.01-1.70	0.01-1.70

7. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT

	December 31	
	2017	2016
Non-current		
Domestic unlisted common stock	$ 6,662	$ 16,662
Domestic unlisted preferred stock	6,000	6,000
	$ 12,662	$ 22,662
Classified according to financial asset measurement categories		
Available-for-sale financial assets	$ 12,662	$ 22,662

Management believed that the above unlisted equity investments held by the Group, whose fair value cannot be reliably measured due to the range of reasonable fair value estimates was so significant; therefore, they were measured at cost less impairment at the end of reporting period.

8. DEBT INVESTMENTS WITH NO ACTIVE MARKET - CURRENT

	December 31	
	2017	2016
Current		
Time deposits with original maturities more than 3 months	$ 1,552,675	$ 1,077,950
Pledge deposits	15,398	28,336
	$ 1,568,073	$ 1,106,286
Rate intervals (%)	0.30-2.75	0.30-2.75

9. TRADE RECEIVABLES

	December 31	
	2017	2016
Trade receivables		
Operating	$ 1,159,236	$ 1,145,180
Less: Factored trade receivable	(30,916)	(46,982)
Less: Allowance for impairment loss	(40,481)	(16,848)
	$ 1,087,839	$ 1,081,350

The Group signed the agreements of factoring without recourse with financial institutions. For the information about the transfer of financial instruments, refer to Note 22 (c)4.

The average credit period for sales of goods is 90 to 120 days, and no interest is charged on accounts receivable. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the accounts receivable from the date when credit was initially granted up to the balance sheet date. Allowances for doubtful amounts are based on estimated irrecoverable amounts determined by referring to the counterparty's past default experience of the counterparty's current financial position. For the trade receivables balances that were past due for more than 180 days, unless specific reasons disagree, the Group will recognize an allowance for impairment loss amounted at 50%.

For the trade receivables balances that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss, because there was not a significant change in credit quality and the amounts were still considered recoverable. The Group did not hold any collateral or other credit enhancements for these balances.

The aging of receivables was as follows:

	December 31	
	2017	**2016**
Not past due	$ 918,176	$ 808,694
Less than 120 days	170,561	210,314
121-180 days	838	14,956
Over 180 days	38,745	64,234
	$ 1,128,320	$ 1,098,198

The above aging schedule was based on the past due days from end of credit period.

The aging of receivables that were past due but not impaired was as follows:

	December 31	
	2017	**2016**
Less than 120 days	$ 26,408	$ 78,568
121-180 days	274	4,767
Over 180 days	1,851	5,801
	$ 28,533	$ 89,136

The above aging schedule was based on the past due days from end of credit period.

The movements of the allowance for doubtful trade receivables (including other receivables and overdue receivables) were as follows:

	Individually Assessed for Impairment	**Collectively Assessed for Impairment**	**Total**
Balance at January 1, 2016	$ 49,967	$ 16,318	$ 66,285
Add: Impairment losses recognized (reversed) on receivables	(16,347)	959	(15,388)
Less: Amounts written off during the period as uncollectible	(3,740)	(75)	(3,815)
Foreign exchange translation gains and losses	(957)	(354)	(1,311)
Balance at December 31, 2016	$ 28,923	$ 16,848	$ 45,771
Balance at January 1, 2017	$ 28,923	$ 16,848	$ 45,771
Add: Impairment losses recognized (reversed) on receivables	(6,302)	23,906	17,604
Foreign exchange translation gains and losses	(138)	(273)	(411)
Balance at December 31, 2017	$ 22,483	$ 40,481	$ 62,964

The Group recognized impairment loss on trade receivables amounting to $22,483 thousand and $28,923 thousand as of December 31, 2017 and 2016, respectively. The Group did not hold any collateral over these balances.

The amount recognized impairment loss above has been reclassified as overdue receivable.

10. INVENTORIES

	December 31	
	2017	2016
Merchandise	$ 1,593,742	$ 1,413,948

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2017 and 2016 was $2,781,572 thousand and $2,977,590 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2017 and 2016 included reversals of inventory write-downs of $5,314 thousand and inventory write-downs of $59,822 thousand, respectively.

11. SUBSIDIARIES

a. Subsidiaries included in consolidated financial statements

Investor	Investee	Main Business	% of Ownership December 31 2017	% of Ownership December 31 2016	Note
The Company	Lumax International Ltd. (Lumax BVI)	International trade, transit trade, warehousing, and processing	100.00	100.00	-
The Company and Lumax BVI	Zennor Ltd. (Zennor)	International trade, transit trade, warehousing, and processing	100.00	100.00	-
Lumax BVI	Dalian Ftz Lumax International Trade Co., Ltd. (Dalian Lumax)	a) Import and export business b) Dealership and agency service quotations and tenders of products or services of companies in the bonded area c) Planning and application of computer software programs	100.00	100.00	-
	Wimax Hi-Tech (Shen Zhen) Co., Ltd. (Wimax)	Producing new styles of insulating materials, power supplies and computer connectors with thermostat and bearing high pressure	100.00	100.00	-
	Zmax Hi-Tech (Su Zhou) Co., Ltd. (Zmax)	To process H.F. level of thermostable insulating materials, thermal transfer materials, tape materials, LCD and etc. sale of products produced by the Company, install and maintain valves and calibration instruments.	100.00	100.00	-
	Lumax International (Xiamen) Co., Ltd. (Lumax Xiamen)	Producing new styles of insulating materials, power supplies and computer connectors with thermostat and bearing high pressure	-	100.00	Note
Zennor	Dalian Ftz Zennor International Industry & Trade Co., Ltd. (Dalian Zennor)	International trade, transit trade, processing, merchandise show and consulting services	100.00	100.00	-
Zennor and Dalian Lumax	Lumax International (Shanghai) Co., Ltd. (Lumax Shanghai)	To manufacture and design computer system, instruments, measuring appliance industry automation instruments and sale of products made by the Company	100.00	100.00	-
Dalian Zennor	Dalian Chuangzhan Mechanical and Electrical Equipment Maintenance Services Limited (Dalian Chuangzhan)	The installation of mechanical and electrical equipment, on-site maintenance; sales, import and export of goods, technology import and export, instrument sales; assembly, repair and instrument calibration of mechanical/electrical products	100.00	100.00	-

