

Phison Electronics Corp.

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Phison Electronics Corp.

Opinion

We have audited the financial statements of Phison Electronics Corp. (the "Corporation") which comprises the balance sheets as of December 31, 2017 and 2016, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2017 and 2016, 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 Corporation 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 Corporation 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 Corporation's financial statements for year 2017 are stated as follows:

Sales Revenue Recognition

The operating revenue, in New Taiwan dollars ("NT\$"), of the Corporation amounted to NT\$41,773,532 thousand. Sales failing to fulfill criteria for revenue recognition may result in a significant impact on the financial statements. Therefore, the recognition on sales revenue has been identified as a key audit matter.

Our main audit procedures performed in response to this matter, included the following:

1. Understood and tested the process of the design and implementation of relevant internal controls over recognition on sales revenue.
2. Sampled the original sales orders, shipping documents, export declarations and examined the process for the payments receiving to confirm that the sales revenue have met the conditions of revenue recognition.
3. Checked if there were any instances of simultaneous purchases from and sales to the same entity. If such situations presented, we further assessed the background of the entity and the goods purchased and sold in order to evaluate the reasonableness of the transactions and to confirm whether there were instances of repeated purchases and sales.
4. Sent out confirmation letter to top ten customers in order to verify the occurrence of sales revenue.

Impairment on Inventories

The Corporation actively stocked up on inventory in 2017 in order to cope with the foreseen shortage since it is expected that raw material would be short in supply. The management measured inventories at the lower of cost and net realizable value, which is primarily based on the management's estimation. Since whether the product will be unsaleable or obsolete is subject to the boom and innovation of industrial technology, impairment on inventories has been identified as a key audit matter. Refer to Note 5 and 10 to the accompanying financial statements for further information.

Our main audit procedures performed in response to this matter, included the following:

1. Understood and tested the inventory impairment assessment and the design and implementation of relevant internal controls.
2. Understood the assumption that the management used for the estimation of impairment on inventories and evaluated the reasonableness of the methodology.
3. Obtained the lower of inventory cost and net realizable value assessment data which is prepared by the management and verified the aging profile in order to evaluate whether it is consistent with the allowance for obsolete inventory. Checked whether the forecasted pricing data is consistent with the most recent sales data. Tested the accuracy of the allowance for inventory valuation and obsolescence loss by recalculation using the aforementioned assumption for inventory impairment estimation and the assessment data of the lower of cost and net realizable value.
4. Participated in year-end inventory count in order to assess the appropriateness of the allowance for inventory valuation and obsolescence loss.

Matter of Emphasis

As stated in Note 33 to the accompanying financial statements, the Corporation has been under statutory investigation since August 5, 2016 for an alleged violation of the Securities and Exchange Act, and the investigation was conducted by the Taiwan Hsinchu District Prosecutorial Office and concluded on August 31, 2017. According to the press release announcement from the Taiwan Hsinchu District Prosecutorial Office on September 1, 2017, under the Securities and Exchange Act and related provisions in the Criminal Code, the prosecutor charged the chairman of the Corporation, Mr. Khein Seng Pua, and others culminating in either deferred prosecution or dropping the claim for further prosecution. The Taiwan Hsinchu District Prosecutorial Office ex officio sent the ruling to the Taiwan High Prosecutors Office for reconsideration. As of November 18, 2017, in regard to the partial revocation and partial dismissal charge by the Taiwan High Court Prosecutorial Office against the chairman of the Corporation, Mr. Khein Seng Pua, and others, the case is under re-investigation. As such, our opinion is not modified in respect of this matter.

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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the supervisors, are responsible for overseeing the Corporation'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 Corporation'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 Corporation'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 Corporation 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 appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation 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 statements 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 Hsin Wei Tai and Yu-Wei Fan.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 16, 2018

Notice to Readers

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.

PHISON ELECTRONICS CORP.

BALANCE SHEETS

DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

ASSETS	2017		2016	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 12,754,576	37	\$ 13,552,188	43
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 27)	1,171,056	3	1,126,910	4
Debt investments with no active market - current (Notes 4, 8 and 30)	20,549	-	21,793	-
Notes and accounts receivable				
Third parties (Notes 4 and 9)	5,307,499	15	4,401,667	14
Related parties (Notes 4, 9 and 28)	336,042	1	363,065	1
Other receivables (Note 9)	266,475	1	367,720	1
Inventories (Notes 4 and 10)	7,186,003	21	5,220,905	17
Prepayments	27,446	-	66,693	-
Other current assets	6,489	-	7,229	-
Total current assets	27,076,135	78	25,128,170	80
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current (Notes 4 and 11)	434,763	1	372,051	1
Financial assets measured at cost - non-current (Notes 4 and 12)	447,416	1	501,187	1
Investments accounted for by the equity method (Notes 4 and 13)	3,307,982	10	2,594,470	8
Property, plant and equipment (Notes 4 and 14)	2,793,102	8	2,392,803	8
Intangible assets (Notes 4 and 15)	212,108	1	217,763	1
Deferred tax assets (Notes 4 and 21)	304,835	1	218,523	1
Guarantee deposits paid	1,371	-	1,544	-
Total non-current assets	7,501,577	22	6,298,341	20
TOTAL	\$ 34,577,712	100	\$ 31,426,511	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	\$ -	-	\$ 580,500	2
Notes and accounts payable				
Third parties	1,081,013	3	1,734,372	6
Related parties (Note 28)	2,565,726	8	2,123,721	7
Other payables (Note 17)	3,246,454	9	2,662,812	8
Tax payable (Notes 4 and 21)	1,090,947	3	729,492	2
Provisions (Notes 4 and 18)	292,081	1	344,076	1
Other current liabilities	157,746	1	185,420	1
Total current liabilities	8,433,967	25	8,360,393	27
NON-CURRENT LIABILITIES				
Net defined benefit liabilities - non-current (Notes 4 and 19)	84,897	-	72,725	-
Guarantee deposits received	533	-	568	-
Total non-current liabilities	85,430	-	73,293	-
Total liabilities	8,519,397	25	8,433,686	27
EQUITY (Notes 20 and 23)				
Share capital				
Common shares	1,970,740	6	1,970,740	6
Capital surplus	6,660,502	19	6,652,449	21
Retained earnings				
Legal reserve	2,842,806	8	2,356,107	8
Special reserve	25,965	-	111,358	-
Unappropriated earnings	14,521,886	42	11,928,136	38
Total retained earnings	17,390,657	50	14,395,601	46
Other equity	36,416	-	(25,965)	-
Total equity	26,058,315	75	22,992,825	73
TOTAL	\$ 34,577,712	100	\$ 31,426,511	100

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

(With Deloitte & Touche auditors' report dated March 16, 2018)

PHISON ELECTRONICS CORP.

COMPREHENSIVE INCOME STATEMENTS 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 and 28)				
Gross sales	\$ 42,068,216	101	\$ 44,200,297	101
Less: Sales returns and allowances	<u>432,902</u>	<u>1</u>	<u>587,201</u>	<u>1</u>
Net sales	41,635,314	100	43,613,096	100
Other operating revenue	<u>138,218</u>	<u>-</u>	<u>65,451</u>	<u>-</u>
Total operating revenue	41,773,532	100	43,678,547	100
OPERATING COSTS (Notes 4, 10, 22 and 28)	<u>30,324,437</u>	<u>73</u>	<u>34,471,226</u>	<u>79</u>
GROSS PROFIT	<u>11,449,095</u>	<u>27</u>	<u>9,207,321</u>	<u>21</u>
OPERATING EXPENSES (Note 22)				
Marketing	529,936	1	675,116	2
General and administrative	476,329	1	473,374	1
Research and development	<u>3,719,729</u>	<u>9</u>	<u>3,142,385</u>	<u>7</u>
Total operating expenses	<u>4,725,994</u>	<u>11</u>	<u>4,290,875</u>	<u>10</u>
OPERATING INCOME	<u>6,723,101</u>	<u>16</u>	<u>4,916,446</u>	<u>11</u>
NONOPERATING INCOME AND EXPENSES				
Other gains and losses (Note 22)	(510,793)	(1)	83,960	-
Share of gains of subsidiaries and associates (Notes 4 and 13)	416,073	1	418,925	1
Other income (Note 22)	89,805	-	114,920	1
Financial costs	<u>(4,981)</u>	<u>-</u>	<u>(2,053)</u>	<u>-</u>
Total nonoperating income and expenses	<u>(9,896)</u>	<u>-</u>	<u>615,752</u>	<u>2</u>
PROFIT BEFORE INCOME TAX	6,713,205	16	5,532,198	13
INCOME TAX EXPENSE (Notes 4 and 21)	<u>952,233</u>	<u>2</u>	<u>665,206</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>5,760,972</u>	<u>14</u>	<u>4,866,992</u>	<u>11</u>

(Continued)

PHISON ELECTRONICS CORP.

