Hsin Kuang Steel Company Limited

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Hsin Kuang Steel Company Limited

Opinion

We have audited the accompanying financial statements of Hsin Kuang Steel Company Limited (the "Company"), which comprise the balance sheets as of December 31, 2017 and 2016, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and its financial performance and its 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 Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, 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 financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

<u>Estimated Impairment of Trade Receivables</u>

As of December 31, 2017, the net amount of notes receivable, trade receivables and overdue receivables, in New Taiwan dollars ("NT$"), was NT$2,272,799 thousand, representing 17% of the Company's total assets. When the management estimates the recoverability of note receivables, trade receivables and overdue receivables, it is based on the objective impairment evidence of the individual receivables and the condition of collateral or other credit enhancements. When there is no objective impairment evidence, the allowance for impairment loss recognized against trade receivables is based on historical experience with the counterparties and the aging of receivables.

Since the amount of trade receivables is significant for the financial statements and the estimation of impairment of notes receivable, trade receivables and overdue receivables is subject to management's judgment, it has been identified as a key audit matter.

Refer to Notes 4, 5 and 9 to the accompanying financial statements for the accounting policies and related information on the estimated impairment of trade receivables.

For our audit procedures performed in respect of the above area, we:

1. Understood and tested the design and operating effectiveness of key control over the estimated impairment of trade receivables;

2. Obtained the accounting policies for the provision of impairment of trade receivables and the aging report in order to confirm whether the sales customers have credit insurance or collateral, assessed the overall economic situation, and assessed the reasonableness of management's assumptions on the estimated impairment of trade receivables and the reasonableness of the customer credit management;

3. Tested the completeness and accuracy of the aging of receivables, compared the aging report to those of previous years, reviewed the bad debt write-offs in the current year and the prior year, and checked the recoverability of outstanding debts;

4. Examined and assessed the reasonableness of the overdue receivables of subsequent-to-period-end cash receipts, and considered if additional provisions were required.

Investments in Associates and Joint Ventures

In the year of 2017, the Company incurred NT$206,762 thousand gain on bargain purchase from the 49% equity acquisition of Mason Metal Industry Co., Ltd. To comply with the accounting treatment for the transaction of investments in associates and joint ventures, the management needs to determine the fair value of identifiable assets and liabilities, and such process involves some subjective and hypothetical judgements for the future cash flows, asset values, discount rates and etc., with a certain degree of complexity. If the fair value assessment is not appropriate, the financial statements will be misstated, so the gain from bargain purchase in investments in associates and joint ventures has been identified as a key audit matter.

Refer to Notes 4 and 12 to the accompanying financial statements for the accounting policies and related information on the investments in associates and joint ventures.

For our audit procedures performed in respect of the above area, we:

1. Acquired and examined the contracts of equity acquisition and the relating report of purchase price allocation issued by external appraisal experts.

2. Assigned the internal appraisal experts of the firm to assist the auditors in assessing the reasonableness of the assumptions used in determining the fair value of identifiable assets and liabilities in the report of purchase price allocation mentioned above.

3. Recalculated the gain on bargain purchase to confirm its accuracy and examined the relevant whether the disclosures of relevant information are complied with the accounting standards.

Responsibilities of Management and those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the 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 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 Chao-Ling Chen and Chiang-Pao Liu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 13, 2018

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

The accompanying financial statements are intended only to present the 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 financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying 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 financial statements shall prevail. Also, as stated in Note 4 to the financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

HSIN KUANG STEEL COMPANY LIMITED

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)	$ 707,695	5	$ 512,490	4
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	503,339	4	522,760	5
Available-for-sale financial assets - current (Notes 4 and 8)	81,767	1	330,402	3
Notes receivable (Notes 4, 5, 9, 31 and 32)	1,016,708	7	972,621	9
Trade receivables (Notes 4, 5, 9 and 31)	1,253,091	9	1,253,978	11
Other receivables (Notes 9 and 31)	501	-	13,651	-
Inventories (Notes 4, 5 and 10)	2,743,288	20	2,197,079	19
Prepayments	80,896	1	38,464	-
Other current financial assets (Notes 4, 11 and 32)	87,706	1	65,576	1
Other current assets (Note 15)	207	-	429	-
Total current assets	6,475,198	48	5,907,450	52
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current (Notes 4, 8 and 32)	1,850,769	14	1,811,627	16
Investments accounted for using the equity method (Notes 4 and 12)	1,351,258	10	512,323	4
Property, plant and equipment (Notes 4, 13 and 32)	3,595,147	26	2,807,392	25
Investment properties (Notes 4, 14 and 32)	268,846	2	271,313	2
Deferred tax assets (Notes 4 and 24)	13,498	-	6,422	-
Other non-current assets (Notes 4, 5, 9 and 15)	57,731	-	71,150	1
Total non-current assets	7,137,249	52	5,480,227	48
TOTAL	$ 13,612,447	100	$ 11,387,677	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 4 and 16)	$ 3,449,674	25	$ 3,202,344	28
Short-term bills payable (Notes 4 and 16)	469,508	4	189,774	2
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	38,012	-	91	-
Notes payable (Notes 4, 18 and 31)	424,271	3	433,608	4
Trade payables (Notes 4, 18 and 31)	9,820	-	73,151	-
Other payables (Note 19)	147,742	1	128,613	1
Current tax liabilities (Notes 4 and 24)	131,731	1	10,679	-
Current portion of long-term borrowings and bonds payable (Notes 4, 16 and 17)	1,010,526	8	308,418	3
Other current liabilities	104,325	1	75,935	1
Total current liabilities	5,785,609	43	4,422,613	39
NON-CURRENT LIABILITIES				
Bonds payable (Notes 4 and 17)	532,148	4	-	-
Long-term borrowings (Notes 4 and 16)	737,512	5	1,396,658	12
Provisions - non-current (Note 4)	3,570	-	-	-
Net defined benefit liabilities - non-current (Notes 4 and 20)	27,780	-	19,692	-
Deferred tax liabilities (Notes 4 and 24)	4,590	-	3,721	-
Other non-current liabilities (Note 4)	250,300	2	300	-
Total non-current liabilities	1,555,900	11	1,420,371	12
Total liabilities	7,341,509	54	5,842,984	51
EQUITY (Notes 4 and 21)				
Share capital	3,061,937	23	2,991,876	26
Capital surplus	867,686	6	1,016,806	9
Retained earnings				
Legal reserve	654,386	5	579,610	5
Special reserve	19,407	-	231,141	2
Unappropriated earnings	1,638,702	12	744,667	7
Total retained earnings	2,312,495	17	1,555,418	14
Other equity	28,820	-	(19,407)	-
Total equity	6,270,938	46	5,544,693	49
TOTAL	$ 13,612,447	100	$ 11,387,677	100

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

HSIN KUANG STEEL COMPANY LIMITED

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 (Notes 4, 22 and 31)	$ 8,167,783	100	$ 6,262,775	100
OPERATING COSTS (Notes 23 and 31)	(7,134,503)	(87)	(5,364,745)	(86)
GROSS PROFIT	1,033,280	13	898,030	14
OPERATING EXPENSES (Notes 4 and 23)				
Selling and marketing expenses	(183,472)	(2)	(138,688)	(2)
General and administrative expenses	(145,392)	(2)	(88,534)	(1)
Total operating expenses	(328,864)	(4)	(227,222)	(3)
OTHER OPERATING INCOME AND EXPENSES (Note 23)	159,076	2	69,644	1
PROFIT FROM OPERATIONS	863,492	11	740,452	12
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 23)				
Other income	13,232	-	11,534	-
Other gains and losses	105,063	1	40,570	1
Finance costs	(106,240)	(1)	(90,316)	(2)
Gain from bargain purchase - acquisition of associates and joint ventures	206,762	3	-	-
Share of profit or loss of subsidiaries and joint ventures	117,648	1	106,450	2
Total non-operating income and expenses	336,465	4	68,238	1
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	1,199,957	15	808,690	13
INCOME TAX EXPENSE (Notes 4 and 24)	(133,731)	(2)	(60,916)	(1)
NET PROFIT FOR THE YEAR	1,066,226	13	747,774	12
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit plans	(2,955)	-	(3,107)	-

(Continued)

HSIN KUANG STEEL COMPANY LIMITED

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**	**%**
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	$ (10,373)	-	$ (8,489)	-
Unrealized gain on available-for-sale financial assets	58,600	1	471,450	7
	48,227	1	462,961	7
Other comprehensive income for the year, net of income tax	45,272	1	459,854	7
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,111,498	14	$ 1,207,628	19
EARNINGS PER SHARE (Note 25)				
From continuing operations				
Basic	$ 3.49		$ 2.67	
Diluted	$ 3.30		$ 2.62	

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

HSIN KUANG STEEL COMPANY LIMITED

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

	Share Capital			Retained Earnings			Other Equity		
	Number of Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Losses on Available-for-sale Financial Assets	Total Equity
BALANCE AT JANUARY 1, 2016	275,638	$ 2,756,380	$ 1,045,575	$ 579,610	$ -	$ 231,141	$ 17,523	$ (499,891)	$ 4,130,338
Special reserve under Rule No. 1010012865 issued by the FSC	-	-	-	-	231,141	(231,141)	-	-	-
Appropriation of 2015 earnings									
Cash dividends distributed from capital surplus	-	-	(165,976)	-	-	-	-	-	(165,976)
Other changes in capital surplus									
Recognition of employee share options by the Company	-	-	1,424	-	-	-	-	-	1,424
Changes in percentage of ownership interest in subsidiaries	-	-	66	-	-	-	-	-	66
Convertible bonds converted to ordinary shares	22,562	225,616	131,370	-	-	-	-	-	356,986
Net profit for the year ended December 31, 2016	-	-	-	-	-	747,774	-	-	747,774
Other comprehensive income for the year ended December 31, 2016, net of income tax	-	-	-	-	-	(3,107)	(8,489)	471,450	459,854
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	-	744,667	(8,489)	471,450	1,207,628
Issuance of ordinary shares under employee share options	988	9,880	4,347	-	-	-	-	-	14,227
BALANCE AT DECEMBER 31, 2016	299,188	2,991,876	1,016,806	579,610	231,141	744,667	9,034	(28,441)	5,544,693
Special reserve reversed under Rule No. 1010012865 issued by the FSC	-	-	-	-	(211,734)	211,734	-	-	-
Appropriation of 2016 earnings									
Legal reserve	-	-	-	74,776	-	(74,776)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(306,194)	-	-	(306,194)
Cash dividends distributed from capital surplus	-	-	(244,955)	-	-	-	-	-	(244,955)
Other changes in capital surplus									
Equity Component of issuance of convertible bonds	-	-	54,892	-	-	-	-	-	54,892
Changes in percentage of ownership interests in subsidiaries, associates, and joint ventures	-	-	(3)	-	-	-	-	-	(3)
Net profit for the year ended December 31, 2017	-	-	-	-	-	1,066,226	-	-	1,066,226
Other comprehensive income for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(2,955)	(10,373)	58,600	45,272
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	-	1,063,271	(10,373)	58,600	1,111,498
Convertible bonds converted to ordinary shares	7,006	70,061	40,946	-	-	-	-	-	111,007
BALANCE AT DECEMBER 31, 2017	306,194	$ 3,061,937	$ 867,686	$ 654,386	$ 19,407	$ 1,638,702	$ (1,339)	$ 30,159	$ 6,270,938