Note: The Company has been liquidated on August 31, 2017.

b. Subsidiaries excluded from consolidated financial statements: None.

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Leasehold Improvements	Other Equipment	Total
Cost								
Balance at January 1, 2016	$ 383,087	$ 600,362	$ 68,717	$ 53,215	$ 58,167	$ 18,238	$ 32,651	$ 1,214,437
Additions	-	63,055	6,497	3,275	1,248	181	1,934	76,190
Disposals	-	(150)	(191)	(3,100)	(16,411)	(5,908)	(1,581)	(27,341)
Prepayments for equipment	-	79,587	2,033	-	-	-	-	81,620
Reclassification	(20,850)	(71,743)	-	-	623	-	(623)	(92,593)
Effect of foreign currency exchange differences	-	(7,018)	(1,561)	(1,325)	(793)	(1,124)	(1,796)	(13,617)
Balance at December 31, 2016	$ 362,237	$ 664,093	$ 75,495	$ 52,065	$ 42,834	$ 11,387	$ 30,585	$ 1,238,696
Accumulated depreciation								
Balance at January 1, 2016	$ -	$ 135,612	$ 52,570	$ 33,014	$ 48,708	$ 15,977	$ 23,667	$ 309,548
Disposals	-	-	(183)	(2,958)	(16,341)	(5,514)	(1,582)	(26,578)
Depreciation expense	-	11,838	4,572	6,149	3,016	587	1,897	28,059
Reclassified	-	(29,732)	-	-	225	-	(225)	(29,732)
Effect of foreign currency exchange differences	-	(1,967)	(847)	(1,080)	(666)	(989)	(1,386)	(6,935)
Balance at December 31, 2016	$ -	$ 115,751	$ 56,112	$ 35,125	$ 34,942	$ 10,061	$ 22,371	$ 274,362
Carrying amount at December 31, 2016	$ 362,237	$ 548,342	$ 19,383	$ 16,940	$ 7,892	$ 1,326	$ 8,214	$ 964,334
Cost								
Balance at January 1, 2017	$ 362,237	$ 664,093	$ 75,495	$ 52,065	$ 42,834	$ 11,387	$ 30,585	$ 1,238,696
Additions	-	97,445	606	4,509	460	-	20	103,040
Disposals	-	-	(258)	(1,924)	(2,031)	-	(4,988)	(9,201)
Reclassification	-	-	4,905	-	-	-	15,347	20,252
Effect of foreign currency exchange differences	-	235	(214)	(172)	(119)	(128)	(302)	(700)
Balance at December 31, 2017	$ 362,237	$ 761,773	$ 80,534	$ 54,478	$ 41,144	$ 11,259	$ 40,662	$ 1,352,087
Accumulated depreciation								
Balance at January 1, 2017	$ -	$ 115,751	$ 56,112	$ 35,125	$ 34,942	$ 10,061	$ 22,371	$ 274,362
Disposals	-	-	(258)	(1,902)	(1,903)	-	(4,790)	(8,853)
Depreciation expense	-	12,727	5,212	5,549	2,637	505	2,122	28,752
Effect of foreign currency exchange differences	-	(258)	(107)	(149)	(102)	(107)	(239)	(962)
Balance at December 31, 2017	$ -	$ 128,220	$ 60,959	$ 38,623	$ 35,574	$ 10,459	$ 19,464	$ 293,299
Carrying amount at December 31, 2017	$ 362,237	$ 633,553	$ 19,575	$ 15,855	$ 5,570	$ 800	$ 21,198	$ 1,058,788

The prepayments reclassified to property, plant and equipment, which amounted to $79,587 thousand are the equipment for the construction of Taoyuan Industrial Park had passed the examination in 2016.

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

Building	
Main buildings	55 years
Building improvements	5-10 years
Machinery and equipment	5 years
Transportation equipment	5 years
Office equipment	5 years
Leasehold improvements	10 years
Other equipment	5-20 years

Refer to Note 24 for the carrying amount of property, plant and equipment pledged by the Group to secure borrowings granted to the Group.

13. INVESTMENT PROPERTY

	December 31	
	2017	2016
Completed investment property	$ 115,565	$ 118,406

The investment property held by the Group are depreciated over their estimated useful lives using the straight-line method as follows:

Main buildings	55 years
Building improvements	5-10 years

The fair value of the Group's investment property for the years ended December 31, 2017 and 2016 was $502,238 thousand and $527,791 thousand, respectively. The fair value was evaluated without independent evaluators. The valuation was arrived at by reference to the market evidence of transaction prices for similar properties.