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

	2017		2016	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF INCOME TAX				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plan	\$ (8,288)	-	\$ (2,475)	-
Income tax benefit relating to items that will not be reclassified subsequently to profit or loss (Note 21)	1,408	-	421	-
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive loss of subsidiaries and associates	(392)	-	(48,443)	-
Unrealized gain on available-for-sale financial assets	62,712	-	125,601	-
Income tax benefit relating to items that may be reclassified subsequently to profit or loss (Note 21)	<u>61</u>	<u>-</u>	<u>8,235</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>55,501</u>	<u>-</u>	<u>83,339</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 5,816,473</u>	<u>14</u>	<u>\$ 4,950,331</u>	<u>11</u>
EARNINGS PER SHARE; NEW TAIWAN DOLLARS (Note 23)				
Basic	<u>\$ 29.23</u>		<u>\$ 24.67</u>	
Diluted	<u>\$ 28.83</u>		<u>\$ 24.35</u>	

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

(With Deloitte & Touche auditors' report dated March 16, 2018)

(Concluded)

PHISON ELECTRONICS CORP.

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

	Common Shares	Capital Surplus	Retained Earnings			Other Equity		Treasury Shares	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for- sale Financial Assets		
BALANCE AT JANUARY 1, 2016	\$ 1,973,740	\$ 6,514,569	\$ 1,956,106	\$ 5,056	\$ 9,990,216	\$ (26,608)	\$ (84,750)	\$ -	\$ 20,328,329
Appropriation of the 2015 earnings									
Legal reserve	-	-	400,001	-	(400,001)	-	-	-	-
Special reserve	-	-	-	106,302	(106,302)	-	-	-	-
Cash dividends - NT\$12 per share	-	-	-	-	(2,368,488)	-	-	-	(2,368,488)
Actual disposal or acquisition of interests in subsidiaries	-	147,375	-	-	-	-	-	-	147,375
Treasury shares	-	-	-	-	-	-	-	(64,722)	(64,722)
Cancellation of treasury shares	(3,000)	(9,495)	-	-	(52,227)	-	-	64,722	-
Net profit for the year ended December 31, 2016	-	-	-	-	4,866,992	-	-	-	4,866,992
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	(2,054)	(40,208)	125,601	-	83,339
BALANCE AT DECEMBER 31, 2016	1,970,740	6,652,449	2,356,107	111,358	11,928,136	(66,816)	40,851	-	22,992,825
Appropriation of the 2016 earnings									
Legal reserve	-	-	486,699	-	(486,699)	-	-	-	-
Reversal from special reserve	-	-	-	(85,393)	85,393	-	-	-	-
Cash dividends - NT\$14 per share	-	-	-	-	(2,759,036)	-	-	-	(2,759,036)
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	10,739	-	-	-	-	-	-	10,739
Actual disposal or acquisition of interests in subsidiaries	-	(2,686)	-	-	-	-	-	-	(2,686)
Net profit for the year ended December 31, 2017	-	-	-	-	5,760,972	-	-	-	5,760,972
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	(6,880)	(331)	62,712	-	55,501
BALANCE AT DECEMBER 31, 2017	<u>\$ 1,970,740</u>	<u>\$ 6,660,502</u>	<u>\$ 2,842,806</u>	<u>\$ 25,965</u>	<u>\$ 14,521,886</u>	<u>\$ (67,147)</u>	<u>\$ 103,563</u>	<u>\$ -</u>	<u>\$ 26,058,315</u>

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

(With Deloitte & Touche auditors' report dated March 16, 2018)

PHISON ELECTRONICS CORP.

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		
Profit before income tax	\$ 6,713,205	\$ 5,532,198
Adjustments for:		
Recognition of provisions	238,449	408,268
Depreciation	156,455	118,860
Amortization	163,653	121,189
Allowance for bad debts	24,522	123,645
Net loss on foreign currency exchange	205,687	128,819
Dividend income	(29,947)	(38,867)
Interest income	(38,504)	(32,490)
Inventory write-downs	19,396	8,598
Impairment loss recognized on financial assets	147,890	65,880
Share of gains of subsidiaries and associates	(416,073)	(418,925)
Financial costs	4,981	2,053
Other non-cash items	1,163	-
Gains on disposal of property, plant and equipment	-	(41)
Gains on deconsolidation of subsidiaries	-	(45,649)
Net changes related to operating assets and liabilities		
Financial assets at fair value through profit or loss	5,529	15,236
Notes and accounts receivable	(851,863)	(596,289)
Other receivables	104,867	(19,939)
Inventories	(1,984,494)	21,322
Prepayments	38,375	(34,434)
Other current assets	740	11,437
Notes and accounts payable	(187,539)	(421,488)
Other payables	593,813	820,726
Provisions	(290,444)	(214,044)
Other current liabilities	(27,674)	20,526
Net defined benefit liability	3,883	3,348
Cash generated from operations	4,596,070	5,579,939
Interest paid	(5,385)	(1,709)
Income tax paid	(675,621)	(645,016)
Net cash generated from operating activities	<u>3,915,064</u>	<u>4,933,214</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchase) disposal of financial assets designated as at fair value through profit or loss	(49,675)	1,043,527
Purchase of investments accounted for by the equity method	(289,778)	(137,210)
Proceeds of the capital reduction of available-for-sale financial assets	-	49,500
Purchase of financial assets measured at cost	(100,889)	(110,990)
Payments for intangible assets	(157,998)	(166,401)
Payments for property, plant and equipment	(557,045)	(879,499)
Dividends received	29,947	38,867
Interest received	38,087	34,763

(Continued)

PHISON ELECTRONICS CORP.

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

	2017	2016
Proceeds from sale of financial assets measured at cost	\$ 6,770	\$ -
Proceeds from disposal of property, plant and equipment	-	41
Decrease (increase) in refundable deposits	173	(12)
Decrease (increase) in debt investments with no active market	<u>1,244</u>	<u>(1,385)</u>
Net cash used in investing activities	<u>(1,079,164)</u>	<u>(128,799)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends paid	(2,759,036)	(2,368,488)
(Decrease) increase short-term borrowings	(580,500)	380,386
Decrease in guarantee deposits	(35)	-
Purchase of treasury shares	<u>-</u>	<u>(64,722)</u>
Net cash used in financing activities	<u>(3,339,571)</u>	<u>(2,052,824)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(293,941)</u>	<u>(32,566)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(797,612)	2,719,025
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>13,552,188</u>	<u>10,833,163</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 12,754,576</u>	<u>\$ 13,552,188</u>

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

(With Deloitte & Touche auditors' report dated March 16, 2018)

(Concluded)

PHISON ELECTRONICS CORP.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Phison Electronics Corp. (the “Corporation”) was incorporated on November 8, 2000 under the Company Act of the Republic of China (“ROC”). The Corporation mainly designs and sells flash memory controllers and peripheral system applications.

The Corporation’s shares have been traded on the Taipei Exchange (for over-the-counter trading in Taiwan) since December 6, 2004.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Corporation’s board of directors on March 16, 2018.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

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

Except for the following, 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 Corporation’s accounting policies:

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 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 Corporation or is the spouse or second immediate family of the chairman of the board of directors or president of the Corporation 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 Corporation has significant transactions. If the transactions or balance with a specific related party is 10% or more of the Corporation’s respective total transactions 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 operations after a business combination and the expected benefits on the acquisition date.

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions are enhanced. Refer to Note 28 for related disclosures.

- b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed by the FSC for application starting from 2018

New, Revised or Amended Standards and Interpretations	Effective Date Issued 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
Amendment 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 amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

1) IFRS 9 “Financial Instruments” and related amendments

Classification, measurement and impairment of financial assets

With regard to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Corporation’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 the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. 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 the collection of contractual cash flows and the sale of 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 above, all other financial assets are measured at fair value through profit or loss. However, the Corporation 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 Corporation 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 as follow:

- a) Listed shares, emerging market shares, and unlisted shares classified as available-for-sale will be classified as at fair value through profit or loss.

Besides those, unlisted shares measured at cost will be measured at fair value instead.

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

IFRS 9 requires that impairment loss on financial assets is recognized by using the “Expected Credit Losses Model”. The 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 the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since its 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 its 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 Corporation 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 Corporation has performed a preliminary assessment that the Corporation will apply the simplified approach to recognize lifetime expected credit losses for trade receivables, contract assets and lease receivables. In relation to the debt instrument investments and the financial guarantee contracts, the Corporation will assess whether there has been a significant increase in the credit risk to determine whether to recognize 12-month or lifetime expected credit losses. In general, the Corporation anticipates that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for financial assets.