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

HSIN KUANG STEEL COMPANY LIMITED

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	$ 1,199,957	$ 808,690
Adjustments for:		
Depreciation expenses	77,138	73,330
Amortization expenses	690	529
Impairment loss on receivables	34,217	8,793
Net gain on fair value changes of financial assets held for trading	(163,629)	(8,308)
Net loss (gain) on fair value changes of financial liabilities held for trading	24,856	(5,556)
Finance costs	106,240	90,316
Interest income	(775)	(913)
Dividend income	(79,959)	(57,495)
Compensation costs of employee share options	-	1,424
Share of profit of subsidiaries, associates and joint ventures	(117,648)	(106,450)
Loss on disposal of property, plant and equipment	518	3,156
Net loss on disposal of available-for-sale financial assets	55,796	-
Impairment loss recognized on available-for-sale financial assets	3,860	1,715
Write-downs (reversal of write-downs) of inventories	1,986	(302,350)
Net gain on foreign currency exchange	(47,836)	(1,908)
Net defined benefit liabilities	5,160	(21,262)
Gain from bargain purchase - acquisition of associates	(206,762)	-
Changes in operating assets and liabilities		
Decrease (increase) in financial assets held for trading	183,050	(159,198)
(Increase) decrease in notes receivable	(44,239)	3,559
Decrease (increase) in trade receivables	2,091	(167,711)
Decrease (increase) in other receivables	13,150	(6,919)
(Increase) decrease in inventories	(548,195)	35,788
Increase in prepayments	(42,432)	(24,213)
Decrease in other current assets	222	2,073
(Decrease) increase in notes payable	(9,337)	352,175
(Decrease) increase in trade payables	(65,026)	47,803
Increase in other payables	19,042	58,039
Increase in other current liabilities	28,390	41,068
Cash generated from operations	430,525	666,175
Interest received	775	913
Dividends received	79,959	57,495
Income tax paid	(16,763)	(48)
Net cash generated from operating activities	494,496	724,535
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of available-for-sale financial assets	(47,729)	(442)
Proceeds from sale of available-for-sale financial assets	246,434	-
Proceeds from the capital reduction of available-for-sale financial assets	9,731	12,450

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HSIN KUANG STEEL COMPANY LIMITED

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

	2017	2016
Acquisition of associates and joint ventures	$ (296,976)	$ -
Net cash outflow on acquisition of subsidiaries	(231,700)	(16,625)
Payments for property, plant and equipment	(836,119)	(52,642)
Proceeds from disposal of property, plant and equipment	1,549	1,605
Increase in refundable deposits	(84)	(16,738)
Payments for investment properties	-	(239,222)
Decrease in other financial assets	(22,130)	7,816
Increase in prepayments for equipment	(55,209)	(49,771)
Dividends received from subsidiaries and associates	5,220	161,903
Net cash used in investing activities	(1,227,013)	(191,666)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	9,761,730	8,184,440
Repayments of short-term borrowings	(9,460,638)	(8,481,302)
Increase (decrease) in short-term bills payable	280,000	(510,000)
Proceeds from issue of convertible bonds	601,200	-
Proceeds from long-term borrowings	750,000	600,000
Repayments of long-term borrowings	(600,000)	(500,000)
Proceeds from guarantee deposits received	250,000	-
Dividends paid	(551,149)	(165,976)
Proceeds from issue of ordinary shares under employee share options	-	14,227
Interest paid	(103,421)	(73,117)
Net cash generated from (used in) financing activities	927,722	(931,728)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	195,205	(398,859)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	512,490	911,349
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 707,695	$ 512,490

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

1. GENERAL INFORMATION

Hsin Kuang Steel Company Limited (the "Company") was incorporated in the Republic of China ("ROC") in January 1967. The original paid-in-capital was NT$200 thousands, and then ordinary shares were issued for promoting business expansion and a sound financial structure. The Company mainly engages in the cutting, stamping and sale of various steel products, including steel coils, steel plates, stainless steel, alloy steel and special steel.

The Company's share was approved to be listed on the Taipei Exchange in April 1997 and then was approved to transfer to the Taiwan Stock Exchange in August 2000. The Company's shares have been listed on the Taiwan Stock Exchange since September 2000 under the approval of the Financial Supervisory Commission of the ROC.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company's board of directors on March 13, 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) endorsed by the Financial Supervisory Commission (FSC) (collectively, the "IFRSs") endorsed and issued into effect by the FSC

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

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

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

2) IFRIC 21 “Levies”

IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government. It addresses the accounting for a liability whose timing and amount is certain and the accounting for a provision whose timing or amount is not certain. The Company accrues the related liability when the transaction or activity that triggers the payment of the levy occurs. If the obligating event occurs over a period of time (such as the generation of revenue over a period of time), the liability is recognized progressively. If an obligation to pay a levy is triggered upon reaching a minimum threshold (such as a minimum amount of revenue or sales generated), the liability is recognized when that minimum threshold is reached.

3) Annual Improvements to IFRSs 2010-2012 Cycle

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

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

IFRS 3 was amended to clarify that contingent consideration should be measured at fair value, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39. Changes in fair value should be recognized in profit or loss. The amendment should be applied prospectively to business combinations with acquisition dates on or after January 1, 2017. Refer to Note 27 for information on the business combinations that occurred in 2017.

The amended IFRS 8 requires the Company to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have “similar economic characteristics”. The amendment also clarifies that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segments’ assets are regularly provided to the chief operating decision-maker. The judgments made in applying the aggregation criteria should be disclosed retrospectively upon initial application of the amendment in 2017.

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

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

4) Annual Improvements to IFRSs 2011-2013 Cycle

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

IFRS 3 was amended to clarify that IFRS 3 does not apply to the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangements themselves. The amendment should be applied prospectively starting from January 1, 2017.

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

IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive and the application of both standards may be required to determine whether an investment property acquired is an acquisition of an asset or a business combination. The amendment will be applied prospectively to acquisitions of investment property on or after January 1, 2017.

IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive and the application of both standards may be required to determine whether the investment property acquired is an acquisition of an asset or a business combination. The amendment should be applied prospectively to acquisitions of investment property on or after January 1, 2017.

5) Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”

The amendment requires that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3, is required to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs with the exception of those principles that conflict with the guidance in IFRS 11. Accordingly, a joint operator that is an acquirer of such an interest has to:

- Measure most identifiable assets and liabilities at fair value;
- Expense acquisition-related costs (other than debt or equity issuance costs);
- Recognize deferred taxes;
- Recognize any goodwill or bargain purchase gain;
- Perform impairment tests for the cash generating units to which goodwill has been allocated; and
- Disclose required information relevant for business combinations.

The amendments also apply to the formation of a joint operation if, and only if, an existing business is contributed to the joint operation on its formation by one of the parties that participates in the joint operation.

The amendments do not apply to the acquisition of an interest in a joint operation when the parties sharing control are under common control before and after the acquisition.

The amendments should be applied to interests in joint operations acquired on or after January 1, 2017.

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

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

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

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

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

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

7) Annual Improvements to IFRSs 2012-2014 Cycle

   Several standards including IFRS 5 "Non-current assets held for sale and discontinued operations", IFRS 7, IAS 19 and IAS 34 were amended in this annual improvement.

   IFRS 5 was amended to clarify that reclassification between non-current assets (or disposal groups) "held for sale" and non-current assets "held for distribution to owners" does not constitute a change to a plan of sale or distribution. Therefore, the previous accounting treatment is not reversed. The amendment also explains that assets that no longer meet the criteria for "held for distribution to owners" and do not meet the criteria for "held for sale" should be treated in the same way as assets that cease to be classified as held for sale. The amendment should be applied prospectively to transactions that occur on or after January 1, 2017.

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

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

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

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

b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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

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

1) Annual Improvements to IFRSs 2014-2016 Cycle

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

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

2) Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"

The amendments require that market conditions and non-vesting conditions should be taken into account and vesting conditions, other than market conditions, should not be taken into account when estimating the fair value of a cash-settled share-based payment at the measurement date. Instead, they should be taken into account by adjusting the number of awards included in the measurement of the liability arising from any cash-settled share-based payment transaction.

3) 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 Company’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 Company may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The Company 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:

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

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

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

The Company 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 Company 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 Company 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 Company 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 of retrospective application of the requirements for the classification, measurement and impairment of financial assets as of January 1, 2018 is set out below:

	Carrying Amount as of December 31, 2017	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2018**
Impact on assets, liabilities and equity			
Financial assets at fair value through profit or loss - current	$ -	$ 5,485	$ 5,485
Financial assets at fair value through other comprehensive income - current	-	81,767	81,767
Financial assets at fair value through other comprehensive income - non-current	-	1,845,284	1,845,284
Available-for-sale financial assets - current	81,767	(81,767)	-
Available-for-sale financial assets - non-current	1,850,769	(1,850,769)	-
Total effect on assets	$ 1,932,536	$ -	$ 1,932,536

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

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

When applying IFRS 15, the Company 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 Company satisfies a performance obligation.

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

If the customer has retained a portion of payment to the Company in accordance with the terms of the contract in order to protect the customer from the contractor's possible failure to adequately complete its obligations under the contract, such payment arrangement does not include a significant financing component and is recognized as a contract asset before the contractual obligation is completed under IFRS 15. Currently, any retention receivable under a construction contract is recognized as a receivable and is discounted to reflect the time value of money in accordance with IAS 39.

Incremental costs of obtaining a contract will be recognized as an asset to the extent that the Company expects to recover those costs. Such an asset will be amortized on a basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Currently, related costs are recognized as expenses immediately.

IFRS 15 and the related amendments require that when another party is involved in providing goods or services to a customer, the Company is a principal if it controls the specified good or service before that good or service is transferred to a customer. Since a specified good or service is a distinct good or service, the Company determines whether it is a principal or an agent for each specified good or service.

The Company is a principal if it obtains control of any one of the following:

a) The good or another asset that it then transfers to the customer.

b) The right to a service to be performed by another party which gives the Company the ability to direct that party to provide the service to the customer on its behalf.

c) A good or service from another party that it then combines with other goods or services in providing a specified good or service to the customer.