All of the Group's investment property was held under freehold interests. The carrying amount of investment property pledged by the Group to secure borrowings/general banking facilities granted to the Company was reflected in Note 24.

14. BORROWINGS

	December 31	
	2017	2016
Secured borrowings (Note 24)	$ 130,391	$ 150,595
Less: Current portion	(20,540)	(19,995)
	$ 109,851	$ 130,600
Interest rate (%)	1.66	1.66
Due date	2024.1.17	2024.1.17

15. OTHER PAYABLES

	December 31	
	2017	2016
Salaries and bonus	$ 106,014	$ 106,402
Employee compensation and remuneration to directors and supervisors	60,616	57,666
Others	42,440	48,863
	$ 209,070	$ 212,931

16. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

The employees of the Group's subsidiaries in the People's Republic of China are members of a state-managed retirement benefit plan operated by the government of People's Republic of China. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

The defined benefit plan adopted by the Company of the Group in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 10% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the Bureau); the Group has no right to influence the investment policy and strategy.

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

	December 31	
	2017	**2016**
Present value of defined benefit obligation	$ 253,728	$ 247,472
Fair value of plan assets	(130,812)	(121,201)
Net defined benefit liability	$ 122,916	$ 126,271

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liability**
Balance at January 1, 2016	$ 232,987	$ (111,771)	$ 121,216
Service cost			
Current service cost	1,414	-	1,414
Net interest expense (income)	3,495	(1,781)	1,714
Recognized in profit or loss	4,909	(1,781)	3,128

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	$ -	$ 970	$ 970
Actuarial loss - changes in demographic assumptions	4,025	-	4,025
Actuarial loss - changes in financial assumptions	8,368	-	8,368
Actuarial loss - experience adjustments	2,082	-	2,082
Recognized in other comprehensive income	14,475	970	15,445
Contributions from the employer	-	(13,518)	(13,518)
Benefits paid	(4,899)	4,899	-
Balance at December 31, 2016	247,472	(121,201)	126,271
Service cost			
Current service cost	1,551	-	1,551
Net interest expense (income)	2,784	(1,441)	1,343
Recognized in profit or loss	4,335	(1,441)	2,894
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	237	237
Actuarial loss - changes in demographic assumptions	4,742	-	4,742
Actuarial loss - experience adjustments	2,379	-	2,379
Recognized in other comprehensive income	7,121	237	7,358
Contributions from the employer	-	(13,607)	(13,607)
Benefits paid	(5,200)	5,200	-
Balance at December 31, 2017	$ 253,728	$ (130,812)	$ 122,916

(Concluded)

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

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

2) Interest risk: A decrease in the 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 significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2017	**2016**
Discount rates(s)	1.125%	1.130%
Expected rates of salary increase	2.500%	2.500%

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(s)		
0.25% increase	$ (5,613)	$ (5,690)
0.25% decrease	$ 5,813	$ 5,898
Expected rate(s) of salary increase		
0.25% increase	$ 5,639	$ 5,721
0.25% decrease	$ (5,475)	$ (5,549)

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	$ 13,680	$ 13,820
The average duration of the defined benefit obligation	9.0 years	10.7 years

17. EQUITY

a. Common stock

	December 31	
	2017	**2016**
Number of stocks authorized (in thousands)	120,000	120,000
Stocks authorized	$ 1,200,000	$ 1,200,000
Number of stocks issued and fully paid (in thousands)	106,840	118,711
Stocks issued	$ 1,068,398	$ 1,187,109

Fully paid common stock, which have a par value of $10, carry one vote per stock and carry a right to dividends.

To adjust the Company's capital structure and improve the return on equity, the stockholders in their meeting approved a 10% reduction of capital for cash on June 22, 2017. The amount of reduction was $118,711 thousand for 11,871 thousand shares.

b. Capital surplus

The capital surplus arising from stock issued in excess of par may be distributed as cash dividends or transferred to capital stock (limited to a certain percentage of the Company's capital surplus and once a year).

c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to stockholders and do not include employees. The stockholders held their regular meeting on June 29, 2016 and, in that meeting, had resolved amendments to the Company's Articles of Incorporation (the Articles), particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation.

Under the dividend policy as set forth in the amended Articles, where the Company made 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 stockholders' meeting for distribution of dividends and bonus to stockholders. For the policies on distribution of employees' compensation and remuneration to directors and supervisors after amendment, refer to Note 18 Employees' compensation and remuneration to directors and supervisors expense in (e).

The Group's dividend policy was considered with the current and future development plans, squaring up with investment environment, demanding of funds and competition both at home and abroad. Thus, the Group adopts dividend distribution policy whereby only surplus profits of the Group shall be distributed to stockholders.

In the distribution of earnings, the Company's net income is the top priority consideration. Under the balance dividend policy, prior years' unappropriated earnings will be used when current net income is not enough for distribution. The Company considers the operating scope and capital needs in dividend distribution. However, the amount of cash dividends should not be less than 20% of the total dividends to be distributed in a current year.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. 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 Order No. 1010012865 and Order 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 to a special reserve. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and thereafter distributed.