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

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

	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Adjusted carrying amount as of January 1, 2018
<u>Impact on assets, liabilities and equity</u>			
<u>Current assets</u>			
Financial assets measured at amortized cost	\$ -	\$ 20,549	\$ 20,549
Debt investment with no active market	20,549	(20,549)	-
<u>Non-current assets</u>			
Financial assets at fair value through other comprehensive income	-	556,875	556,875
Financial assets at fair value through profit or loss	-	434,763	434,763
Financial assets measured at cost	447,416	(447,416)	-
Available-for-sale financial assets	434,763	(434,763)	-
Investments accounted for by the equity method	<u>3,307,982</u>	<u>(66,171)</u>	<u>3,241,811</u>
Total effect on assets	<u>\$ 4,210,710</u>	<u>\$ 43,288</u>	<u>\$ 4,253,998</u>
<u>Equity</u>			
Retained earnings	\$ 14,521,886	\$ 543,867	\$ 15,065,753
Other equity	<u>36,416</u>	<u>(500,579)</u>	<u>(464,163)</u>
Total effect on equity	<u>\$ 14,558,302</u>	<u>\$ 43,288</u>	<u>\$ 14,601,590</u>

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

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

When applying IFRS 15, the Group recognizes revenue by applying the following steps:

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

The Corporation 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.

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

	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
<u>Impact on assets, liabilities and equity</u>			
<u>Current liabilities</u>			
Provisions - current	\$ 292,081	\$ (292,081)	\$ -
Refund liability	<u>-</u>	<u>292,081</u>	<u>292,081</u>
Total effect on liabilities	<u>\$ 292,081</u>	<u>\$ -</u>	<u>\$ 292,081</u>

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

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

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note 1)</u>
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 Corporation shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

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

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

When IFRS 16 becomes effective, the Corporation 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.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 (the “Regulations”).

Basis of Preparation

The financial statements have been prepared on the historical cost basis, except for financial instruments that are measured at fair values.

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

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- c. Level 3 inputs are unobservable inputs for the asset or liability.

As the parent company of a group, when preparing its parent company only financial statements, the Corporation used the equity method to account for its investment 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 as the amounts attributable to the owners of the Corporation in its consolidated financial statements, adjustments arising from the differences in the accounting treatment between the parent company only basis and the consolidated basis were made to investments accounted for by equity method, share of profit or loss of subsidiaries and associates and share of other comprehensive income of subsidiaries and associates, as appropriate, in the parent company only financial statements.

Classification of Current and Non-current Assets and Liabilities

Current assets include:

- a. Assets held primarily for the purpose of trading;
- b. Assets expected to be realized within twelve months after the reporting period; and
- c. Cash and 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:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities due to be settled within 12 months after the reporting period; and
- c. Liabilities for which the Corporation does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

All other assets and liabilities are classified as non-current.

Foreign Currencies

In preparing the Corporation's financial statements, transactions in currencies other than the Corporation's functional currency (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.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of nonmonetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of nonmonetary items in respect of which gains and losses are recognized directly in other comprehensive income, and in which case, 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 not retranslated.

For the purpose of presenting financial statements, the functional currencies of the Corporation 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

Inventories

Inventories consist of raw materials, semifinished products, work-in-process and finished goods, which 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 their weighted-average costs at the end of the reporting period.

Investments Accounted for Using Equity Method

The Corporation uses the equity method to account for its investments in subsidiaries and associates.

Investments in subsidiaries

A subsidiary is an entity that is controlled by the Corporation.

Under the equity method, an investment in a subsidiary is initially recognized at cost and the carrying amount is increased or decreased to recognize the Corporation's share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. The Corporation also recognizes the changes in the Corporation's share of equity of the subsidiary.

Changes in the Corporation's ownership interests in subsidiaries that do not result in the Corporation's loss of control over the subsidiaries are accounted for as equity transactions. The Corporation recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

The Corporation 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 in subsidiary. An impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Corporation recognizes a 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) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

Profits and losses resulting from any 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 Corporation.

Investments in associates

An associate is an entity over which the Corporation has significant influence and which is neither a subsidiary nor an interest in a joint venture.

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

When the Corporation subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Corporation's proportionate interest in the associate. The Corporation records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Corporation's ownership interest is reduced due to the additional subscription of new shares of an associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the

investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Corporation'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 Corporation's net investment in the associate and joint venture), the Corporation discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Corporation has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate and joint venture.

When the Corporation determines impairment loss on investments in associates, the entire carrying amount of the 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 Corporation discontinues the use of the equity method from the date on which it ceases to have significant influence over an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Corporation accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When the Corporation transacts with its associate, profits and losses resulting from these transactions are recognized in the Corporation's financial statements only to the extent of the interests in the associate that are not related to the Corporation.

Property, Plant and Equipment

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

Property, plant and equipment in the course of construction are carried at cost less any recognized impairment loss. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended uses.

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period.

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.

Intangible Assets

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

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

Impairment of Tangible and Intangible Assets Other Than Goodwill

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

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 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 immediately in profit or loss.

Financial Instruments

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

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

Financial assets

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

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.

a. Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is held for trading.

Financial assets at fair value through profit or loss are stated at their 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 financial assets. Refer to Note 27 for related disclosures.

b. 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 amount 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 the investment is disposed of or is determined to be impaired.

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

Available-for-sale equity investments with no quoted market prices in an active market and with fair values that cannot be reliably measured and derivatives that are linked to and must be settled by the delivery of these unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

c. Loans and receivables

Loans and receivables (including notes and accounts receivable, cash and cash equivalents, and debt investments with no active market) are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

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

d. Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, 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 Corporation's past experience with collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period as well as observable changes in national or local economic conditions that correlate with defaults on receivables, and other situations.

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

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

For 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, the 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.

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

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

e. Derecognition of financial assets

The Corporation 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 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.

Provisions

Provisions are recognized when: The Corporation has a present obligation (legal or constructive) as a result of a past event; it is probable that the Corporation will be required to settle the obligation; and a reliable estimate can be made for the amount of the obligation.

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.

a. Sale of goods

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

- The Corporation has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Corporation 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 Corporation; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Corporation 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.

Specifically, sales of goods are recognized when goods are delivered and titles has passed to the buyer.

b. Rendering service income

Service income is recognized when services are provided.

c. Royalties

Royalty revenue is recognized on an accrual basis in accordance with the substance of the relevant agreement and provided that it is probable that the economic benefits will flow to the Corporation and that the amount of revenue can be measured reliably. Royalty arrangements that are based on production, sales and other measures are recognized by reference to the underlying arrangement.

d. 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 Corporation 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 Corporation 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 effective interest rate applicable.

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.

a. The Corporation as lessor

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

b. The Corporation as lessee

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

Defined benefit costs (including service costs, net interest and remeasurement) under the defined benefit retirement plans are determined using the projected unit credit method. Service costs and net interest on a net defined benefit liability (asset) are recognized as employee benefits expenses in the period that 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.

The net defined benefit liability (asset) represents the actual deficit (surplus) in the Corporation's defined benefit plan. 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.

c. Termination benefits

A liability for termination benefits is recognized at the earlier of when the Corporation can no longer withdraw the offer of the termination benefits or when the Corporation recognizes any related restructuring costs.

Share-based Payment Arrangements - Employee Share Options

The fair value determined at the grant date of employee share options is expensed on a straight-line basis over the vesting period, based on the Corporation'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 Corporation 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 reflects the revised estimate, with a corresponding adjustment to the capital surplus - employee share options.

Taxation

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

a. Current tax

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

Adjustments of prior years' tax liabilities are included in the current year's tax provision.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amount of assets and liabilities in parent company only financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards 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 Corporation 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 that 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 is 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. Previously unrecognized deferred tax assets are also reviewed at the end of each reporting period and recognized to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period in which a liability is settled or an asset is 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 based on the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Estimated impairment of trade receivables

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

b. Inventory write-downs

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

c. Provisions for sales returns and allowances

Provision for sales returns and allowances refers to the Corporation's best estimate of the future outflow of the economic resources that will be required for the settlement of the Corporation's obligations. Such estimate is made on the basis of historical experience, management's judgment, and any known factors that would significantly affect sales returns and allowances. Changes in market conditions may have a material impact on the estimation of provisions.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2017	2016
Cash on hand	\$ 60	\$ 60
Checking accounts and demand deposits	8,440,071	10,442,287
Cash equivalents		
Time deposits with original maturities of less than 3 months	<u>4,314,445</u>	<u>3,109,841</u>
	<u>\$ 12,754,576</u>	<u>\$ 13,552,188</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

	December 31	
	2017	2016
<u>Financial assets held for trading</u>		
Beneficiary certificates - open-end funds	\$ 1,050,239	\$ 1,046,325
Domestic quoted shares	67,095	80,585
Convertible bonds	<u>53,722</u>	<u>-</u>
	<u>\$ 1,171,056</u>	<u>\$ 1,126,910</u>

8. DEBT INVESTMENTS WITH NO ACTIVE MARKET - CURRENT

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Certificates of deposit	\$ 20,549	\$ 20,503
Time deposits with original maturity of more than 3 months	<u> -</u>	<u> 1,290</u>
	<u>\$ 20,549</u>	<u>\$ 21,793</u>

The market interest rates of time deposits with an original maturity of more than 3 months were 0.20%-0.55% per annum as of December 31, 2016.