Indicators to support the Company's assessment of whether it controls a specified good or service include, but are not limited to, the following:

a) The Company is primarily responsible for fulfilling the promise to provide the specified good or service.

b) The Company has inventory risk before or after the specified good or service is transferred to the customer.

c) The Company has discretion in establishing the price of the specified good or service.

Under IFRS 15, the net effect of revenue recognized and consideration received and receivable is recognized as a contract asset or a contract liability.

If the contract is non-cancellable, the Company will recognize a receivable and a contract liability when it has an unconditional right to considerations in accordance with IFRS 15. Currently, considerations are recognized as deferred revenue when received.

The Company 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 Company 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 and liabilities 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**
Notes receivable	$ 1,016,708	$ 24,589	$ 1,041,297
Trade receivables	1,253,091	9,024	1,262,115
Total effect on assets	$ 2,269.799	$ 33,613	$ 2,303,412
Contract liabilities - current	$ -	$ 118,632	$ 118,632
Other current liabilities	104,325	(85,019)	19,306
Total effect on liabilities	$ 104,325	$ 33,613	$ 137,938

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

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

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

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

6) Amendments to IAS 40 “Transfers of Investment Property”

The amendments clarify that the Company should transfer to, or from, investment property when, and only when, a property meets, or ceases to meet, the definition of investment property and there is evidence of a change in use. In isolation, a change in management’s intentions for the use of a property does not provide evidence of a change in use. The amendments also clarify that evidence of a change in use is not limited to those illustrated in IAS 40.

7) 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.

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

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

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

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

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

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

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

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

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

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

2) IFRS 16 "Leases"

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

Under IFRS 16, if the Company 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 Company 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 statements of comprehensive income, the Company 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 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 financing activities.

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

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

3) IFRIC 23 "Uncertainty Over Income Tax Treatments"

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

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

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

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

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

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

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

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

6) Annual Improvements to IFRSs 2015-2017 Cycle

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

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

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

Except for the above impact, as of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’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 parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

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

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

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

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

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

When preparing these parent company only financial statements, the Company used equity method to account for its investments in subsidiaries, associates and joint ventures. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, associates and joint ventures, the share of other comprehensive income of subsidiaries, associates and joint ventures and the related equity items, as appropriate, in these parent company only financial statements.

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

Current assets include:

1) Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

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

3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

d. Business combinations

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

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

e. Foreign currencies

In preparing the Company’s financial statements, transactions in currencies other than the Company’s functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

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

1) Foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

2) Transactions entered into in order to hedge certain foreign currency risks; and

3) Monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investments.

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

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

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

On the disposal of a foreign operation (i.e. a disposal of the Company’s entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is included in the calculation of equity transactions but is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

f. Inventories

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

g. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity (including a structured entity) that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

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

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the entire financial statements of the invested company. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes the reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company's financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

h. Investment in associates and joint ventures

An associate is an entity over which the Company has significant influence and which is neither a subsidiary nor an interest in a joint venture. A joint venture is a joint arrangement whereby the Company and other parties that have joint control of the arrangement have rights to the net assets of the arrangement.

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

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

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

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

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

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

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate and a joint venture. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate and the joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and the joint venture. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate and joint venture on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Company continues to apply the equity method and does not remeasure the retained interest.

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

i. Property, plant and equipment

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

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

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

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

j. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

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

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

k. Impairment of tangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets 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 Company 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.

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

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

l. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

i. Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on the financial asset. Fair value is determined in the manner described in Note 30.

ii. Available-for-sale financial assets

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

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

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

iii. Loans and receivables

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

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

b) Impairment of financial assets

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

For financial assets carried at amortized cost, such as trade receivables, are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

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

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

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

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

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

- Financial liabilities at fair value through profit or loss

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

  Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any interest or dividends paid on the financial liability. Fair value is determined in the manner described in Note 30.

b) Derecognition of financial liabilities

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

4) Convertible bonds

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

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

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

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

5) Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts.

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

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the contracts are not measured at fair value through profit or loss.

m. Provisions

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

- Contingent liabilities acquired in investments in associates and joint ventures

  Contingent liabilities acquired in investments in associates and joint ventures are initially measured at fair value at the acquisition date, when the fair value of the present obligation resulting from past events can be reliably measured. At the end of subsequent reporting periods, such contingent liabilities are measured at their amortized amount. However, if the present obligation amount is assessed to have a probable outflow of resources, the contingent liabilities shall be measured at the higher of the present obligation amount and the amortized amount.

n. Revenue recognition

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

1) Sale of goods

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

   - The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;

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

   - The amount of revenue can be measured reliably;

   - It is probable that the economic benefits associated with the transaction will flow to the Company; and

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

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

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.

3) Dividend and interest income

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

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

o. Leasing

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

1) The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and amortized on a straight-line basis over the lease term.

2) The Company as lessee

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

p. Borrowing costs

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

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

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

q. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

r. Employee share options

Employee share options granted to employees and others providing similar services.

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Company's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vested immediately.

At the end of each reporting period, the Company revises its estimate of the number of employee share options expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to the capital surplus - employee share options.

s. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred 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 Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

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

a. Estimated impairment of trade receivables

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

As of December 31, 2017 and 2016, the amount of notes receivable, trade receivables and overdue receivables was NT$2,272,799 thousand and NT$2,269,098 thousand, respectively. (After deducting the allowance for impairment loss, the amount was NT$54,133 thousand and NT$19,916 thousand, respectively.)

b. Write-down of inventories

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2017	**2016**
Cash on hand	$ 680	$ 493
Checking accounts and demand deposits	707,015	511,997
	$ 707,695	$ 512,490

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

	December 31	
	2017	**2016**
Bank balance	0.001%-0.28%	0.05%-0.10%

As of December 31, 2017 and 2016, the time deposits with an original maturity of more than 3 months were NT$87,706 thousand and NT$65,576 thousand, respectively, which were classified as other current financial assets. Refer to Note 11 for further information.

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2017	**2016**
Financial assets - current		
Financial assets held for trading		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts*	$ -	$ 8,609
Non-derivative financial assets		
Domestic quoted shares	483,174	511,276
Mutual funds	20,165	2,875
	$ 503,339	$ 522,760
Financial liabilities - current		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts*	$ 19,916	$ -
Convertible options (Note 17)	18,096	91
	$ 38,012	$ 91

* At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amounts (In Thousands)
December 31, 2017			
Buy	NTD/USD	2018.01- 2018.11	NTD1,931,361/USD64,703
December 31, 2016			
Buy	NTD/USD	2017.01-2017.10	NTD856,017/USD26,937
Sell	USD/NTD	2017.01	NTD32,883/USD1,033

The Company entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2017	2016
Current		
Domestic listed shares and emerging market shares	$ 81,767	$ 330,402
Non-current		
Domestic listed shares and emerging market shares	$ 1,408,272	$ 1,402,581
Unlisted shares - ROC	94,275	60,823
Unlisted shares - other countries	348,222	348,223
	$ 1,850,769	$ 1,811,627

Refer to Note 32 for information relating to available-for-sale financial assets pledged as security.

9. NOTES RECEIVABLE, TRADE RECEIVABLES, OTHER RECEIVABLES AND OVERDUE RECEIVABLES

	December 31	
	2017	2016
Notes receivable		
Notes receivable - operating	$ 1,018,200	$ 973,962
Less: Allowance for impairment loss	(1,492)	(1,341)
	$ 1,016,708	$ 972,621

(Continued)

	December 31	
	2017	2016
Trade receivables		
Trade receivables	$ 1,256,832	$ 1,257,154
Less: Allowance for impairment loss	(3,741)	(3,176)
	$ 1,253,091	$ 1,253,978
Other receivables		
Loan receivables	$ -	$ 13,000
Others	501	651
	$ 501	$ 13,651
Overdue receivables		
Overdue receivables	$ 51,900	$ 57,898
Less: Allowance for impairment loss	(48,900)	(15,399)
	$ 3,000	$ 42,499

(Concluded)

a. Notes receivable and trade receivables

The average credit period of sales of goods was 90 days. No interest was charged on trade receivables. In determining the recoverability of a trade receivable, the Company considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. The Company recognized an allowance for impairment loss of 100% against all receivables over 365 days because historical experience was that receivables that are past due beyond 365 days are not recoverable. An allowance for impairment loss was recognized against trade receivables between 90 days and 365 days based on the estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial positions.

For the trade receivables balances that were past due at the end of the reporting period were NT$104,212 thousand and NT$59,663 thousand on December 31, 2017 and 2016, respectively, which are disclosed in the aging analysis below. The Company did not recognize an allowance for impairment loss, because there was no significant change in the credit quality and the amounts. The Company did not hold any collateral or other credit enhancements for these balances. In addition, the Company does not have the legal right to off-set the trade receivables with trade payables from the same counterparty.

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

	December 31	
	2017	2016
Up to 90 days	$ -	$ -
91-365 days	94,858	44,462
Over 365 days	9,354	15,201
	$ 104,212	$ 59,663

The above aging schedule was based on the number of past due days from the invoice date.

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

	For the Year Ended December 31	
	2017	**2016**
Beginning of the year	$ 4,517	$ 7,147
Add: Impairment losses recognized on receivables	1,488	648
Less: Impairment losses reversed	(772)	(3,278)
End of the year	$ 5,233	$ 4,517

b. Other receivables - loan receivables

The maturity date of loans to related parties were as follows:

	December 31	
Maturity Date	**2017**	**2016**
December 2017	$ -	$ 13,000

The principal was expected to be received in full on the maturity date and with no interest expense.

c. Overdue receivables

For the overdue receivable balances that were past due at the end of the reporting period were NT$3,000 thousand and NT$42,499 thousand on December 31, 2017 and 2016, respectively, which are disclosed in the aging analysis below. The Company did not recognize an allowance for impairment loss, because there was no significant change in the credit quality and the amounts. The Company considered the overdue receivables to still be collectable and held collateral for these balances to enhance the collectability. In addition, the Company does not have the legal right to off-set the overdue receivables with trade payables from the same counterparty.

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

	December 31	
	2017	**2016**
Up to 90 days	$ -	$ -
90-365 days	-	7,168
Over 365 days	3,000	35,331
	$ 3,000	$ 42,499

The above aging schedule was based on the number of past due days from the invoice date.

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

	For the Year Ended December 31	
	2017	2016
Beginning of the year	$ 15,399	$ 30,179
Add: Impairment losses recognized on receivables	35,486	12,334
Less: Impairment losses reversed	(1,985)	(911)
Less: Amounts written off during the year as uncollectable	-	(24,705)
Less: Amounts recovered from the prior year write-offs	-	(1,498)
End of the year	$ 48,900	$ 15,399

The Company recognized an impairment loss on overdue receivables amounting to NT$48,900 thousand and NT$15,399 thousand as of December 31, 2017 and 2016, respectively. These amounts mainly related to customers that the Company were pursuing legal claims against. The Company carried out a review of the recoverable amount of those overdue receivables and determined that the carrying amount exceeded the recoverable amount. The review led to the recognition of an impairment loss. The Company held chattel pledged as collateral over these balances.