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

The appropriations of earnings for 2016 and 2015 have been approved in the stockholders' meeting on June 22, 2017 and June 29, 2016, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2016	2015	2016	2015
Legal reserve	$ 51,580	$ 57,673		
Cash dividend	237,422	356,132	$ 2.0	$ 3.0

The appropriations of earnings for 2017 had been proposed by the Company's board of directors on March 23, 2018. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 50,667	
Special reserve	61,185	
Cash dividends	352,571	$3.3

The appropriations of earnings for 2017 are subject to the resolution of the stockholders meeting to be held on June 26, 2018.

18. NET PROFIT AND OTHER COMPREHENSIVE INCOME PROFIT BEFORE INCOME TAX

Net profit for the year was as follows:

a. Other income

	For the Year Ended December 31	
	2017	2016
Interest income	$ 22,693	$ 19,362
Rental income	4,278	4,559
Others	5,335	15,750
	$ 32,306	$ 39,671

b. Other gains and losses

	For the Year Ended December 31	
	2017	2016
Net foreign exchange (losses) gains	$ (27,202)	$ 1,614
Impairment loss recognized on financial assets measured at cost	(14,032)	-
Others	(14,981)	(7,355)
	$ (56,215)	$ (5,741)

c. Depreciation and amortization

	For the Year Ended December 31	
	2017	2016
Property, plant and equipment	$ 28,752	$ 28,059
Investment property	2,481	2,481
Intangible assets	3,042	3,026
	$ 34,275	$ 33,566
An analysis of depreciation by function		
Operating costs	$ 616	$ 756
Operating expenses	30,617	29,784
	$ 31,233	$ 30,540
An analysis of amortization by function		
Operating expenses	$ 3,042	$ 3,026

d. Employee benefits expense

	For the Year Ended December 31	
	2017	2016
Short-term benefits	$ 479,397	$ 493,531
Post-employment benefits (see Note 16)		
Defined contribution plans	13,802	13,231
Defined benefit plans	2,894	3,128
Other employee benefits	65,780	61,515
	$ 561,873	$ 571,405
An analysis of employee benefits expense by function		
Operating costs	$ 60,306	$ 47,897
Operating expenses	501,567	523,508
	$ 561,873	$ 571,405

e. Employees' compensation and remuneration to directors and supervisors

The Company accrued employees' compensation and remuneration to directors and supervisors at the rates of no less than 2% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors. The employees' compensation and remuneration to directors and supervisors for the years ended December 31, 2017 and 2016 which have been approved by the Company's board of directors on March 23, 2018 and March 24, 2017, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2017	2016
Employees' compensation	7.89%	7.30%
Remuneration to directors and supervisors	1.00%	1.00%

Amount

	For the Year Ended December 31			
	2017		2016	
	Cash	Stock	Cash	Stock
Employees' compensation	$ 53,795	$ -	$ 50,860	$ -
Remuneration to directors and supervisors	6,821	-	6,806	-

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

There was no difference between the actual amounts of employees' compensation and remuneration to directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2016 and 2015.

Information on the employees' compensation and remuneration to directors and supervisors resolved by the Company's board of directors in 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

19. INCOME TAXES

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

	For the Year Ended December 31	
	2017	2016
Current tax		
In respect of the current year	$ 275,113	$ 107,235
Income tax on unappropriated earnings	21,661	15,514
Adjustments for prior years	875	2,090
Deferred tax		
In respect of the current year	(152,423)	(9,192)
Income tax expense recognized in profit or loss	$ 145,226	$ 115,647

A reconciliation of accounting profit and income tax expenses is as follows:

	For the Year Ended December 31	
	2017	2016
Profit before tax	$ 651,896	$ 631,449
Income tax expense calculated at the statutory rate	$ 137,955	$ 98,177
Tax-exempt income	-	(136)
Others	-	2
Income tax on unappropriated earnings	21,661	15,514
Foreign tax credit	(15,265)	-
Adjustments for prior years' tax	875	2,090
Income tax expense recognized in profit or loss	$ 145,226	$ 115,647

In February 2018, it was announced that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets and deferred tax liabilities recognized as at December 31, 2017 are expected to be adjusted and increase by $6,160 thousand and $35,288 thousand, respectively, in 2018.

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

b. Deferred tax assets and liabilities

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

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Deferred tax assets					
Defined benefit obligation	$ 15,688	$ (1,863)	$ 1,251	$ -	$ 15,076
Loss on inventories	14,280	(4,369)	-	-	9,911
Others	5,217	4,703	-	-	9,920
	$ 35,185	$ (1,529)	$ 1,251	$ -	$ 34,907
Deferred tax liabilities					
Investment income recognized under equity method	$ 353,917	$ (153,952)	$ -	$ -	$ 199,965

For the year ended December 31, 2016

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Deferred tax assets					
Defined benefit obligation	$ 14,876	$ (1,813)	$ 2,625	$ -	$ 15,688
Loss on inventories	6,749	7,531	-	-	14,280
Others	7,123	(1,906)	-	-	5,217
	$ 28,748	$ 3,812	$ 2,625	$ -	$ 35,185
Deferred tax liabilities					
Investment income recognized under equity method	$ 344,523	$ 9,394	$ -	$ -	$ 353,917
Others	15,268	(14,774)	-	(494)	-
	$ 359,791	$ (5,380)	$ -	$ (494)	$ 353,917

c. Integrated income tax

	December 31	
	2017	2016
Unappropriated earnings		
Generated before January 1, 1998	$ 41,124	$ 41,124
Generated on and after January 1, 1998	2,362,592	2,151,031
	$ 2,403,716	$ 2,192,155
Imputation credits accounts	$ 416,356	$ 344,010

	For the Year Ended December 31	
	2017 (Expected)	2016 (Actual)
Creditable ratio for distribution of earnings (%)	Note	19.57

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

d. Income tax assessments

Income tax returns through 2014 had been examined and cleared by the tax authorities.