Refer to Note 30 for information relating to debt investments with no active market pledged as security.

9. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>Notes receivable</u>		
Operating	<u>\$ 4</u>	<u>\$ -</u>
<u>Accounts receivable - trade</u>		
Operating		
Third parties	\$ 5,492,888	\$ 4,562,538
Related parties	<u> 336,042</u>	<u> 363,065</u>
	5,828,930	4,925,603
Less: Allowance for doubtful accounts	<u> 185,393</u>	<u> 160,871</u>
Notes and accounts receivable, net	<u>\$ 5,643,537</u>	<u>\$ 4,764,732</u>
<u>Other receivables</u>		
Income tax refund receivable	\$ 116,593	\$ 164,023
Factored accounts receivable	147,526	201,744
Others	<u> 2,356</u>	<u> 1,953</u>
Other receivables	<u>\$ 266,475</u>	<u>\$ 367,720</u>

Accounts Receivable - Trade

For the trade receivables balances that were past due at the end of the reporting period, the Corporation had not recognize an allowance for impaired trade receivables because there has been no significant change in credit quality, and the amounts were still considered recoverable. The Corporation did not hold any collateral or other credit enhancements for these balances nor did it have a legal right to make offsets against any amounts owed by the Corporation to the counterparty.

The aging of receivables was as follows:

	December 31	
	2017	2016
Not past due	\$ 5,369,396	\$ 4,369,862
1-60 days	406,230	515,224
61-90 days	429	320
91-120 days	38,566	39,492
More than 120 days	<u>14,309</u>	<u>705</u>
	<u>\$ 5,828,930</u>	<u>\$ 4,925,603</u>

The above aging schedule was based on the number of days past the end of the credit term.

The Corporation had no receivables that were past due but not impaired.

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

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2016	\$ 82,694	\$ 49,964	\$ 132,658
Add: Impairment losses recognized on receivables	12,738	110,907	123,645
Less: Amounts written off during the year as uncollectable	<u>95,432</u>	<u>-</u>	<u>95,432</u>
Balance at December 31, 2016	<u>\$ -</u>	<u>\$ 160,871</u>	<u>\$ 160,871</u>
Balance at January 1, 2017	\$ -	\$ 160,871	\$ 160,871
Add: Impairment losses recognized on receivables	<u>-</u>	<u>24,522</u>	<u>24,522</u>
Balance at December 31, 2017	<u>\$ -</u>	<u>\$ 185,393</u>	<u>\$ 185,393</u>

The Corporation individually recognized impairment losses on trade receivables amounting to \$0 thousand as of both December 31, 2017 and 2016. These amounts mainly pertained to customers that were in the process of liquidation or experiencing severe financial difficulties. The Corporation had no collateral for these receivables.

The factored accounts receivable were as follows:

(In Thousands)					
Factor	Factor Amount	Collected Amount	Prepayments	Discount Rate (%)	Factor Limit
For the year ended <u>December 31, 2017</u>					
HSBC Bank	US\$ 41,383	US\$ 35,711	\$ -	-	US\$ 12,800
For the year ended <u>December 31, 2016</u>					
HSBC Bank	US\$ 93,776	US\$ 85,525	-	-	US\$ 16,500

Note: Recorded under other receivables.

The limit above was used on a revolving basis.

The factor was HSBC Bank (Taiwan) Limited. This sale was without recourse.

10. INVENTORIES

	December 31	
	2017	2016
Raw materials	\$ 3,939,844	\$ 3,298,671
Work-in-process	1,293,814	925,313
Semifinished products	1,880,843	909,395
Finished goods	<u>71,502</u>	<u>87,526</u>
	<u>\$ 7,186,003</u>	<u>\$ 5,220,905</u>

The costs of inventories recognized as cost of goods sold for the years ended December 31, 2017 and 2016 was \$30,324,437 thousand and \$34,471,226 thousand, respectively. The cost of goods sold for the years ended December 31, 2017 and 2016 included inventory write-downs of \$19,396 thousand and \$8,598 thousand, respectively.

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS - NON-CURRENT

	December 31	
	2017	2016
<u>Private equity</u>		
Domestic listed, common shares	<u>\$ 434,763</u>	<u>\$ 372,051</u>

The Corporation obtained shares issued by Apacer Technology Inc. in a private placement. Under Article 43-8 of the Securities and Exchange Act, the transfer of these shares is restricted.

The Corporation received the cash refund of \$49,500 thousand due to a capital reduction from Apacer Technology Inc. in the third quarter of 2016.

12. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Domestic unlisted common shares	\$ 296,380	\$ 357,979
Overseas unlisted common shares	91,036	143,208
Domestic private equity fund	<u>60,000</u>	<u>-</u>
	<u>\$ 447,416</u>	<u>\$ 501,187</u>
Classified according to categories		
Available-for-sale	<u>\$ 447,416</u>	<u>\$ 501,187</u>

Management believed that the above unlisted equity investments held by the Corporation had fair values which cannot be reliably measured, because the range of reasonable fair value estimates was significant. Therefore, they were measured at cost less impairment at the end of the reporting period.

The Corporation disposed of certain financial assets measured at cost with carrying amount of \$6,770 thousand during year 2017.

The Corporation recognized impairment losses of \$147,890 thousand and \$65,880 thousand during 2017 and 2016, respectively, on domestic and overseas unlisted common shares.

13. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Investments in subsidiaries	<u>\$ 1,614,888</u>	<u>\$ 1,340,049</u>
Investments in associates	<u>\$ 1,693,094</u>	<u>\$ 1,254,421</u>

a. Investments in subsidiaries

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>Unlisted shares</u>		
Global Flash Limited	\$ 626,167	\$ 585,179
Lian Xu Dong Investment Corporation	614,104	373,018
Emtops Electronics Corp.	70,108	73,952
Phisontech Electronics (Malaysia) Sdn. Bhd.	62,707	36,142
Power Flash (Samoa) Limited	97,848	104,961
Everspeed Technology Limited	139,985	156,992
Phison Electronics Japan Corp.	<u>3,969</u>	<u>9,805</u>
	<u>\$ 1,614,888</u>	<u>\$ 1,340,049</u>

At the end of the reporting period, the proportion of ownership and voting rights in subsidiaries held by the Corporation were as follows:

Name of Subsidiaries	December 31	
	2017	2016
Global Flash Limited	100%	100%
Lian Xu Dong Investment Corporation	100%	100%
Emtops Electronics Corp.	100%	100%
Phisontech Electronics (Malaysia) Sdn. Bhd. (Note 25)	100%	87%
Power Flash (Samoa) Limited	100%	100%
Everspeed Technology Limited	100%	100%
Phison Electronics Japan Corp.	100%	100%

In March 2016, the Corporation invested in Power Flash (Samoa) Limited, which is principally engaged in investment and trade services.

The investments 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 subsidiaries' financial statements audited for the same years.

b. Investments in associates

	December 31	
	2017	2016
<u>Unlisted shares</u>		
Material associates		
Kingston Solutions Inc.	\$ 1,623,790	\$ 1,149,415
Associates that are not individually material		
Epostar Electronics (BVI) Corporation	47,741	79,732
Microtops Design Corporation ("Microtops")	21,563	24,211
Flexmedia Electronics Corporation	-	1,063
	<u>\$ 1,693,094</u>	<u>\$ 1,254,421</u>

1) Material associates

Name of Associates	December 31	
	2017	2016
Kingston Solutions Inc.	32.91%	32.91%

Refer to Table 5 "Information on Investees" for the nature of activities, principal place of business and country of incorporation of the associates.

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

Kingston Solutions Inc.

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Current assets	\$ 6,703,051	\$ 7,227,726
Non-current assets	149,930	167,420
Current liabilities	(1,250,947)	(3,589,797)
Non-current liabilities	<u>(668,003)</u>	<u>(312,749)</u>
Equity	<u>\$ 4,934,031</u>	<u>\$ 3,492,600</u>
Equity attributable to the Corporation	<u>\$ 1,623,790</u>	<u>\$ 1,149,415</u>
	<u>For the Year Ended December 31</u>	
	<u>2017</u>	<u>2016</u>
Operating revenue	<u>\$ 20,205,762</u>	<u>\$ 17,458,278</u>
Net profit for the year	\$ 1,441,523	\$ 1,492,011
Other comprehensive loss	<u>(92)</u>	<u>(400)</u>
Total comprehensive income for the year	<u>\$ 1,441,431</u>	<u>\$ 1,491,611</u>

2) Aggregate information of associates that are not individually material

	<u>For the Year Ended December 31</u>	
	<u>2017</u>	<u>2016</u>
The Corporation's share of:		
Net loss for the year	\$ (46,456)	\$ (6,935)
Other comprehensive income	<u>14</u>	<u>-</u>
Total comprehensive loss for the year	<u>\$ (46,442)</u>	<u>\$ (6,935)</u>

The fiscal year end date for Microtops is March 31. For the purpose of applying the equity method of accounting, the consolidated financial statements of Microtops as of March 31, 2017 and 2016 have been used as the Corporation considers that it is impracticable for Microtops to prepare a separate set of financial statements as of December 31. Appropriate adjustments have been made accordingly for the effects of significant transactions between those dates and December 31, 2017 and 2016.