The carrying amount of notes receivable pledged as collateral for borrowings is disclosed in Note 32.

10. INVENTORIES

	December 31	
	2017	2016
Finished goods	$ 372,923	$ 358,469
Raw materials	2,370,365	1,837,543
Raw materials in transit	-	1,067
	$ 2,743,288	$ 2,197,079

The allowance for inventory devaluation for the years ended December 31, 2017 and 2016 was NT$2,426 thousand and NT$440 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2017 and 2016 was NT$7,108,450 thousand and NT$5,364,745 thousand, respectively. The cost of goods sold included an inventory write-down of NT$1,986 thousand and a reversal of inventory write-downs of NT$302,350 thousand. Previous write-downs were reversed as a result of increased selling prices in steel markets.

11. OTHER CURRENT FINANCIAL ASSETS

	December 31	
	2017	2016
Time deposits with original maturities of more than 3 months	$ 87,706	$ 65,576

a. The market interest rates of the time deposits with an original maturity of more than 3 months were 0.07%-0.77% and 0.2%-1% per annum, respectively, for the years ended December 31, 2017 and 2016.

b. Refer to Note 32 for information relating to other current financial assets pledged as security.

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2017	2016
Investments in subsidiaries	$ 828,471	$ 472,598
Investments in associates	29,800	12,241
Investments in joint ventures	492,987	27,484
	$ 1,351,258	$ 512,323

a. Investments in subsidiaries

	December 31	
	2017	2016
Hsin Ching International Co., Ltd.* (Note 27)	$ 259,125	$ -
Hsin Yuan Investment Co., Ltd.	254,491	182,820
Sinpao Investment Co., Ltd.	144,434	163,849
Hsin Ho Fa Metal Co., Ltd.	169,333	115,869
Hsin Kuang Alga Engineering Co., Ltd.	1,088	10,060
	$ 828,471	$ 472,598

	Proportion of Ownership and Voting Rights	
	December 31	
Name of Subsidiary	2017	2016
Hsin Ching International Co., Ltd.* (Note 27)	60.00%	50.00%
Hsin Yuan Investment Co., Ltd.	100.00%	100.00%
Sinpao Investment Co., Ltd.	99.82%	99.82%
Hsin Ho Fa Metal Co., Ltd. (Note 28)	83.37%	83.37%
Hsin Kuang Alga Engineering Co., Ltd.	68.16%	68.16%

* The Company acquired 10% of the outstanding shares of Hsin Ching International Co., Ltd. in February 2017 with controlling interest.

b. Investments in associates

	December 31	
	2017	2016
Associates that are not individually material	$ 29,800	$ 12,241

		Proportion of Ownership and Voting Rights	
		December 31	
Name of Associate	Nature of Activities	2017	2016
Hsin Wei Solar Co., Ltd.	Non-metallic power generation	40.00%	40.00%
E-Tech Steel Co., Ltd.	Steel structure	29.96%	29.96%

Aggregate information of associates that are not individually material is as follows:

	December 31	
	2017	**2016**
The Company's share of:		
Profit from continuing operations	$ 593	$ 704
Other comprehensive income	-	-
Total comprehensive income for the year	$ 593	$ 704

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

c. Investments in joint ventures

	December 31	
	2017	**2016**
Material joint ventures		
Hsin Ching International Co., Ltd.	$ -	$ 27,484
Mason Metal Industry Co., Ltd.	492,987	-
	$ 492,987	$ 27,484

Because of the execution of upstream and downstream strategic alliance and the reinforcement of the sales status and the added value of various steel products, the Company purchased 24,500 thousand of common stocks of Mason Metal Industry Co., Ltd. at a price of NT$11.4 per share, and the Company's subsidiary, Sinpao Investment Co., Ltd., purchased 500 thousand of common stocks, resulting in a total of 50% of shareholder rights and the total purchase price of NT$285,077 thousand, in which the transaction was completed on October 6, 2017. Under the joint venture agreement, the Company can assign three out of six members of the board of directors of Mason Metal Industry Co., Ltd. Therefore, the Company has a significant impact and joint control with the other company over Mason Metal Industry Co., Ltd.

A bargain purchase gain of NT$206,762 thousand on the acquisition of Mason Metal Industry Co., Ltd. was recognized separately in the statements of comprehensive income.

Refer to Table 4 "Information on Investees" for the nature of activities, principal places of business and countries of incorporation of the joint ventures. All the joint ventures are accounted for using the equity method.

The summarized financial information below represents the amounts shown in the joint ventures' financial statements prepared in accordance with IFRSs adjusted by the Company for equity accounting purposes.

1) Hsin Ching International Co., Ltd.

	December 31, 2016
Cash and cash equivalents	$ 4,906
Current assets	$ 54,906
Non-current assets	63
Equity	$ 54,969
Proportion of the Company's ownership	50%
Equity attributable to the Company	$ 27,484
Carrying amount	$ 27,484

	For the Year Ended December 31, 2016
Net loss for the year	$ (31)
Other comprehensive income	-
Total comprehensive loss for the year	$ (31)

2) Mason Metal Industry Co., Ltd.

	December 31, 2017
Cash and cash equivalents	$ 96,316
Current assets	$ 1,069,540
Non-current assets	285,988
Current liabilities	(307,596)
Non-current liabilities	(432,287)
Equity	$ 615,645
Proportion of the Company's ownership	49%
Equity attributable to the Company	$ 301,666
Provisions	3,570
Gain from bargain purchase	206,762
Other adjustments	(19,011)
Carrying amount	$ 492,987

	For the Period Between October 1 (the Acquisition Date) and December 31, 2017
Operating revenue	$ 472,421
Depreciation and amortization expense	$ 725
Interest income	$ 59
Interest expense	$ 615
Income tax expense	$ 2,812
Net profit for the year	$ 13,539
Other comprehensive income	-
Total comprehensive income for the year	$ 13,539

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Equipment	Transportation Equipment	Miscellaneous Equipment	Property under Construction and Devices Awaiting Inspection	Total
Cost							
Balance at January 1, 2016	$ 1,824,953	$ 902,307	$ 535,777	$ 118,767	$ 15,213	$ 8,489	$ 3,405,506
Additions	10,332	2,183	18,312	5,238	3,362	13,065	52,492
Disposals	-	(8,244)	(6,761)	(7,083)	-	-	(22,088)
Reclassified	13,500	200	6,466	8,627	-	(15,381)	13,412
Balance at December 31, 2016	$ 1,848,785	$ 896,446	$ 553,794	$ 125,549	$ 18,575	$ 6,173	$ 3,449,322
Accumulated depreciation and impairment							
Balance at January 1, 2016	$ -	$ 184,504	$ 312,187	$ 80,713	$ 9,656	$ -	$ 587,060
Additions	-	24,068	37,813	9,187	1,130	-	72,198
Disposals	-	(3,508)	(6,737)	(7,083)	-	-	(17,328)
Balance at December 31, 2016	$ -	$ 205,064	$ 343,263	$ 82,817	$ 10,786	$ -	$ 641,930
Carrying amounts at December 31, 2016	$ 1,848,785	$ 691,382	$ 210,531	$ 42,732	$ 7,789	$ 6,173	$ 2,807,392
Cost							
Balance at January 1, 2017	$ 1,848,785	$ 896,446	$ 553,794	$ 125,549	$ 18,575	$ 6,173	$ 3,449,322
Additions	68	2,695	12,674	2,962	1,218	816,183	835,800
Disposals	-	-	(3,892)	(1,938)	(86)	-	(5,916)
Reclassified	306,186	558	17,413	11,752	-	(307,217)	28,692
Balance at December 31, 2017	$ 2,155,039	$ 899,699	$ 579,989	$ 138,325	$ 19,707	$ 515,139	$ 4,307,898
Accumulated depreciation and impairment							
Balance at January 1, 2017	$ -	$ 205,064	$ 343,263	$ 82,817	$ 10,786	$ -	$ 641,930
Additions	-	23,829	39,029	10,545	1,268	-	74,671
Disposals	-	-	(2,675)	(1,104)	(71)	-	(3,850)
Balance at December 31, 2017	$ -	$ 228,893	$ 379,617	$ 92,258	$ 11,983	$ -	$ 712,751
Carrying amounts at December 31, 2017	$ 2,155,039	$ 670,806	$ 200,372	$ 46,067	$ 7,724	$ 515,139	$ 3,595,147

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

Buildings	
Main buildings	40-55 years
Engineering buildings	3-20 years
Equipment	
Main equipment	5-20 years
Equipment maintenance	3-5 years
Transportation equipment	
Truck and automotive	5-8 years
Stacker	5-9 years
Automotive accessories	3 years
Miscellaneous equipment	
Computer equipment	5 years
Office and engineering equipment	3-10 years

The Company purchased land located in Guanyin of 7,387.13 square meters for operation use from 2005 to 2017. As of December 31, 2017, the carrying amount was NT$53,259 thousand. As the law stipulates, the Company shall not have ownership of land registered for agricultural purposes. Thus, the Company shall sign a real estate trust contract with an individual to hold the land.

On November 4, 2014, the board of directors resolved to dispose of a parcel of freehold land located in Taishan and Linkou, which were reclassified to non-current assets held for sale. No impairment loss was recognized on the classification of the land as held for sale. Because the Company can't complete the sale within 2 years of the classification as held for sale, the land no longer meets the criteria to be classified and was reclassified to property, plant and equipment. The financial statements for the periods since the classification as held for sale were amended accordingly. The carrying amount of the land amended was NT$25,222 thousand as of December 31, 2016.

Property, plant and equipment pledged as collateral for bank borrowings is set out in Note 32.