20. EARNINGS PER SHARE

The earnings and weighted average number of common stock outstanding in the computation of earnings per share were as follows:

Net Profit for the Year

	For the Year Ended December 31	
	2017	2016
Earnings used in the computation of basic/diluted earnings per share	$ 506,670	$ 515,802

Weighted-average Number of Common Stocks Outstanding (In Thousand Shares)

	For the Year Ended December 31	
	2017	2016
Weighted average number of common stock in computation of basic earnings per share	113,377	118,711
Effect of potentially dilutive common stock:		
Employees' compensation or bonus issue to employees	1,176	1,482
Weighted average number of common stock used in the computation of diluted earnings per share	114,553	120,193

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

21. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stockholders through the optimization of the debt and equity balance. The Group's capital management aims to maintain the sufficiency of financial resources and the soundness of operating strategies to meet the needs for operating capital, capital expenditure, R & D expenses, debt handling, dividend disbursement, etc.

The capital structure of the Group consists of equity of the Group (comprising issued capital, reserves, retained earnings and other equity).

The Group is not subject to any externally imposed capital requirements.

22. FINANCIAL INSTRUMENTS

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

Management believes the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

b. Categories of financial instruments

	December 31	
	2017	**2016**
Financial assets		
Loans and receivables (1)	$ 3,810,768	$ 3,811,809
Available-for-sale financial assets (2)	12,662	22,662
Financial liabilities		
Amortized cost (3)	749,086	755,990

1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, notes receivable, trade and other receivables and refundable deposits.

2) The balances included the carrying amount of available-for-sale financial assets measured at cost.

3) The balances included financial liabilities measured at amortized cost, which comprise notes payable, trade and other payables, long-term loans and guarantee deposits.

c. Financial risk management objectives and policies

The Group's major financial instruments include cash and cash equivalents, debt investment with no active market, notes receivable, trade receivables, long-term borrowings, notes payable, trade payables and other payables. The Group's financial risk management pertains to financial risks relating to the operations of the Group, including currency risk, interest rate risk, credit risk and liquidity risk. The Group seeks to identify, evaluate and hedge against market uncertainties to lower the effect of market changes on the Group's financial performance.

1) Market risk

The Group's activities expose it primarily to the financial risks of changes in exchange rates (see Item (a) below) and interest rates (see Item (b) below).

There had been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

The Company and its subsidiaries had foreign currency sales and purchases, which exposed the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) are set out in Note 26.

Sensitivity analysis

The Group was mainly exposed to USD.

The Group's sensitivity to a 5% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates.

A positive number below indicates an increase in pre-tax profit associated with New Taiwan dollars strengthen 5% against the relevant currency. For a 5% weakening of New Taiwan dollars against the relevant currency, pre-tax profits would have decreased/increased by $69,960 thousand and $10,640 thousand for the years ended December 31, 2017 and 2016, respectively.

b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrow funds at floating interest rates. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

The carrying amounts of the financial assets and liabilities exposed to interest rates were as follows:

	December 31	
	2017	**2016**
Fair value interest rate risk		
Financial assets	$ 1,676,873	$ 1,236,338
Cash flow interest rate risk		
Financial assets	835,546	1,202,626
Financial liabilities	130,391	150,595

Sensitivity analysis

The sensitivity analyses below have been determined on the basis of the exposure to interest rates for nonderivative instruments at balance sheet dates. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the balance sheet dates outstanding for the entire period. A 50 basis point increase or decrease is 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 had been 50 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2017 and 2016 would increase/decrease by $3,526 thousand and $5,260 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable rate deposits and bank loans.

2) Credit risk

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

The Group did transactions with a large number of unrelated customers and, thus, no concentration of credit risk was observed.

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2017 and 2016, the Group's unused bank credit lines in bank were $829,930 thousand and $1,140,202 thousand, respectively.

Liquidity and interest risk tables for non-derivative financial liabilities

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables 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.