All the associates are accounted for using the equity method.

The Corporation's share of losses of an associate is limited to its interest in that associate. The amount of unrecognized share of losses of those associates extracted from the relevant unaudited financial statements of associates, both for the period and cumulatively, were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2017</u>	<u>2016</u>
Unrecognized share of losses of associates for the year	<u>\$ 1,273</u>	<u>\$ -</u>
Accumulated unrecognized share of losses of associates	<u>\$ 1,273</u>	<u>\$ -</u>

Except for Flexmedia Electronics Corporation, investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on financial statements which have been audited. Management believes there is no material impact on the equity method accounting or the calculation of the share of profit or loss and other comprehensive income from the financial statements of Flexmedia Electronics Corporation which have not been audited.

14. PROPERTY, PLANT AND EQUIPMENT

	Land	Land Improvements	Buildings	Testing Equipment	Office Equipment	Other Equipment	Construction in Progress	Total
<u>Cost</u>								
Balance, January 1, 2016	\$ 547,014	\$ 28,685	\$ 1,060,552	\$ 264,655	\$ 39,388	\$ 10,436	\$ -	\$ 1,950,730
Additions	266,724	90	78,930	122,022	11,935	6,357	390,000	876,058
Disposals	-	-	-	(61,837)	(20,278)	(2,479)	-	(84,594)
Reclassification	-	-	2,859	2,198	904	-	-	5,961
Balance, December 31, 2016	<u>\$ 813,738</u>	<u>\$ 28,775</u>	<u>\$ 1,142,341</u>	<u>\$ 327,038</u>	<u>\$ 31,949</u>	<u>\$ 14,314</u>	<u>\$ 390,000</u>	<u>\$ 2,748,155</u>
<u>Accumulated depreciation</u>								
Balance, January 1, 2016	\$ -	\$ 13,570	\$ 156,534	\$ 120,871	\$ 26,279	\$ 3,814	\$ -	\$ 321,068
Disposal	-	-	-	(61,837)	(20,278)	(2,479)	-	(84,594)
Depreciation	-	3,672	30,726	72,592	8,107	3,763	-	118,860
Reclassification	-	-	-	-	18	-	-	18
Balance, December 31, 2016	<u>\$ -</u>	<u>\$ 17,242</u>	<u>\$ 187,260</u>	<u>\$ 131,626</u>	<u>\$ 14,126</u>	<u>\$ 5,098</u>	<u>\$ -</u>	<u>\$ 355,352</u>
Balance, December 31, 2016, net	<u>\$ 813,738</u>	<u>\$ 11,533</u>	<u>\$ 955,081</u>	<u>\$ 195,412</u>	<u>\$ 17,823</u>	<u>\$ 9,216</u>	<u>\$ 390,000</u>	<u>\$ 2,392,803</u>
<u>Cost</u>								
Balance, January 1, 2017	\$ 813,738	\$ 28,775	\$ 1,142,341	\$ 327,038	\$ 31,949	\$ 14,314	\$ 390,000	\$ 2,748,155
Additions	-	-	82,635	97,015	13,743	12,652	351,000	557,045
Disposals	-	-	-	(45,713)	(5,498)	-	-	(51,211)
Reclassification	-	-	741,000	(291)	-	-	(741,000)	(291)
Balance, December 31, 2017	<u>\$ 813,738</u>	<u>\$ 28,775</u>	<u>\$ 1,965,976</u>	<u>\$ 378,049</u>	<u>\$ 40,194</u>	<u>\$ 26,966</u>	<u>\$ -</u>	<u>\$ 3,253,698</u>
<u>Accumulated depreciation</u>								
Balance, January 1, 2017	\$ -	\$ 17,242	\$ 187,260	\$ 131,626	\$ 14,126	\$ 5,098	\$ -	\$ 355,352
Disposals	-	-	-	(45,713)	(5,498)	-	-	(51,211)
Depreciation	-	3,684	45,813	90,196	11,528	5,234	-	156,455
Balance, December 31, 2017	<u>\$ -</u>	<u>\$ 20,926</u>	<u>\$ 233,073</u>	<u>\$ 176,109</u>	<u>\$ 20,156</u>	<u>\$ 10,332</u>	<u>\$ -</u>	<u>\$ 460,596</u>
Balance, December 31, 2017, net	<u>\$ 813,738</u>	<u>\$ 7,849</u>	<u>\$ 1,732,903</u>	<u>\$ 201,940</u>	<u>\$ 20,038</u>	<u>\$ 16,634</u>	<u>\$ -</u>	<u>\$ 2,793,102</u>

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

Land improvements	7 years
Buildings	20-50 years
Buildings - electrical engineering	20 years
Testing equipment	3 years
Office equipment	3 years
Other equipment	3-5 years

15. INTANGIBLE ASSETS

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Computer software	\$ 147,490	\$ 126,879
Technology license fees	<u>64,618</u>	<u>90,884</u>
	<u>\$ 212,108</u>	<u>\$ 217,763</u>

	Computer Software	Technology License Fees	Total
Balance at January 1, 2016	\$ 69,076	\$ 105,232	\$ 174,308
Additions	132,838	33,563	166,401
Amortization	(73,278)	(47,911)	(121,189)
Reclassification	<u>(1,757)</u>	<u>-</u>	<u>(1,757)</u>
Balance, December 31, 2016	<u>\$ 126,879</u>	<u>\$ 90,884</u>	<u>\$ 217,763</u>
Balance at January 1, 2017	\$ 126,879	\$ 90,884	\$ 217,763
Additions	123,172	34,826	157,998
Amortization	<u>(102,561)</u>	<u>(61,092)</u>	<u>(163,653)</u>
Balance, December 31, 2017	<u>\$ 147,490</u>	<u>\$ 64,618</u>	<u>\$ 212,108</u>

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

Computer software	1-3 years
Technology license fees	1-8 years

16. SHORT-TERM BORROWINGS

Short-term Borrowings

	December 31	
	2017	2016
<u>Unsecured borrowings</u>		
Bank loans	<u>\$ -</u>	<u>\$ 580,500</u>
Interest rate	-	0.94%-1.33%
Due date	-	2017.3.1

17. OTHER PAYABLES

	December 31	
	2017	2016
Salaries and bonuses payable	\$ 2,576,430	\$ 2,033,587
Others	<u>670,024</u>	<u>629,225</u>
	<u>\$ 3,246,454</u>	<u>\$ 2,662,812</u>

18. PROVISIONS - CURRENT

	<u>December 31</u>	
	2017	2016
Sales returns and allowances	\$ <u>292,081</u>	\$ <u>344,076</u>
	For the Year Ended December 31	
	2017	2016
Balance at January 1	\$ 344,076	\$ 149,852
Additional provisions recognized	238,449	408,268
Usage	<u>(290,444)</u>	<u>(214,044)</u>
Balance at December 31	\$ <u>292,081</u>	\$ <u>344,076</u>

Provisions for sales returns and allowances are estimated based on historical experience, management's judgment, and any known factors that would significantly affect returns and allowances and are recognized as a reduction of revenue in the same period of the related product sales.

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Corporation 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 plan

The defined benefit plan adopted by the Corporation 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 six months before retirement. The Corporation 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 Corporation 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 Corporation 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 Corporation has no right to influence the investment policy and strategy.