14. INVESTMENT PROPERTIES

	Investment Properties - Land	**Investment Properties - Buildings**	**Investment Properties - Machinery and Equipment**	**Total**
Cost				
Balance at January 1, 2016	$ -	$ -	$ -	$ -
Additions	210,306	19,391	9,525	239,222
Reclassified	3,376	29,847	-	33,223
Balance at December 31, 2016	$ 213,682	$ 49,238	$ 9,525	$ 272,445

(Continued)

	Investment Properties - Land	Investment Properties - Buildings	Investment Properties - Machinery and Equipment	Total
Accumulated depreciation and impairment				
Balance at January 1, 2016	$ -	$ -	$ -	$ -
Depreciation expenses	-	699	433	1,132
Balance at December 31, 2016	$ -	$ 699	$ 433	$ 1,132
Carrying amounts at December 31, 2016	$ 213,682	$ 48,539	$ 9,092	$ 271,313
Cost				
Balance at January 1, 2017	$ 213,682	$ 49,238	$ 9,525	$ 272,445
Additions	-	-	-	-
Reclassified	-	-	-	-
Balance at December 31, 2017	$ 213,682	$ 49,238	$ 9,525	$ 272,445
Accumulated depreciation and impairment				
Balance at January 1, 2017	$ -	$ 699	$ 433	$ 1,132
Depreciation expenses	-	1,601	866	2,467
Balance at December 31, 2017	$ -	$ 2,300	$ 1,299	$ 3,599
Carrying amounts at December 31, 2017	$ 213,682	$ 46,938	$ 8,226	$ 268,846

(Concluded)

The investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

Main buildings	25 years
Crane equipment	10 years

The determination of fair value was performed by independent qualified professional valuers on March 31, 2017. The evaluation was based on different standards using cost method, comparison and direct capitalization of revenue. After evaluating by the management the Company, the fair value has no significant change since then on December 31, 2017. The management of the Company used the valuation model that market participants would use in determining the fair value, and the fair value was measured by using Level 3 inputs on December 31, 2016. The valuation was appraised by reference to market evidence of transaction prices for similar properties. The fair value was as follows:

	December 31	
	2017	2016
Fair value	$ 299,637	$ 313,726

The investment properties pledged as collateral for bank borrowing are set out in Note 32.

15. OTHER ASSETS

	December 31	
	2017	**2016**
Current		
Others	$ 207	$ 429
Non-current		
Refundable deposits	$ 22,557	$ 22,473
Overdue receivables	3,000	42,499
Prepayments for equipment	31,105	5,700
Others	1,069	478
	$ 57,731	$ 71,150

16. BORROWINGS

a. Short-term borrowings

	December 31	
	2017	**2016**
Secured borrowings (Notes 30 and 32)		
Bank loans	$ 500,000	$ 350,000
Letters of credit	530,590	288,958
	1,030,590	638,958
Unsecured borrowings		
Line of credit borrowings (Note 30)	100,000	150,000
Letters of credit	2,319,084	2,413,386
	2,419,084	2,563,386
	$ 3,449,674	$ 3,202,344

The range of weighted average effective interest rates on bank loans was 1.0%-3.1% and 1.2%-2.6% per annum as of December 31, 2017 and 2016, respectively.

b. Short-term bills payable

	December 31	
	2017	**2016**
Commercial paper (Note 30)	$ 470,000	$ 190,000
Less: Unamortized discount on bills payable	(492)	(226)
	$ 469,508	$ 189,774

Outstanding short-term bills payable were as follows:

December 31, 2017

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral
Commercial paper					
A bank	$ 250,000	$ 316	$ 249,684	1.2%	-
B bank	100,000	92	99,908	1.2%	-
C bank	50,000	65	49,935	1.2%	-
D bank	40,000	4	39,996	1.2%	-
E bank	30,000	15	29,985	1.2%	-
	$ 470,000	$ 492	$ 469,508		

December 31, 2016

Promissory Institutions	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral
Commercial paper					
A bank	$ 150,000	$ 157	$ 149,843	1.2%	-
B bank	40,000	69	39,931	1.3%	-
	$ 190,000	$ 226	$ 189,774		

c. Long-term borrowings

	December 31 2017	December 31 2016
Secured borrowings (Notes 30 and 32)		
Syndicated bank loans - Land Bank of Taiwan (1)	$ 1,600,000	$ 1,600,000
Bank loans - Banking Division of Mega Bank (2)	150,000	-
	1,750,000	1,600,000
Less: Current portions	(1,010,526)	(200,000)
Syndicated loan fees	(1,962)	(3,342)
Long-term borrowings	$ 737,512	$ 1,396,658

1) In August 2014 and October and December 2017, the Company acquired syndicated bank loans from Land Bank of Taiwan secured by the Company’s freehold land and buildings (refer to Note 32) in the amount of NT$1,000,000 thousand, NT$500,000 thousand and NT$300,000 thousand, respectively, and all will be repayable in August 2019. The grace period of the loans acquired in 2014 was 2.5 years. From the date of expiry of the grace period, the repayment of principal and interest is divided into six installments every six months. The first to the fifth installments are 10% of the outstanding balance of the loan, and the sixth installment shall be all of the remaining outstanding principal and the interest balance.

The loans acquired in 2017 had a revolving credit line. Interest shall be paid by month, and on the expiry date the loan shall be extended or settled. After 3 years of the first use of the loans, the credit line shall be reduced to 80% of the original credit line and to 60% after 4 years. The outstanding principal and interest shall be settled on the credit line adjustment day, and all of the remaining outstanding principal and interest shall be fully settled at the maturity date of this credit. Currently, the days of the loans are 90 days.

Under the agreements, the Company's current ratio, net-debt ratio and times interest earned ratio should meet some criteria which were based on the consolidated financial statements of the Company. If the Company breaches the financial ratios specified in the agreements, the Company shall amend the status of its financial ratios to meet the agreed upon ratios within five months from April 1 of the following auditing year, and this will not be considered as breach of the agreement. The Company was in compliance with the syndicated credit facility agreements based on the consolidated financial statements of the Company for the year ended December 31, 2017. The weighted average effective interest rates were both 1.7% per annum in 2017 and 2016.

2) In January 2017, the Company acquired syndicated bank loans from Banking Division of Mega Bank secured by the Company's freehold land and buildings (refer to Note 32) in the amount of NT$150,000 thousand, and will be expired in January 2032. Starting from the January of 2018, the repayment of principal is divided into 57 installments every 3 months, with the amount of NT$2,632 thousand per installment. The weighted average effective interest rate was 1.7% per annum in 2017.

17. BONDS PAYABLE

	December 31	
	2017	**2016**
Unsecured domestic convertible bonds - Hsin Kuang 4	$ -	$ 108,418
Unsecured domestic convertible bonds - Hsin Kuang 5	532,148	-
	532,148	108,418
Less: Current portions	-	(108,418)
	$ 532,148	$ -

a. Unsecured domestic convertible bonds - Hsin Kuang 4

As of December 20, 2013, the Company issued 5 thousand 0% NTD denominated unsecured convertible bonds in Taiwan, with an aggregate principal amount of NT$500,000 thousand.

Each bond entitles the holder to convert it into ordinary shares of the Company at a conversion price of NT$19. If the Company increases its ordinary shares after the bond issuance, the conversion price will be adjusted by Article 11 of the Company's 4th Unsecured Convertible Bond Conversion Method. Conversion may occur at any time between January 20, 2014 and December 10, 2018. The holder can notify the Company 30 days before the expiry of 3 to 4 years from issuance to request the accrued interest based on the denomination of the bonds (the 3-year interest compensation is 3.03%, 4-year interest compensation is 4.06%) and redeem the bonds by cash.

The convertible bonds contained two components: The host liability instrument and the conversion option derivative instrument. The effective interest rate of the host liability on initial recognition was 2.28% per annum, and the conversion option derivative instruments were measured at fair value through profit or loss.

Movements of the host liability instrument were as follows:

	December 31	
	2017	2016
Proceeds from issuance	$ 500,000	$ 500,000
Equity component	(42,450)	(42,450)
Conversion option derivative instruments	(10,950)	(10,950)
The host liability instrument at date issued	446,600	446,600
Interest charged at an effective interest rate	53,400	48,318
Convertible bonds converted into ordinary shares	(500,000)	(386,500)
The host liability instrument at end of the year	-	108,418
Less: Current portions	-	(108,418)
Denominated unsecured convertible bonds	$ -	$ -

Movements of the conversion option derivative instruments during 2017 and 2016 were as follows:

	For the Year Ended December 31	
	2017	2016
Beginning of the year	$ 91	$ 13,652
Fair value changes loss (gain)	2,395	(5,556)
Converted into ordinary shares	(2,486)	(8,005)
End of the year	$ -	$ 91

b. Unsecured domestic convertible bonds - Hsin Kuang 5

On November 9, 2017, the Company issued 6 thousand units, five-year period of 0% NTD denominated unsecured convertible bonds in Taiwan, with an aggregate principal amount of NT$601,200 thousand, which was 100.2% of nominal amount.

Each bond entitles the holder to convert it into ordinary shares of the Company at a conversion price of NT$36. If the Company increases its ordinary shares after the bond issuance, the conversion price will be adjusted by Article 11 of the Company's 5th Unsecured Convertible Bond Conversion Method. Conversion may occur at any time between February 10, 2018 and November 9, 2022. The holder can notify the Company 30 days before the expiry of 3 to 4 years from issuance to request the accrued interest based on the denomination of the bonds (the 3-year interest compensation is 3.03%, 4-year interest compensation is 4.06%) and redeem the bonds by cash.

The convertible bonds contained two components: The host liability instrument and the conversion option derivative instrument. The effective interest rate of the host liability on initial recognition was 2.61% per annum, and the conversion option derivative instruments were measured at fair value through profit or loss.

Movements of the host liability instruments were as follows:

	December 31, 2017
Proceeds from issuance	$ 601,200
Equity component	(54,892)
Conversion option derivative instruments	(15,551)
The host liability instrument at date issued	530,757
Interest charged at an effective interest rate	1,391
The host liability instrument at end of the year	532,148
Less: Current portions	-
Denominated unsecured convertible bonds	$ 532,148

Movements of the conversion option derivative instruments during 2017 were as follows:

	December 31, 2017
Issued date	$ 15,551
Fair value changes loss	2,545
End of the year	$ 18,096

18. NOTES PAYABLE AND TRADE PAYABLES

	December 31	
	2017	2016
Notes payable		
Operating	$ 424,271	$ 433,608
Trade payables		
Operating	$ 9,820	$ 73,151

19. OTHER PAYABLES

	December 31	
	2017	2016
Interest payable	$ 12,971	$ 12,911
Payables for salaries and bonuses	107,359	84,406
Others	27,412	31,296
	$ 147,742	$ 128,613

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company 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.

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company 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 Company 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 Company has no right to influence the investment policy and strategy.