December 31, 2017

	Within 1 Year	**Over 1 Year to 5 Years**	**More Than 5 Years**
Nonderivative financial liabilities			
Long-term debt	$ 22,549	$ 90,198	$ 24,465

December 31, 2016

	Within 1 Year	**Over 1 Year to 5 Years**	**More Than 5 Years**
Nonderivative financial liabilities			
Long-term debt	$ 22,341	$ 90,198	$ 47,015

4) Transfers of financial assets

Factored trade receivables for the years ended December 31, 2017 and 2016 were as follows:

Counterparties	Receivables Sold	Amounts Collected	Advances Received at Year-end	Interest Rates on Advances Received (%)	Credit Line
2017					
First Commercial Bank	$ 21,805	$ 23,494	$ -	-	$ 17,856
SinoPac Bank	84,014	83,153	-	-	47,616
TC Bank	21,525	25,500	-	-	20,000
	$ 127,344	$ 132,147	$ -		$ 85,472
2016					
First Commercial Bank	$ 42,843	$ 64,840	$ -	-	$ 16,286
SinoPac Bank	88,083	74,566	-	-	43,860
TC Bank	23,937	21,569	-	-	20,000
	$ 154,863	$ 160,975	$ -		$ 80,146

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

23. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

a. Related parties and their relationships with the Company:

Related Party	Relationship with the Company
Chunghang Investment Ltd.	Other related parties
Huii Investment Ltd.	Other related parties
Lushun Investment Ltd.	Other related parties

b. Rental revenue

Related Party Categories	For the Year Ended December 31 2017	2016
Other related parties	$ 47	$ 24

The rent is determined according to market conditions and charged monthly.

c. Compensation of key management personnel:

	For the Year Ended December 31	
	2017	2016
Short-term employee benefits	$ 77,211	$ 72,623
Post-employment benefits	5,146	4,606
Other long-term employee benefits	1,773	1,801
	$ 84,130	$ 79,030

The remuneration of directors and key executives is determined by the remuneration committee on the basis of the performance of individuals and market trends.

24. ASSETS PLEDGED

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

	December 31	
	2017	2016
Property, plant and equipment	$ 354,566	$ 358,867
Investment property	115,565	118,046
Pledge deposits (classified as debt investments with no active market - current)	15,398	28,336
Restricted deposits (classified as other receivables)	11,568	12,536
	$ 497,097	$ 517,785

25. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2017 and 2016 were as follows:

a. As of December 31, 2017 and 2016, the Group issued refundable guarantee bills, and guarantee letters of credit in the amounts of $735,220 thousand and $1,276,455 thousand, respectively, as guarantees for performance of purchases or sales.

b. The dispute between the Company and CPC Corporation, Taiwan (CPC) about the power outages on August 15, 2017 in Taoyuan has had the following developments.

   1) No criminal responsibility was raised by the Taoyuan District Prosecutor’s Office on September 21, 2017.

   2) According to the lawyer's letter dated March 12, 2018, since CPC has not claimed a definite amount of recourse and the Company is still legally defendable, the outcome of the case cannot be determined and the Company cannot make a reliable estimate of the contingent liability, if any, at this time.

26. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the group entities 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:

December 31, 2017

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 54,364	29.76 (USD:NTD)	$ 1,617,870
Financial liabilities			
Monetary items			
USD	7,348	29.76 (USD:NTD)	$ 218,664

December 31, 2016

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 13,357	32.25 (USD:NTD)	$ 430,773
Financial liabilities			
Monetary items			
USD	6,759	32.25 (USD:NTD)	$ 217,981

For the years ended December 31, 2017 and 2016, realized and unrealized net foreign exchange gain (loss) were $(27,202) thousand and $1,614 thousand, respectively. Because of the wide variety of foreign currencies involved in transactions as well as the functional currencies adopted by subsidiaries of the Company, the foreign exchange gains or losses cannot be disclosed by their impacts to the consolidated financial statements.

27. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others. (Table 1)

2) Endorsements/guarantees provided. (Table 2)

3) Marketable securities held (excluding investment in subsidiaries). (Table 3)

4) Marketable securities acquired and disposed at costs or prices at least NT$300,000 thousand or 20% of the paid-in capital: None

5) Acquisition of individual real estate at costs of at least NT$300,000 thousand or 20% of the paid-in capital: None

6) Disposal of individual real estate at prices of at least NT$300,000 thousand or 20% of the paid-in capital: None

7) Total purchases from or sales to related parties amounting to at least NT$100,000 thousand or 20% of the paid-in capital. None

8) Receivables from related parties amounting to at least NT$100,000 thousand or 20% of the paid-in capital: None

9) Trading in derivative instruments: (Table 4)

10) Other: Intercompany relationships and significant intercompany transactions: (Table 6)

11) Information on investees. None

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 5)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (Tables 2 and 5):

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

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

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

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

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

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

28. SEGMENT INFORMATION

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

Process control instrument - department A
Process control system - department B
Telecommunication and linear transmission - department C
Electronics component - department D
Other process control - department CN

a. Segment revenues and results

	Segment Revenue		Segment Income Before Tax	
	For the Year Ended December 31		For the Year Ended December 31	
	2017	2016	2017	2016
Department A	$ 1,911,234	$ 2,096,087	$ 597,082	$ 542,573
Department B	758,629	844,409	241,862	246,003
Department C	716,536	542,155	43,132	16,884
Department D	773,315	782,730	40,971	44,920
Department CN	691,442	810,787	68,358	30,361
Adjustments and eliminations	(219,228)	(258,738)	-	-
Total operating segments	$ 4,631,928	$ 4,817,430	991,405	880,741
Management costs and remuneration of directors and supervisors			(313,199)	(280,369)
Non-operating income and expenses			(26,310)	31,077
Income before tax			$ 651,896	$ 631,449

The above revenues were generated through transactions with external customers. The inter-segment revenue for the years ended December 31, 2017 and 2016 had been adjusted and eliminated from the consolidated financial statements.