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

	<u>December 31</u>	
	2017	2016
Present value of defined benefit obligation	\$ 116,566	\$ 102,213
Fair value of plan assets	<u>(31,669)</u>	<u>(29,488)</u>
Net defined benefit liability	\$ <u>84,897</u>	\$ <u>72,725</u>

Movements in net defined benefit liability (asset) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2016	\$ 94,249	\$ (27,348)	\$ 66,901
Service costs			
Current service costs	4,103	-	4,103
Net interest expense (income)	<u>1,602</u>	<u>(465)</u>	<u>1,137</u>
Recognized in profit or loss	<u>5,705</u>	<u>(465)</u>	<u>5,240</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	216	216
Actuarial gain - changes in financial assumptions	(2,038)	-	(2,038)
Actuarial loss - experience adjustments	<u>4,297</u>	<u>-</u>	<u>4,297</u>
Recognized in other comprehensive income	<u>2,259</u>	<u>216</u>	<u>2,475</u>
Contributions from the employer	<u>-</u>	<u>(1,891)</u>	<u>(1,891)</u>
Balance at December 31, 2016	<u>\$ 102,213</u>	<u>\$ (29,488)</u>	<u>\$ 72,725</u>
Balance at January 1, 2017	<u>\$ 102,213</u>	<u>\$ (29,488)</u>	<u>\$ 72,725</u>
Service costs			
Current service costs	4,456	-	4,456
Net interest expense (income)	<u>1,840</u>	<u>(531)</u>	<u>1,309</u>
Recognized in profit or loss	<u>6,296</u>	<u>(531)</u>	<u>5,765</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	231	231
Actuarial loss - changes in financial assumptions	8,786	-	8,786
Actuarial loss - experience adjustments	<u>(729)</u>	<u>-</u>	<u>(729)</u>
Recognized in other comprehensive income	<u>8,057</u>	<u>231</u>	<u>8,288</u>
Contributions from the employer	<u>-</u>	<u>(1,881)</u>	<u>(1,881)</u>
Balance at December 31, 2017	<u>\$ 116,566</u>	<u>\$ (31,669)</u>	<u>\$ 84,897</u>

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

	For the Year Ended December 31	
	2017	2016
Operating costs	\$ 723	\$ 711
Marketing expenses	685	694
Administrative expenses	1,561	1,396
Research and development expenses	<u>2,796</u>	<u>2,439</u>
	<u>\$ 5,765</u>	<u>\$ 5,240</u>

Recognized in other comprehensive income was an actuarial loss of \$6,880 thousand in 2017 and an actuarial loss of \$2,054 thousand in 2016. The cumulative amount of actuarial loss recognized in other comprehensive income as of December 31, 2017 and 2016 was \$39,597 thousand and \$32,717 thousand, respectively.

Through the defined benefit plan under the Labor Standards Law, the Corporation 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 government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	<u>December 31</u>	
	2017	2016
Discount rate	1.40%	1.80%
Expected rate of salary increase	4.00%	4.00%

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

	<u>December 31</u>	
	2017	2016
Discount rate		
0.25% increase	<u>\$ (5,582)</u>	<u>\$ (4,902)</u>
0.25% decrease	<u>\$ 5,902</u>	<u>\$ 5,182</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 5,443</u>	<u>\$ 4,800</u>
0.25% decrease	<u>\$ (5,191)</u>	<u>\$ (4,577)</u>

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

	<u>December 31</u>	
	2017	2016
The expected contributions to the plan for the next year	<u>\$ 1,888</u>	<u>\$ 1,853</u>
The average duration of the defined benefit obligation	20 years	21 years

20. EQUITY

a. Share capital

Common shares

	December 31	
	2017	2016
Number of shares authorized (in thousands)	<u>230,000</u>	<u>230,000</u>
Shares authorized	<u>\$ 2,300,000</u>	<u>\$ 2,300,000</u>
Number of shares issued and fully paid (in thousands)	<u>197,074</u>	<u>197,074</u>
Shares issued	<u>\$ 1,970,740</u>	<u>\$ 1,970,740</u>

On November 10, 2016, an employee share option plan was approved by the Corporation's board of directors, and the Financial Supervisory Commission (FSC) also approved this plan as shown in the FSC's issued document No. 1050049740 and will take effect starting from December 6, 2016. In accordance with Article 56, No. 2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers and the regulations of the issuance of employee share options in 2016, shares can be issued as a whole or in parts depending on the actual needs within the year starting from the date the issuer received the notification of approval from the competent authorities. The employee share options were not issued because a very high cost of issuance would be incurred. The employee share options cannot be issued after December 5, 2017.

On November 13, 2017, an employee share option plan was approved by the Corporation's board of directors, and the Financial Supervisory Commission (FSC) also approved this plan as shown in the FSC's issued document No. 1060047052 and will take effect starting from December 5, 2017. In accordance with Article 56, No. 2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers and the regulations of the issuance of employee share options in 2017, shares can be issued as a whole or in parts depending on the actual needs within the year starting from the date the issuer received the notification of approval from the competent authorities.

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

Of the Corporation's authorized capital shares, 16,000 thousand shares were reserved for the issuance of employee share options.

b. Capital surplus

	December 31	
	2017	2016
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*</u>		
Issuance of ordinary shares	\$ 6,237,434	\$ 6,237,434
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	148,758	151,444

(Continued)

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>May only be used to offset a deficit</u>		
Expired share options	\$ 227	\$ 227
<u>May not be used for any purpose</u>		
Share of changes in capital surplus of associates or joint ventures	<u>274,083</u>	<u>263,344</u>
	<u>\$ 6,660,502</u>	<u>\$ 6,652,449</u>
		(Concluded)

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

c. Retained earnings and dividend policy

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

The policy on appropriation of earnings and dividend distribution in the amended Articles, where the Corporation 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 Corporation'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 bonus to shareholders. For the policies on distribution of employees' compensation and remuneration of directors and supervisors before and after amendment, refer to Note 22(e) "Employees' compensation and remuneration of directors and supervisors".

The Corporation's dividend distribution policy takes into consideration the current and future investment environment, capital requirements, domestic and international competition, capital budget plans, shareholders' interests, the balance between retained earnings and dividends, and the Corporation's long-term financial plans. In accordance with the laws and regulations, the board of directors propose a distribution plan on an annual basis, which should be resolved in the shareholder's meeting. Profits may be distributed as cash or share dividends; however, cash dividends should be at least 10% of the total distribution.

The Corporation appropriates or reverses a special reserve in accordance with Rule No. 1010012865 issued by the Financial Supervisory Commission. Distributions can be made out of any subsequent reversal of the debit to other equity items.

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

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

The appropriations of earnings for 2016 and 2015 approved in the shareholders' meetings on June 13, 2017 and June 15, 2016, respectively, were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>For Year 2016</u>	<u>For Year 2015</u>	<u>For Year 2016</u>	<u>For Year 2015</u>
Legal reserve	\$ 486,699	\$ 400,001		
(Reversal from) appropriation to special reserve	(85,393)	106,302		
Cash dividends	2,759,036	2,368,488	\$14	\$12

The appropriation of earnings for 2017 had been proposed by the Corporation's board of directors on March 16, 2018. The appropriation and dividends per share were as follows:

	<u>Appropriation of Earnings</u>	<u>Dividends Per Share (NT\$)</u>
Legal reserve	\$ 576,097	
Reversal from special reserve	(25,965)	
Cash dividends	3,350,258	\$17

The appropriation of earnings for 2017 are subject to the resolution of the shareholders' meeting to be held on June 8, 2018.

d. Treasury shares

Treasury Shares	For Company Credit and Shareholders' Equity (In Thousands of Shares)
Number of shares at January 1, 2016	-
Increase during the year	300
Decrease during the year	<u>(300)</u>
Number of shares at December 31, 2016	<u>-</u>

After the board of directors meeting on August 8, 2016, the Corporation decided to buy back shares under Article 28-2 of the Securities and Exchange Act and under the Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies published by the Securities and Futures Bureau. The purpose of the share buy-back is to maintain the Corporation's credit and shareholders' equity. The planned buy-back period is from August 9, 2016 to October 8, 2016. The Corporation planned to buy back 7,500 thousand shares at prices from NT\$189 to NT\$270 per share.

Under the Securities and Exchange Act, the Corporation shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to receive dividends and to vote. Under Article 28-2, paragraphs 4 of the Securities and Exchange Act, companies that buy back shares in order to maintain company credit and shareholders' equity, and reduce the shares subsequently must apply for an amendment of registration of share capital within six months after the buy-back. The Corporation completed the procedures for the change of capital registration on December 5, 2016.

21. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2017	2016
Current tax		
In respect of the current year	\$ 971,302	\$ 717,348
Income tax on unappropriated earnings	170,460	112,522
In respect of the prior periods	<u>(104,686)</u>	<u>(100,419)</u>
	1,037,076	729,451
Deferred tax		
In respect of the current period	<u>(84,843)</u>	<u>(64,245)</u>
Income tax expense recognized in profit or loss	<u>\$ 952,233</u>	<u>\$ 665,206</u>

A reconciliation of accounting profit and income tax expense for 2017 and 2016 is as follows:

	For the Year Ended December 31	
	2017	2016
Profit before tax from continuing operations	<u>\$ 6,713,205</u>	<u>\$ 5,532,198</u>
Income tax expense calculated at the statutory rate	\$ 1,141,245	\$ 940,474
Tax-exempt income	(254,786)	(287,371)
Income tax on unappropriated earnings	170,460	112,522
Adjustments for prior years' tax	<u>(104,686)</u>	<u>(100,419)</u>
Income tax expense recognized in profit or loss	<u>\$ 952,233</u>	<u>\$ 665,206</u>

The applicable tax rate used by the Corporation 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 recognized as at December 31, 2017 are expected to be adjusted and would increase by \$53,794 thousand in 2018.