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

	December 31	
	2017	**2016**
Present value of defined benefit obligation	$ 48,730	$ 39,082
Fair value of plan assets	(20,950)	(19,390)
Net defined benefit liabilities	$ 27,780	$ 19,692

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liabilities**
Balance at January 1, 2016	$ 37,816	$ (605)	$ 37,211
Service cost			
Current service cost	351	-	351
Net interest expense (income)	473	(17)	456
Recognized in profit or loss	824	(17)	807
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(84)	(84)
Actuarial loss - changes in demographic assumptions	932	-	932
Actuarial loss - changes in financial assumptions	402	-	402
Actuarial loss - experience adjustments	2,493	-	2,493
Recognized in other comprehensive income	3,827	(84)	3,743

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Contributions from the employer	$ -	$ (22,069)	$ (22,069)
Benefits paid	(3,385)	3,385	-
Balance at December 31, 2016	39,082	(19,390)	19,692
Service cost			
Current service cost	288	-	288
Past service cost	5,845	-	5,845
Net interest expense (income)	440	(228)	212
Recognized in profit or loss	6,573	(228)	6,345
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	51	51
Actuarial loss - changes in demographic assumptions	928	-	928
Actuarial loss - changes in financial assumptions	464	-	464
Actuarial loss - experience adjustments	2,090	-	2,090
Recognized in other comprehensive income	3,482	51	3,533
Contributions from the employer	-	(1,790)	(1,790)
Benefits paid	(407)	407	-
Balance at December 31, 2017	$ 48,730	$ (20,950)	$ 27,780

(Concluded)

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

	For the Year Ended December 31	
	2017	2016
Operating costs	$ 193	$ 244
Selling and marketing expenses	$ 6,103	$ 468
General and administrative expenses	$ 49	$ 95

Through the defined benefit plan under the Labor Standards Law, the Company 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 corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans’ debt investments.

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

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

	December 31	
	2017	**2016**
Discount rates	1.000%	1.125%
Expected rates of salary increase	1.500%	1.500%

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

	December 31	
	2017	**2016**
Discount rates		
0.25%Increase	$ (963)	$ (847)
0.25% Decrease	$ 998	$ 877
Expected rates of salary increase		
0.25% Increase	$ 973	$ 856
0.25% Decrease	$ (944)	$ (830)

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

	December 31	
	2017	**2016**
Expected contributions to the plans for the next year	$ 4,925	$ 1,678
The average duration of the defined benefit obligation	8 years	8.7 years

21. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2017	**2016**
Number of shares authorized (in thousands)	360,000	360,000
Shares authorized	$ 3,600,000	$ 3,600,000
Number of shares issued and fully paid (in thousands)	306,194	299,188
Shares issued	$ 3,061,937	$ 2,991,876

The share issued had a par value of NT$10. Each share entitles the rights to dividends and to vote.

For the year ended December 31, 2017, the shares increased due to the employees' exercise of their employee share options, and conversion of bonds into ordinary shares.

b. Capital surplus

	December 31	
	2017	**2016**
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Issuance of ordinary shares	$ 767,865	$ 962,237
Treasury share transactions	7,754	7,754
Conversion of bonds	-	9,637
May be used to offset a deficit only (2)		
Changes in percentage of ownership interest in subsidiaries	528	531
May not be used for any purpose (3)		
Employee share options	36,647	36,647
Share warrants	54,892	-
	$ 867,686	$ 1,016,806

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

2) Such capital surplus arises from the effects of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions, or from changes in capital surplus of subsidiaries accounted for using the equity method.

3) Such capital surplus may not be used for any purpose.

c. Retained earnings and dividends policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on June 15, 2016 and, in that meeting, resolved amendments to the Company's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation.

Under the dividends 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 shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employee compensation and remuneration of directors and supervisors in Note 23-g.

To ensure the interests of shareholders and the Company's sustainable development, the Company adopts a balanced dividends policy.

The dividends payment principle shall not be less than 30% of the remaining of the following items: A profit in a fiscal year with the provisions of the preceding paragraph utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside a special reserve, distributing remuneration of the directors and supervisors and bonus of employees. Among the dividends payment, no less than 30% shall be paid in cash and no more than 70% shall be distributed as stocks. In accordance with the principle on dividends payment as set out in the preceding paragraph, the Company shall, in accordance with the actual operating, finance and business conditions and the actual profit of the year, consider the capital budget plan for the following year, determine the most appropriate dividend policy, after implementing the decisions mandated by resolutions in the shareholders' meeting.

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

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

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

The appropriations of earnings for 2016 and 2015 approved in the shareholders' meetings on June 15, 2017 and June 15, 2016, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31		Dividends Per Share (NT$) For the Year Ended December 31	
	2016	**2015**	**2016**	**2015**
Legal reserve	$ 74,776	$ -	$ -	$ -
Cash dividends	306,194	-	1.0	-
Cash dividends from by capital surplus	244,955	165,976	0.8	0.6

The appropriation of earnings for 2017 was proposed by the Company's board of directors on March 13, 2018. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 106,623	$ -
Cash dividends	459,290	1.50
Cash dividends from capital surplus	153,097	0.50

The appropriation of earnings for 2017 is subject to the resolution in the shareholders' meeting to be held on June 19, 2018.

d. Special reserves

	For the Year Ended December 31	
	2017	2016
Beginning at January 1	$ 231,141	$ -
Appropriation in respect of:		
Debit to other equity items	-	231,141
Reversal:		
Reversal of the debit to other equity items	(211,734)	-
Balance at December 31	$ 19,407	$ 231,141

e. Others equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2017	2016
Balance at January 1	$ 9,034	$ 17,523
Exchange differences on translating the financial statements of foreign operations	(10,373)	(8,489)
Balance at December 31	$ (1,339)	$ 9,034

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

	For the Year Ended December 31	
	2017	2016
Balance at January 1	$ (28,441)	$ (499,891)
Unrealized gain arising on revaluation of available-for-sale financial assets	58,600	471,450
Balance at December 31	$ 30,159	$ (28,441)

22. REVENUE

	For the Year Ended December 31	
	2017	2016
Revenue from the sale of goods	$ 8,086,772	$ 6,262,775
Revenue from the rendering of services	81,011	-
	$ 8,167,783	$ 6,262,775

23. NET PROFIT AND OTHER COMPREHENSIVE INCOME FROM CONTINUING OPERATIONS

Net Profit from Continuing Operations:

a. Other operating income and expenses

	For the Year Ended December 31	
	2017	**2016**
Net gain on evaluation of financial assets	$ 163,629	$ 8,308
Net (loss) gain on evaluation of financial liabilities	(24,856)	5,556
Net loss on disposal of available-for-sale financial assets	(55,796)	-
Impairment loss on available-for-sale financial assets	(3,860)	(1,715)
Dividends	79,959	57,495
	$ 159,076	$ 69,644

b. Other income

	For the Year Ended December 31	
	2017	**2016**
Interest income - bank deposits	$ 775	$ 913
Rental income	10,643	5,432
Others	1,814	5,189
	$ 13,232	$ 11,534

c. Other gains and losses

	For the Year Ended December 31	
	2017	**2016**
Net loss on disposal of property, plant and equipment	$ (518)	$ (3,156)
Net foreign exchange gains	105,581	43,726
	$ 105,063	$ 40,570

d. Finance costs

	For the Year Ended December 31	
	2017	**2016**
Interest on bank loans	$ 112,303	$ 81,980
Interest on convertible bonds	1,495	8,901
Less: Amounts included in the cost of qualifying assets	(7,558)	(565)
	$ 106,240	$ 90,316

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2017	2016
Capitalized interest	$ 7,558	$ 565
Capitalization rate	2.5%	2.5%

e. Depreciation and amortization

	For the Year Ended December 31	
	2017	2016
Property, plant and equipment	$ 74,671	$ 72,198
Investment properties	2,467	1,132
Long-term prepayments	690	529
	$ 77,828	$ 73,859
An analysis of depreciation by function		
Operating costs	$ 62,682	$ 61,044
Operating expenses	14,456	12,286
	$ 77,138	$ 73,330
An analysis of amortization by function		
Operating costs	$ 672	$ 529
Operating expenses	18	-
	$ 690	$ 529

f. Employee benefits expense

	For the Year Ended December 31	
	2017	2016
Short-term benefits	$ 233,699	$ 220,156
Post-employment benefits (Note 20)		
Defined contribution plans	4,380	3,996
Defined benefit plans	6,345	807
	$ 244,424	$ 224,959
An analysis of employee benefits expense by function		
Operating costs	$ 88,588	$ 77,455
Operating expenses	155,836	147,504
	$ 244,424	$ 224,959

g. Employees’ compensation and remuneration of directors and supervisors

The Company accrued employees’ compensation and remuneration of directors and supervisors at rates of no less than 3% and no higher than 3%, respectively, of net profit before income tax, employees’ compensation, and remuneration of directors and supervisors. The employees’ compensation and remuneration of 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 13, 2018 and March 14, 2017, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2017	**2016**
Employees’ compensation	3%	3%
Remuneration of directors and supervisors	3%	3%

Amount

	For the Year Ended December 31			
	2017		**2016**	
	Cash	**Shares**	**Cash**	**Shares**
Employees’ compensation	$ 38,309	$ -	$ 25,876	$ -
Remuneration of directors and supervisors	38,309	-	25,876	-

If there is a change in the amounts after the parent only financial statements were authorized for issuance, the differences are recorded as a change in the accounting estimate.

Information on employees’ compensation and remuneration of 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.

h. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2017	**2016**
Foreign exchange gains	$ 235,776	$ 151,011
Foreign exchange losses	(130,195)	(107,285)
	$ 105,581	$ 43,726

24. INCOME TAXES RELATING TO CONTINUING OPERATIONS

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	$ 100,785	$ 10,727
Income tax on unappropriated earnings	36,370	-
Adjustments for prior years	53	-
	137,208	10,727
Deferred tax		
In respect of the current year	(3,477)	50,189
Income tax expense recognized in profit or loss	$ 133,731	$ 60,916

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

	For the Year Ended December 31	
	2017	2016
Profit before tax from continuing operations	$ 1,199,957	$ 808,690
Income tax expense calculated at the statutory rate	$ 203,993	$ 137,477
Non-taxable income	(75,224)	(8,651)
Tax-exempt income	(25,202)	(14,295)
Income tax on unappropriated earnings	36,370	-
Used loss carryforwards	(8,091)	(63,718)
Unrecognized deductible temporary differences	1,832	10,103
Adjustments for prior years' tax	53	-
Income tax expense recognized in profit or loss	$ 133,731	$ 60,916

The applicable corporate income tax rate used by the company entity in the ROC is 17%.

In February 2018, it was announced by the President that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets and deferred tax liabilities recognized as at December 31, 2017 are expected to be adjusted and would increase by NT$2,382 thousand and NT$810 thousand, respectively, in 2018.