Segment operating income refers to profits earned by each segment, excluding management costs and remuneration of directors and supervisors and non-operating income and expenses. This is the measure reported to the Group's chief operating decision maker to allocate resources to each segment and evaluate its performance.

b. Segment assets

The Group's measure of assets is not provided to the chief operating decision maker; thus, measure of assets is disclosed zero.

c. Revenue from major products and services

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

	For the Year Ended December 31	
	2017	2016
Process control	$ 3,211,034	$ 3,562,323
Electronics	1,420,894	1,255,107
	$ 4,631,928	$ 4,817,430

d. Geographical information

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

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

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2017	2016	2017	2016
Taiwan	$ 3,255,321	$ 3,514,342	$ 1,034,784	$ 1,053,549
China	1,227,596	1,021,212	197,042	97,085
Others	149,011	281,876	6,139	9,356
	$ 4,631,928	$ 4,817,430	$ 1,237,965	$ 1,159,990

Non-current assets exclude financial instruments and deferred tax assets.

TABLE 1

LUMAX INTERNATIONAL CORP., LTD AND SUBSIDIARIES

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

No.	Financing Company Name	Financial Statement Account	Counterparty	Maximum Balance for the Period	Ending Balance	Balance Used	Interest Rate	Financing Provided (Note 3)	Transaction Amount	Reasons for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company (Note 1)	Financing Company's Financing Amount Limits (Note 2)
												Item	Value		
1	Lumax BVI	Other receivable	Zennor	$ 78,363	$ 74,400	$ 74,400	-	b	$ -	Working capital	$ -	-	$ -	$ 728,561 (a)	$ 971,414 (a)
2	Dalian Lumax	Other receivable	Lumax Shanghai	13,713	-	-	-	b	-	Working capital	-	-	-	256,436 (b)	341,915 (b)
		Other receivable	Wimax	27,390	27,390	27,390	4.75%	b	-	Working capital	-	-	-	256,436 (b)	341,915 (b)
		Other receivable	Zmax	45,650	45,650	45,650	4.75%	b	-	Working capital	-	-	-	256,436 (b)	341,915 (b)
3	Lumax Xiamen	Other receivable	Wimax	4,586	-	-	-	b	-	Working capital	-	-	-	-	-

Note 1: The financing amounts to any one borrower should not exceed 60% of the net worth.

a. Lumax BVI ($1,214,268 × 60% ＝ $728,561)
b. Dalian Lumax ($427,394 × 60% ＝ $256,436)

Note 2: The financing amounts should not exceed 80% of the net worth.

a. Lumax BVI ($1,214,268 × 80% ＝ $971,414)
b. Dalian Lumax ($427,394 × 80% ＝ $341,915)

Note 3: Explanations of financing provided are as follows:

a. For transaction.
b. For short-term financing.

TABLE 2

LUMAX INTERNATIONAL CORP., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	The Company	Lumax BVI	Subsidiary	$ 1,284,493	$ 209,831	$ 209,831	$ 53,535	$ -	4.90	$ 4,281,643	Y	-	-	
		Zennor Ltd	Subsidiary	1,284,493	94,441	34,000	-	-	0.79	4,281,643	Y	-	-	
		Zmax	Second-tier subsidiary	1,284,493	67,478	-	-	-	-	4,281,643	Y	-	Y	
		Dalian Lumax	Second-tier subsidiary	1,284,493	98,723	-	-	-	-	4,281,643	Y	-	Y	
		Lumax Shanghai		1,284,493	79,045	79,045	79,045	-	1.85	4,281,643	Y	-	Y	

Note 1: The financing amounts should not exceed 30% of the Company ($4,281,643 × 30% ＝ $1,284,493) net worth.

Note 2: The financing amounts should not exceed 100% of the Company ($4,281,643 × 100% ＝ $4,281,643) net worth.

TABLE 3

LUMAX INTERNATIONAL CORP., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
AS OF DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2017				Note
				Shares (In Thousand Shares)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
The Company	Stock							
	Prohubs International Corp.	-	Financial assets carried at cost - non-current	1,820	$ 6,662	6.74	$ -	-
	Powertec Energy Corporation	-	Financial assets carried at cost - non-current	4,677	-	0.14	-	-
	Preferred stock							
	Ta Shee Golf & Country Club	-	Financial assets carried at cost - non-current	-	6,000	-	-	-

TABLE 4

LUMAX INTERNATIONAL CORP., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars/U.S. Dollars in Thousands)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2017			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2017	December 31, 2016	Shares (In Thousand Shares)	%	Carrying Amount			
The Company	Lumax BVI	British Virgin Islands	International trade, transit trade, warehousing, and processing	$ 128,148	$ 128,148	3,500	100.00	$ 1,208,146	$ (13,408)	$ (13,408)	-
	Zennor	Samoa	International trade, transit trade, warehousing, and processing	49,570	49,570	1,510	60.16	93,535	422	254	-
Lumax BVI	Zennor	Samoa	International trade, transit trade, warehousing, and processing	US$ 1,000	US$ 1,000	1,000	39.84	US$ 2,103	US$ 14	NA	-

Note: Related information of the investee company in China is referred to Table 5.