The appropriation of the 2018 earnings is uncertain and is subject to approval at the shareholders' meeting; thus, the potential consequences of income tax on the 2017 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2017	2016
<u>Deferred income tax</u>		
Recognized in other comprehensive income		
Translation of foreign operations	\$ 61	\$ 8,235
Actuarial gains and losses on defined benefit plan	<u>1,408</u>	<u>421</u>
Total income tax recognized in other comprehensive income	<u>\$ 1,469</u>	<u>\$ 8,656</u>

c. Current tax assets and liabilities

	December 31	
	2017	2016
<u>Current tax liabilities</u>		
Income tax payable	<u>\$ 1,090,947</u>	<u>\$ 729,492</u>

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 Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Doubtful accounts	\$ 18,975	\$ 2,633	\$ -	\$ 21,608
Inventory write-downs	49,270	3,297	-	52,567
Provisions	58,493	(8,839)	-	49,654
Defined benefit obligation	12,363	662	1,408	14,433
Unrealized exchange losses	17,767	59,445	-	77,212
Impairment loss on financial assets	23,899	20,576	-	44,475
Exchange differences on translating foreign operations	13,685	-	61	13,746
Corporation's share of losses of subsidiaries and associates	22,108	7,117	-	29,225
Property, plant and equipment	<u>1,963</u>	<u>(48)</u>	<u>-</u>	<u>1,915</u>
	<u>\$ 218,523</u>	<u>\$ 84,843</u>	<u>\$ 1,469</u>	<u>\$ 304,835</u>

For the year ended December 31, 2016

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Doubtful accounts	\$ 14,917	\$ 4,058	\$ -	\$ 18,975
Inventory write-downs	47,808	1,462	-	49,270
Provisions	25,475	33,018	-	58,493
Defined benefit obligation	11,373	569	421	12,363
Unrealized exchange losses	6,057	11,710	-	17,767
Impairment loss on financial assets	12,428	11,471	-	23,899
Exchange differences on translating foreign operations	5,450	-	8,235	13,685
Corporation's share of losses of subsidiaries and associates	20,103	2,005	-	22,108
Property, plant and equipment	<u>2,011</u>	<u>(48)</u>	<u>-</u>	<u>1,963</u>
	<u>\$ 145,622</u>	<u>\$ 64,245</u>	<u>\$ 8,656</u>	<u>\$ 218,523</u>

e. Integrated income tax information

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Unappropriated retained earnings		
Generated on and after January 1, 1998	<u>\$ 14,521,886</u>	<u>\$ 11,928,136</u>
	Note	
Balance of imputation credits account	<u>\$ 1,555,590</u>	<u>\$ 1,341,629</u>
	Note	
	For the Year Ended December 31	
	2017	2016
	(Expected)	(Actual)
Creditable ratios for distribution of earnings	Note	14.78%

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

f. Income tax returns through 2015 were examined and cleared by the tax authorities.

22. NET PROFIT AND OTHER COMPREHENSIVE INCOME

The following items were included in the net profit for 2017 and 2016:

a. Other gains and losses

	For the Year Ended December 31	
	2017	2016
Foreign exchange (losses) gains, net	\$ (357,532)	\$ 101,175
Loss on financial assets held for trading	(5,529)	(15,236)
Impairment loss recognized on financial assets	(147,890)	(65,880)
Gains on deconsolidation of subsidiaries	-	45,649
Gains on disposal of financial assets held for trading	-	18,215
Gains on disposal of property, plant and equipment	-	41
Others	<u>158</u>	<u>(4)</u>
	<u>\$ (510,793)</u>	<u>\$ 83,960</u>

b. Other income

	For the Year Ended December 31	
	2017	2016
Interest income		
Bank deposits	\$ 38,504	\$ 32,490
Rental income	3,605	3,559
Dividend income	29,947	38,867
Others	<u>17,749</u>	<u>40,004</u>
	<u>\$ 89,805</u>	<u>\$ 114,920</u>

c. Depreciation and amortization

	For the Year Ended December 31	
	2017	2016
Property, plant and equipment	\$ 156,455	\$ 118,860
Intangible assets	<u>163,653</u>	<u>121,189</u>
	<u>\$ 320,108</u>	<u>\$ 240,049</u>
An analysis of depreciation by function		
Operating costs	\$ 37,325	\$ 23,436
Operating expenses	<u>119,130</u>	<u>95,424</u>
	<u>\$ 156,455</u>	<u>\$ 118,860</u>
An analysis of amortization by function		
General and administrative expenses	\$ 8,359	\$ 7,173
Research and development expenses	<u>155,294</u>	<u>114,016</u>
	<u>\$ 163,653</u>	<u>\$ 121,189</u>

d. Employee benefits expense

	<u>For the Year Ended December 31</u>	
	2017	2016
Short-term employee benefits	\$ 3,424,548	\$ 2,936,452
Post-employment benefits		
Defined contribution plan	67,832	59,003
Defined benefit plan	<u>5,765</u>	<u>5,240</u>
	<u>73,597</u>	<u>64,243</u>
Other employee benefits		
Employee welfare	53,249	56,354
Food stipend	<u>35,170</u>	<u>31,404</u>
	<u>88,419</u>	<u>87,758</u>
	<u>\$ 3,586,564</u>	<u>\$ 3,088,453</u>
Employee benefits		
Recognized in operating costs	\$ 166,677	\$ 152,750
Recognized in operating expenses	<u>3,419,887</u>	<u>2,935,703</u>
	<u>\$ 3,586,564</u>	<u>\$ 3,088,453</u>

e. Employees' compensation and remuneration of directors and supervisors for 2017 and 2016

The Corporation accrued employees' compensation and remuneration of directors and supervisors at the rates from 8%-19% and no higher than 1.5%, 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 Corporation's board of directors on March 16, 2018 and March 20, 2017, respectively, were as follows:

Accrual rate

	<u>For the Year Ended December 31</u>	
	2017	2016
Employees' compensation	9.00%	8.96%
Remuneration of directors and supervisors	0.81%	0.90%

Amount

	<u>For the Year Ended</u> <u>December 31, 2017</u>		<u>For the Year Ended</u> <u>December 31, 2016</u>	
	Cash	Shares	Cash	Shares
Employees' compensation	\$ 670,000	\$ -	\$ 550,000	\$ -
Remuneration of directors and supervisors	60,000	-	55,000	-

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

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

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

f. Foreign exchange (losses) gains, net

	<u>For the Year Ended December 31</u>	
	2017	2016
Foreign exchange gains	\$ 404,352	\$ 690,564
Foreign exchange losses	<u>(761,884)</u>	<u>(589,389)</u>
Net (loss) gain	<u>\$ (357,532)</u>	<u>\$ 101,175</u>

23. EARNINGS PER SHARE

(In New Taiwan Dollars)

	<u>For the Year Ended December 31</u>	
	2017	2016
Basic earnings per share	<u>\$ 29.23</u>	<u>\$ 24.67</u>
Diluted earnings per share	<u>\$ 28.83</u>	<u>\$ 24.35</u>

The earnings and weighted-average number of ordinary shares outstanding in the computation of earnings per share were as follows:

Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	2017	2016
Earnings used in the computation of basic earnings per share	<u>\$ 5,760,972</u>	<u>\$ 4,866,992</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 5,760,972</u>	<u>\$ 4,866,992</u>

Shares

(In Thousands of Shares)

	<u>For the Year Ended December 31</u>	
	2017	2016
Weighted-average number of common shares in computation of basic earnings per share	197,074	197,256
Effect of potential dilutive common shares:		
Employees' compensation	<u>2,766</u>	<u>2,595</u>
Weighted-average number of common shares used in the computation of dilutive earnings per share	<u>199,840</u>	<u>199,851</u>

If the Corporation offered to settle compensation or bonuses paid to employees in cash or shares, the Corporation assumed the entire amount of the compensation or bonus 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.

24. DISPOSAL OF SUBSIDIARIES WITH A LOSS OF CONTROL

On August 25, 2016, the Corporation paid \$31,771 thousand to subscribe for the newly issued common shares for cash of Epostar Electronics (BVI) Corporation at a percentage different from its prior ownership percentage. As a result, the Corporation's ownership percentage decreased from 60% to 44%. The Corporation's less than 50% voting rights had no power to govern the financial and operating policies of Epostar Electronics (BVI) Corporation. Therefore the Corporation has lost control over Epostar Electronics (BVI) Corporation on August 25, 2016. Refer to Note 25 of the Corporation's consolidated financial statements for the year ended December 31, 2017 for more information.

25. ACQUISITION OF SUBSIDIARIES WITH CONTROL UNAFFECTED

In order to integrate the equity of Phisontech Electronics (Malaysia) Sdn. Bhd. for future operational planning, the Corporation's board of directors held a meeting on May 11, 2017 and, in that meeting, resolved to acquire 13% minority shares at NT\$7.4235 per share on June 20, 2017. The acquisition of these minority shares increased the Corporation's shareholding to 100%. Refer to Note 26 of the Corporation's consolidated financial statements for the year ended December 31, 2017 for more information.