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

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2017	2016
Deferred tax		
In respect of the current year:		
Translation of foreign operations	$ (2,125)	$ 1,850
Remeasurement on defined benefit plan	(605)	(636)
	(2,730)	1,214
Total income tax recognized in other comprehensive income	$ (2,730)	$ 1,214

c. Current tax assets and liabilities

	December 31	
	2017	2016
Current tax liabilities		
Income tax payable	$ 131,731	$ 10,679

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Reversal of write-downs of inventories	$ 75	$ 338	$ -	$ 413
FVTPL financial assets	-	3,386	-	3,386
Convertible bonds	-	432	-	432
Net loss (gain) on foreign currency exchange	3,981	(3,981)	-	-
Defined benefit obligation	2,366	775	605	3,746
Allowance for impaired receivables	-	5,247	-	5,247
Exchange differences on translating the financial statements of foreign operations	-	-	274	274
	$ 6,422	$ 6,197	$ 879	$ 13,498
Deferred tax liabilities				
Temporary differences				
FVTPL financial assets	$ 1,463	$ (1,463)	$ -	$ -
Convertible bonds	407	(407)	-	-
Net gain on foreign currency exchange	-	4,590	-	4,590
Exchange differences on translating the financial statements of foreign operations	1,851	-	(1,851)	-
	$ 3,721	$ 2,720	$ (1,851)	$ 4,590

For the year ended December 31, 2016

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Reversal of write-down of inventories	$ 51,474	$ (51,399)	$ -	$ 75
FVTPL financial assets	(9,586)	9,586	-	-
Convertible bonds	537	(537)	-	-
Net loss (gain) on foreign currency exchange	4,306	(325)	-	3,981
Defined benefit obligation	5,345	(3,615)	636	2,366
Allowance for impaired receivables	2,029	(2,029)	-	-
	$ 54,105	$ (48,319)	$ 636	$ 6,422
Deferred tax liabilities				
Temporary differences				
FVTPL financial assets	$ -	$ 1,463	$ -	$ 1,463
Convertible bonds	-	407	-	407
Exchange differences on translating the financial statements of foreign operations	-	-	1,851	1,851
	$ -	$ 1,870	$ 1,851	$ 3,721

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

	December 31	
	2017	2016
Loss carryforwards		
Expire in 2025	$ -	$ 7,982
Deductible temporary differences		
Share of unrealized income of foreign subsidiaries	$ (2,047)	$ (3,223)
Impairment loss on available-for-sale financial assets	23,365	22,708
	$ 21,318	$ 19,485

f. Information about unused loss carryforwards and tax exemptions

As of December 31, 2017, profits attributable to the following expansion projects were exempt from income tax for a 5-year period:

Expansion of Construction Project	Tax-exemption Period
Production of metal products manufacturing investment plan	January 1, 2013-December 31, 2017

g. Integrated income tax

	December 31	
	2017	2016
Unappropriated earnings		
Generated on and after January 1, 1998	$ 1,638,702 (Note)	$ 744,667
Shareholder-imputed credits account ("ICA")	$ 134,109 (Note)	$ 101,093

	For the Year Ended December 31	
	2017 (Expected)	2016
Creditable ratio for distribution of earnings	Note	22.35%

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

h. Income tax assessments

The tax returns through 2015 and income tax on unappropriated earnings through 2014 have been assessed by the tax authorities.

25. EARNINGS PER SHARE

Net Profit for the Year

	For the Year Ended December 31	
	2017	2016
Profit for the period attributable to owners of the Company	$ 1,066,226	$ 747,774
Effect of dilutive ordinary shares:		
Interest on convertible bonds (after tax)	1,155	7,388
Earnings used in the computation of diluted earnings per share	$ 1,067,381	$ 755,162

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

	For the Year Ended December 31	
	2017	2016
Weighted average number of ordinary shares in the computation of basic earnings per share	305,740	279,725
Effect of potentially dilutive ordinary shares:		
Convertible bonds	16,667	7,006
Employees' compensation or bonuses issued to employees	1,431	1,198
Weighted average number of ordinary shares used in the computation of diluted earnings per share	323,838	287,929

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

26. SHARE-BASED PAYMENT ARRANGEMENTS

Employee Share Option Plan of the Company

Qualified employees of the Company and its subsidiaries were granted 2,500 options in March 2011. Each option entitles the holder to subscribe for one thousand ordinary shares of the Company. The options granted were valid for 5 years and exercisable at 40% after the second anniversary, at 70 % after the third anniversary and at 100 % after the fourth anniversary from the grant date. The options were granted at an exercise price equal to the closing price of the Company's ordinary shares listed on the Taiwan Stock Exchange on the grant date. For any subsequent changes in the Company's capital surplus, the exercise price is adjusted accordingly.

The Company did not issue additional employee share options for the years ended December 31, 2017 and 2016, and all of the issued employee share options were exercised during 2016.

Information on employee share options was as follows:

	For the Year Ended December 31, 2016	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)
Balance at January 1	1,134	$ 15.25
Options forfeited	(146)	-
Options exercised	(988)	14.40
Balance at December 31	-	
Options exercisable, end of year	-	
Weighted-average fair value of options granted (NT$)	$ -	

27. ACQUISITION OF SUBSIDIARIES - IMPACT ON CONTROL

Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Hsin Ching International Co., Ltd.	Leasing and warehousing	February 2017	Originally held 50%, now increase to 60%	$ 5,500

Hsin Ching International Co., Ltd. was acquired in order to continue the expansion of the Company's diversification. For details about the acquisition of Hsin Ching International Co., Ltd., refer to Note 29 to the Company's consolidated financial statements for the year ended December 31, 2017.

28. PARTLY ACQUISITION OR DISPOSAL OF SUBSIDIARIES - NO IMPACT ON CONTROL

In January and August 2016, the Company subscribed for additional new shares of Hsin Ho Fa Metal Co., Ltd. at a percentage different from its existing ownership percentage, increasing its continuing interests from 81.96% to 83.37%.

The above transactions were accounted for as equity transactions, since the Company did not change impact on control over the subsidiary.

29. CAPITAL MANAGEMENT

The Company manages its capital to ensure to be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Company's overall strategy has remained unchanged over the past 5 years.

The capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Company (comprising issued capital, reserves, retained earnings, and other equity).

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

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

30. FINANCIAL INSTRUMENTS

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

The management believes that the carrying amounts of financial assets and liabilities that are not measured at fair value approximate their fair values:

	December 31			
	2017		2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial assets</u>				
Other financial assets - current	$ 87,706	$ 87,706	$ 65,576	$ 65,576
Other loans and receivables	2,980,494	2,980,494	2,794,588	2,794,588
<u>Financial liabilities</u>				
Financial liabilities measured at amortized cost:				
Bank loans (including current portions)	5,197,712	5,197,712	4,799,002	4,799,002
Short-term bills payable	469,508	469,508	189,774	189,774
Trade and other payables	581,833	581,833	635,372	635,372
Convertible bonds	532,148	532,148	108,418	108,418

The methods and assumptions used by the Company for estimating financial instruments not measured at fair value are as follows:

1) The fair value of financial instruments, included cash and cash equivalents, trades receivables, other receivables - loans receivable, overdue receivables, trade payables, other financial assets, short-term borrowings, and short-term bills payable, is estimated using the carrying amount at the end of the reporting period because the maturity date is close to the reporting date or the payment price is close to the carrying amount.

2) The fair value of long-term loans is determined using the discounted cash flow. Future cash flows are discounted at a long-term borrowing rate of the Company. The Company accounted for the carrying amount of the long-term loans at the end of the reporting period as their fair values.

3) The fair value of the liability component of convertible bonds is estimated using an amortized cost basis under the effective interest method, and the conversion options component of the convertible bonds is recognized at fair value. The fair value of the liability component of the convertible bonds is recognized at the carrying amount at the end of the reporting period.

b. Financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ -	$ -	$ -
Non-derivative financial assets held for trading	503,339	-	-	503,339
	$ 503,339	$ -	$ -	$ 503,339
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	$ 1,490,039	$ -	$ -	$ 1,490,039
Unlisted securities - ROC				
Equity securities	-	-	94,275	94,275
Unlisted securities - other countries				
Equity securities	-	-	348,222	348,222
	$ 1,490,039	$ -	$ 442,497	$ 1,932,536
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 38,012	$ -	$ 38,012

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 8,609	$ -	$ 8,609
Non-derivative financial assets held for trading	514,151	-	-	514,151
	$ 514,151	$ 8,609	$ -	$ 522,760
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	$ 1,732,983	$ -	$ -	$ 1,732,983
Unlisted securities - ROC				
Equity securities	-	-	60,823	60,823
Unlisted securities - other countries				
Equity securities	-	-	348,223	348,223
	$ 1,732,983	$ -	$ 409,046	$ 2,142,029

(Continued)

	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 91	$ -	$ 91

(Concluded)

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

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

	Available-for-sale Financial Assets For the Year Ended December 31	
	2017	2016
Beginning of the year	$ 409,046	$ 422,769
Recognized in profit or loss (included in other operating income and expenses)		
Unrealized	(3,860)	(1,715)
Purchases	47,729	442
Sales (included in shares return of investments)	(10,418)	(12,450)
End of the year	$ 442,497	$ 409,046

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

Financial Instruments	Valuation Techniques and Inputs
Derivatives - foreign currency forward contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Derivatives - conversion option component of convertible bonds	The value of the bonds payable and redemption and put options is estimated based on the binomial CB pricing model and historical volatility, risk-free interest rate, discount rate and liquidity risk at the end of the reporting period.

4) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of unlisted equity securities - ROC were determined using the market approach. In this approach, the fair value is appraised based on the selling price of similar items, such as assets, liabilities, or the groups of assets and liabilities. The significant unobservable factors used are described below, an increase in long-term revenue growth rates, long-term pre-tax operating margin, a decrease in the weighted average cost of capital, or the discount for lack of marketability used in isolation would result in increases in the fair values.

c. Categories of financial instruments

	December 31	
	2017	**2016**
Financial assets		
Fair value through profit or loss (FVTPL) - held for trading	$ 503,339	$ 522,760
Loans and receivables (1)	2,980,494	2,794,588
Available-for-sale financial assets	1,932,536	2,142,029
Financial liabilities		
Fair value through profit or loss (FVTPL) - held for trading	38,012	91
Amortized cost (2)	6,781,201	5,732,566

1) The balances include loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables, other receivables - loans receivable and overdue receivables.

2) The balances include financial liabilities measured at amortized cost, which comprise short-term and long-term loans, short-term bills payable, trade and other payables, and bonds issued.

d. Financial risk management objectives and policies

The Company's major financial instruments include equity investments, derivative financial instruments, notes receivable, trade receivables, overdue receivables, short-term bills payable, notes payables, trade payables, other payables, bonds payable and borrowings. The Company's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

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

1) Market risk

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

a) Foreign exchange forward contracts to hedge the exchange rate risk arising on the import and export of steel plates;

b) Interest rate swaps to mitigate the risk of rising interest rates.