TABLE 5

LUMAX INTERNATIONAL CORP., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars/U.S. Dollars in Thousands/Renminbi in Thousands)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance Investment from Taiwan as of January 1, 2017	Remittance of Funds		Accumulated Outward Remittance Investment from Taiwan as of December 31, 2017	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2017	Accumulated Repatriation of Investment Income as of December 31, 2017
					Outward	Inward						
Dalian Lumax	1. Import and export business. 2. Dealership and agency service quotations and tenders of products or services of companies in the bonded area. 3. Planning and applications of computer software programs.	$ 98,208 US$ 3,300	Note 1	$ 29,760 US$ 1,000	$ -	$ -	$ 29,760 US$ 1,000	$ (14,173) (RMB 3,143)	100	$ (14,173) (RMB 3,143)	$ 427,394 RMB 93,624	$ 95,190 US$ 3,199
Wimax	Producing new styles of insulating materials, power supplies and computer connectors with thermostat and bearing the high pressure.	23,808 US$ 800	Note 1	-	-	-	-	6,191 RMB 1,373	100	6,191 RMB 1,373	112,997 RMB 24,753	35,248 US$ 1,184
Zmax	To process H.F. level of thermostable insulating materials, thermal transfer materials, tape materials, LCD and etc. sale of products produced by the Company, install and maintain valves and calibration instruments.	104,160 US$ 3,500	Note 1	74,400 US$ 2,500	-	-	74,400 US$ 2,500	(7,846) (RMB 1,740)	100	(7,846) (RMB 1,740)	157,794 RMB 34,566	-
Lumax Xiamen (Note 3)	International trade, transit trade, warehousing, and processing.	29,760 US$ 1,000	Note 1	-	-	-	-	(298) (RMB 66)	100	(298) (RMB 66)	-	16,870 US$ 567
Dalian Zennor	International trade, transit trade, processing, merchandise show and consulting services.	59,520 US$ 2,000	Note 1	29,760 US$ 1,000	-	-	29,760 US$ 1,000	2,737 RMB 607	100	2,737 RMB 607	103,137 RMB 22,593	-
Lumax Shanghai	To manufacture and design computer system, instruments, measuring appliance industry automation instruments and sale of products made by the Company (with permission by management).	29,760 US$ 1,000	Note 1	15,178 US$ 510	-	-	15,178 US$ 510	(4,036) (RMB 895)	100	(4,036) (RMB 895)	8,815 RMB 1,931	-
Dalian Chuangzhan	The installation of mechanical and electrical equipment, on-site maintenance; sales, import and export of goods, technology import and export, instrument sales; assembly, repair and instrument calibration of mechanical/electrical products	45,650 RMB 10,000	Note 1	-	-	-	-	5,645 RMB 1,252	100	5,645 RMB 1,252	52,826 RMB 11,572	-

Note 1: The indirect investment made by Lumax BVI and Zennor

Note 2: The financial statements are audited by the certified public accountant of the parent company in Taiwan.

Note 3: The Company has been liquidated on August 31, 2017.

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2017		Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
Dalian Lumax	$ 29,760 (US$ 1,000)	$ 108,624 (US$3,650)	Net asset value 60% $2,568,986
Wimax	- -	29,760 (US$1,000)	
Zmax	74,400 (US$ 2,500)	104,160 (US$3,500)	
Dalian Zennor	29,760 (US$ 1,000)	59,520 (US$2,000)	
Lumax Shanghai	15,178 (US$ 510)	15,178 (US$ 510)	

(Continued)

Significant direct or indirect transactions with mainland China

Investee Company	Relationship with the Company	Purchase/Sale	Amount	Unit Price	Payment (Receivable) Terms	To Compare with General Transaction	Ending Balance		% to Total	Unrealized Gain (Loss)
Dalian Lumax	Second-tier subsidiary	Sale	$ 64,805	Note 1	Note 2	Note 1	Accounts receivable	$ 709	-	$ 6,123
Dalian Zennor	Second-tier subsidiary	Sale	94,346	Note 1	Note 2	Note 1	Accounts receivable	38,001	5	955

Note 1: Sales prices are based on the Corporation's purchasing costs plus reasonable profits.

Note 2: The Corporation collected receivables through T/T in 3-6 months after delivery of goods.

(Concluded)

TABLE 6

LUMAX INTERNATIONAL CORP., LTD. AND SUBSIDIARIES

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

Number	Company Name	Counterparty	Transaction Details				
			Flow of Transactions (Note)	Account	Amount	Transaction Terms	Percentage to Consolidated Total Operating Revenues or Total Assets
0	The Company	Lumax BVI	a	Sales revenue	$ 38,184	Base on regular terms	2
			a	Other revenue	32,205	Base on regular terms	1
			a	Receipts in advance	20,493	Base on regular terms	-
			a	Other receivables	32,205	Base on regular terms	-
		Dalian Lumax	a	Sales revenue	64,805	Base on regular terms	1
			a	Receipts in advance	21,649	Base on regular terms	-
		Dalian Zennor	a	Sales revenue	94,346	Base on regular terms	2
			a	Trade receivables	38,001	Base on regular terms	1
1	Lumax BVI	Zennor	c	Other receivables	74,400	Base on regular terms	1
2	Dalian Lumax	Wimax	c	Other receivables	27,792	Base on regular terms	-
		Zmax	c	Other receivables	46,057		1

Note: a. From parent to subsidiary.
b. From subsidiary to parent.
c. Between subsidiaries.