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

a) Foreign currency risk

The Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing foreign exchange forward contracts.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period were as follows:

	December 31	
	2017	**2016**
Assets		
USD	$ 117,394	$ 98,078
Liabilities		
USD	1,885,821	1,949,448
JPY	-	7,014

Sensitivity analysis

The Company was mainly exposed to USD and JPY.

The following table details the Company's sensitivity to a 1% increase and decrease in the New Taiwan dollar (i.e. the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign exchange forward contracts designated as cash flow hedges, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit. For a 1% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit below would be negative.

	USD Impact	
	For the Year Ended December 31	
	2017	**2016**
Profit or loss	$ 17,708 (i)	$ 18,542 (i)

	JPY Impact	
	For the Year Ended December 31	
	2017	**2016**
Profit or loss	$ - (ii)	$ 71 (ii)

i. This was mainly attributable to the exposure outstanding on USD letters of credit and receivables, which were not hedged at the end of the reporting period.

ii. This was mainly attributable to the exposure outstanding on JPY letters of credit, which were not hedged at the end of the reporting period.

The Company's sensitivity to foreign currency increased during the current year mainly due to the impact of decrease in USD exchange rate at the end of the year.

In management's opinion, sensitivity analysis was unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period did not reflect the exposure during the period.

b) Interest rate risk

The Company was exposed to interest rate risk because the Company borrowed funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix of fixed and floating rate borrowings and using interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and the defined risk appetite, ensuring that the most cost-effective hedging strategies are applied.

The carrying amount of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2017	**2016**
Cash flow interest rate risk		
Financial assets	$ 281,200	$ 200,640
Financial liabilities	5,667,220	4,988,776

Sensitivity analysis

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

If interest rates had been 1% higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2017 and 2016 would decrease/increase by NT$56,480 thousand and NT$41,440 thousand, respectively, which was mainly a result of the changes in the variable interest rate bank deposits and loans.

c) Other price risk

The Company was exposed to equity price risk through its investments in listed equity securities. The Company has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 1% higher/lower, pre-tax profit for years ended December 31, 2017 and 2016 would have increased/decreased by NT$5,008 thousand and NT$5,184 thousand, respectively, as a result of the changes in the fair value of held-for-trading investments, and the pre-tax other comprehensive income for the years ended December 31, 2017 and 2016 would increase/decrease by NT$15,051 thousand and NT$17,576 thousand, respectively, as a result of the changes in the fair value of available-for-sale shares.

The Company's sensitivity to available-for-sale investments and held-for-trading investments has not changed significantly from the prior year.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to the failure of counterparties to discharge an obligation could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets which were mainly trade receivables from operation activities.

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

Ongoing credit evaluation is performed on the financial condition of trade receivables and, where appropriate, credit guarantee insurance cover is purchased.

The Company did not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Company defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk to any other counterparty did not exceed 10% of the gross monetary assets at any time during 2017 and 2016.

The Company's concentration of credit risk by geographical locations was mainly in Taiwan, which accounted for 90% and 92% of the total trade receivable as of December 31, 2017 and 2016, respectively.

The credit risk on derivatives was limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company'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.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the Company's short-, medium- and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, and continuously monitoring forecasted and actual cash flows as well as matching the maturity profiles of financial assets and liabilities. As of December 31, 2017 and 2016, the Company had available unutilized short-term bank loan facilities of NT$5,598,062 thousand and NT$5,180,582 thousand, respectively.

a) Liquidity and interest risk rate tables

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

To the extent that interest flows are at floating rates, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

December 31, 2017

	Weighted-Average Effective Interest Rate (%)	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities						
Non-interest bearing	-	$ 66,675	$ 349,908	$ 158,316	$ 6,439	$ 495
Variable interest rate liabilities	1.87	599,881	1,587,218	2,740,648	642,105	97,368
		$ 666,556	$ 1,937,126	$ 2,898,964	$ 648,544	$ 97,863

December 31, 2016

	Weighted-Average Effective Interest Rate (%)	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities						
Non-interest bearing	-	$ 252,941	$ 254,272	$ 119,116	$ 5,218	$ 954
Variable interest rate liabilities	1.81	556,887	765,070	2,266,819	1,400,000	-
		$ 809,828	$ 1,019,342	$ 2,385,935	$ 1,405,218	$ 954

The following table details the Company's expected maturity for some of its non-derivative financial assets. The table below has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Company's liquidity risk management as the liquidity is managed on a net asset and liability basis. In order to understand the liquidity risk management of the Company on the basis of net assets and net liabilities, the following information is necessary for non-derivative financial assets:

December 31, 2017

	Weighted-Average Effective Interest Rate (%)	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial assets						
Non-interest bearing	-	$ 1,186,603	$ 889,977	$ 193,720	$ -	$ 3,000
Variable interest rate assets	0.28	201,494	67,210	12,496	-	-
		$ 1,388,097	$ 957,187	$ 206,216	$ -	$ 3,000

December 31, 2016

Non-derivative financial assets	Weighted-Average Effective Interest Rate (%)	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-interest bearing	-	$ 1,230,341	$ 908,218	$ 141,189	$ -	$ 3,000
Variable interest rate assets	0.46	135,064	36,014	29,562	-	-
		$ 1,365,405	$ 944,232	$ 170,751	$ -	$ 3,000

The amount included above for variable interest rate instruments for both non-derivative financial assets and liabilities was subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) Financing facilities

	December 31	
	2017	2016
Bank loan facilities expired on 2019 which may be extended upon mutual agreement:		
Amount used	$ 5,637,236	$ 4,988,776
Amount unused	6,300,024	6,083,924
	$ 11,937,260	$ 11,072,700

31. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed below.

a. Related parties and their relationship with the Company:

Related Party	Relationship with the Company
Hsin Ching International Co., Ltd.	Subsidiary
Hsin Yuan Investment Co., Ltd.	Subsidiary
Sinpao Investment Co., Ltd.	Subsidiary
Hsin Ho Fa Metal Co., Ltd.	Subsidiary
Hsin Kuang Alga Engineering Co., Ltd.	Subsidiary
Mason Metal Industry Co., Ltd.	Joint venture

b. Sale of goods

Related Party Category/Name	For the Year Ended December 31 2017	2016
Subsidiaries		
Hsin Kuang Alga Engineering Co., Ltd.	$ 4,212	$ 1,895
Joint venture		
Mason Metal Industry Co., Ltd.	8,647	
	$ 12,859	$ 1,895

c. Purchases of goods and operating costs

Related Party Category/Name	For the Year Ended December 31 2017	2016
Subsidiaries		
Hsin Kuang Alga Engineering Co., Ltd.	$ 1,431	$ 6,894
Hsin Ho Fa Metal Co., Ltd.	-	11,733
Joint venture		
Mason Metal Industry Co., Ltd.	1,935	-
	$ 2,348	$ 18,627

The Company's purchase and payment terms and conditions to related parties were comparable to unrelated parties.

d. Receivables from related parties (excluding loans to related parties)

Related Party Category/Name	For the Year Ended December 31 2017	2016
Subsidiaries		
Hsin Kuang Alga Engineering Co., Ltd.	$ 4,253	$ 8,598
Joint venture		
Mason Metal Industry Co., Ltd.	9,079	-
	$ 13,332	$ 8,598

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

e. Payables to related parties

Related Party Category/Name	For the Year Ended December 31	
	2017	2016
Subsidiaries		
Hsin Kuang Alga Engineering Co., Ltd.	$ 180	$ 16,370
Hsin Ho Fa Metal Co., Ltd.	-	3,148
Joint venture		
Mason Metal Industry Co., Ltd.	2,032	-
	$ 2,212	$ 19,518

The outstanding trade payables from related parties are unsecured and will be paid in cash.

f. Acquisitions of property, plant and equipment

Related Party Category/Name	For the Year Ended December 31	
	2017	2016
Subsidiaries		
Hsin Kuang Alga Engineering Co., Ltd.	$ -	$ 13,088

g. Loans to related parties

Related Party Category/Name	For the Year Ended December 31	
	2017	2016
Other receivables		
Subsidiaries		
Hsin Ho Fa Metal Co., Ltd.	$ -	$ 13,000

h. Endorsements and guarantees

Related Party Category/Name	For the Year Ended December 31	
	2017	2016
Subsidiaries		
Hsin Kuang Alga Engineering Co., Ltd.		
Amount endorsed	$ 7,400	$ 7,400
Amount utilized	7,400	7,400

i. Other transactions with related parties

Due to the business development, the Company collects the performance bond with the value of NT$250,000 thousand from Hsin Ching International Co., Ltd., and will return it without interest after signing the contract.

j. Compensation of key management personnel

The amount of the remuneration of directors and key management personnel were as follows:

	For the Year Ended December 31	
	2017	2016
Short-term employee benefits	$ 64,194	$ 37,650

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

32. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings and lease guarantees:

	December 31	
	2017	2016
Notes receivable	$ 257,000	$ 225,140
Pledge deposits (classified as other financial assets - current)	87,706	65,576
Available-for-sale financial assets - non-current	235,125	234,175
Freehold land	720,991	725,630
Buildings, net	320,792	332,768
Investment properties - land	195,959	-
Investment properties - buildings	31,791	-
	$ 1,849,364	$ 1,583,289

33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

Significant Commitments

a. As of December 31, 2017 and 2016, unused letters of credit for purchases of raw materials and machinery and equipment amounted to were as follows:

	December 31	
	2017	2016
TWD	$ 127,639	$ 248,882
USD	13,167	40,239
JPY	-	20,900

b. Unrecognized commitments were as follows:

	December 31	
	2017	2016
Acquisition of property, plant and equipment	$ 61,976	$ 13,073

34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 5,936	29.76 (USD:TWD)	$ 176,642
Non-monetary items			
USD	4,853	29.76 (USD:TWD)	$ 144,434
Financial liabilities			
Monetary items			
USD	63,368	29.76 (USD:TWD)	$ 1,885,821

December 31, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 3,791	32.25 (USD:TWD)	$ 121,869
EUR	36	33.9 (EUR:TWD)	1,442
JPY	61	0.2756 (JPY:TWD)	16
RMB	1	4.617 (RMB:TWD)	7
			$ 123,334
Non-monetary items			
USD	5,081	32.25 (USD:TWD)	$ 163,850
Financial liabilities			
Monetary items			
USD	60,448	32.25 (USD:TWD)	$ 1,949,448
JPY	25,451	0.276 (JPY:TWD)	7,014
			$ 1,956,462

35. 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 investments in subsidiaries, associates and joint ventures): (Table 3)

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: (N/A)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital: (N/A)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: (N/A)

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

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

9) Trading in derivative instruments: (Note 7)

10) Information on investees: (Table 4)

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: (N/A)

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: (N/A)

36. SEGMENT INFORMATION

The segment information for 2017 and 2016 is disclosed in the Company's consolidated financial statements.