As recorded in the minutes of meetings of the Corporation's board of directors on August 11, 2016 and as stipulated in the declaration of Mr. Khein Seng Pua, the Chairman of the Corporation, the operation management of Everspeed Technology Group (including Everspeed Technology Limited, Memoryexchange Corporation (controlled since October 2010), Cloud Solution Global Limited (established on October 25, 2012), and Fast Choice Global Limited (established on May 23, 2013)) and Twinson Electronic Corporation (100% acquired by the Corporation on December 25, 2014 and renamed as Ostek Corporation) are under substantial control by the Chairman and should be considered as the related parties of the Corporation.

The Corporation does not have equity interest in Everspeed Technology Group. Therefore, for the long-term development and enhancement of the integrity of the operating structure, the Corporation board of directors held a meeting on September 21, 2016 and decided to acquire from the shareholders of Everspeed Technology Limited, the parent company of Everspeed Technology Group, 100% equity interest of Everspeed Technology Group for NT\$1 from the shareholders of the parent of Everspeed Technology Group, Everspeed Technology Limited on September 30, 2016, and this acquisition was accounted for as an equity transaction.

26. CAPITAL MANAGEMENT

The Corporation manages its capital to ensure that the Corporation will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Corporation consists of net debts (borrowings offset by cash and cash equivalents) and equity (comprising share capital, capital surplus, retained earnings, and other equities).

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

Key management personnel of the Corporation review the capital structure on an annual 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 Corporation may adjust the amount of dividends paid to shareholders and the amount of new debt issued or existing debt redeemed.

27. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

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

The Corporation's management considers the carrying amounts recognized in the financial statements for financial assets and financial liabilities not carried at fair value to approximate their fair values or their fair values cannot be reliably measured.

b. Fair value of financial instruments that are 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 fair value through profit or loss				
Domestic quoted shares	\$ 67,095	\$ -	\$ -	\$ 67,095
Beneficiary certificates - open-end funds	1,050,239	-	-	1,050,239
Convertible bonds	<u>-</u>	<u>-</u>	<u>53,722</u>	<u>53,722</u>
	<u>\$ 1,117,334</u>	<u>\$ -</u>	<u>\$ 53,722</u>	<u>\$ 1,171,056</u>
Available-for-sale financial assets				
Unlisted debt securities - ROC	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 434,763</u>	<u>\$ 434,763</u>

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Domestic quoted shares	\$ 80,585	\$ -	\$ -	\$ 80,585
Beneficiary certificates - open-end funds	<u>1,046,325</u>	<u>-</u>	<u>-</u>	<u>1,046,325</u>
	<u>\$ 1,126,910</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,126,910</u>
Available-for-sale financial assets				
Unlisted debt securities - ROC	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 372,051</u>	<u>\$ 372,051</u>

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

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

For the year ended December 31, 2017

	Financial Assets at Fair Value Through Profit or Loss - Convertible Bonds	Available-for- sale Financial Assets - Equity Instruments	Total
<u>Financial assets</u>			
Balance at January 1, 2017	\$ -	\$ 372,051	\$ 372,051
Purchase	49,675	-	49,675
Recognized in profit or loss			
Other gains and losses	4,047	-	4,047
Recognized in other comprehensive income			
Unrealized gain arising on revaluation of available-for-sale financial assets	<u>-</u>	<u>62,712</u>	<u>62,712</u>
Balance at December 31, 2017	<u>\$ 53,722</u>	<u>\$ 434,763</u>	<u>\$ 488,485</u>

For the year ended December 31, 2016

	Financial Assets at Fair Value Through Profit or Loss - Convertible Bonds	Available-for- sale Financial Assets - Equity Instruments	Total
<u>Financial assets</u>			
Balance at January 1, 2016	\$ -	\$ 295,950	\$ 295,950
Return of capital	-	(49,500)	(49,500)
Recognized in profit or loss			
Other gains and losses	-	-	-
Recognized in other comprehensive income			
Unrealized gain arising on revaluation of available-for-sale financial assets	<u>-</u>	<u>125,601</u>	<u>125,601</u>
Balance at December 31, 2017	<u>\$ -</u>	<u>\$ 372,051</u>	<u>\$ 372,051</u>

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

- a) The fair values of convertible bonds are determined using Binary Tree Evaluation Model and option pricing models where the significant unobservable inputs are historical volatility. As of December 31, 2017, the historical volatility used was 46.75%.

b) The fair values of unlisted debt securities - ROC

December 31, 2017

Financial Assets	Valuation Techniques	Significant Unobservable Inputs	Quantitative Information	Relevance between Inputs and Fair Value	Sensitivity Analysis of Relation between Inputs and Fair Values
Available-for-sale shares	Market approach (price-earnings ratio and price-to-book ratio method)	Lack of liquidity discount	8.92%	The higher the level of liquidity, the lower the estimation of fair value	When lack of liquidity percentage increases/decreases by 10%, equity of the Corporation will increase/decrease by \$43,476 thousand.

December 31, 2016

Financial Assets	Valuation Techniques	Significant Unobservable Inputs	Quantitative Information	Relevance between Inputs and Fair Value	Sensitivity Analysis of Relation between Inputs and Fair Values
Available-for-sale shares	Market approach (price-earnings ratio and price-to-book ratio method)	Lack of liquidity discount	15.69%	The higher the level of liquidity, the lower the estimation of fair value	When lack of liquidity percentage increases/decreases by 10%, equity of the Corporation will increase/decrease by \$37,205 thousand.

Categories of Financial Instruments

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>Financial assets</u>		
Fair value through profit or loss (FVTPL)		
Held for trading	\$ 1,171,056	\$ 1,126,910
Loans and receivables (Note 1)	18,685,141	18,706,433
Available-for-sale financial assets (Note 2)	882,179	873,238
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 3)	3,646,739	4,438,593

Note 1: The balances include loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, notes receivable, accounts receivable, and other receivables

Note 2: The balances include the carrying amounts of available-for-sale financial assets measured at cost

Note 3: The balances include financial liabilities measured at amortized cost, which comprise short-term borrowings, notes payable and trade payable

Financial Risk Management Objectives and Policies

The Corporation's major financial instruments include equity investments, trade receivable, trade payables and borrowings. The Corporation's financial management department provides services to the business unit and coordinates access to domestic and international financial markets. The risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

a. Market risk

The Corporation's activities expose it primarily to the financial risks of changes in currency rates and interest rates.

1) Foreign currency risk

The Corporation had foreign currency sales and purchases, which exposed the Corporation to foreign currency risk. To avoid the decrease in foreign currency assets and adverse fluctuations of future cash flows resulting from changes in foreign currency exchange rates, the Corporation used foreign currency borrowings to hedge risks of foreign currency exchange rates. The gain or loss caused by changes in foreign currency exchange rates will be offset by profit or loss from the hedge. As a result, the market risk is immaterial.

The carrying amounts of the Corporation's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 32.

Sensitivity analysis

The Corporation was mainly exposed to the U.S. dollar.

The following table details the Corporation's sensitivity to a 6% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates is 6%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts its translation at the end of the reporting period for a 6% change in foreign currency rates. A positive number below indicates a decrease in pre-tax profit and other equity associated with the New Taiwan dollar strengthens 6% against the relevant currency. For a 6% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

	Impact of USD	
	For the Year Ended December 31	
	2017	2016
Profit or loss	\$ 332,100	\$ 333,029

2) Interest rate risk

The Corporation was exposed to interest rate risk because the Corporation borrowed funds at floating interest rates.

The carrying amounts of the Corporation'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
Fair value interest rate risk		
Financial assets	\$ 4,334,994	\$ 3,131,634
Cash flow interest rate risk		
Financial assets	8,440,053	10,442,287
Financial liabilities	-	580,500

Sensitivity analysis

If interest rates had been 1 basis point higher and all other variables were held constant, the Corporation's pre-tax profit for the years ended December 31, 2017 and 2016 would have increased by approximately \$844 thousand and \$986 thousand, respectively.

3) Other price risk

The Corporation was exposed to equity price risks through its investments in listed equity securities.

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 the years ended December 31, 2017 and 2016 would have increased/decreased by \$11,711 thousand and \$11,269 thousand, respectively. The pre-tax other comprehensive income for the years ended December 31, 2017 and 2016 would increase/decrease by \$4,348 thousand and \$3,721 thousand, respectively, as a result of the changes in fair value of held-for-sale investments.

b. Credit risk

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

The Corporation adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Corporation only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Corporation uses other publicly available financial information and its own trading records to rate its major customers. The Corporation's exposure to such risk and the credit ratings of its counterparties are continually monitored and the aggregate value of transactions was concluded to be spread amongst approved counterparties. Ongoing credit evaluations are performed on the financial condition of trade receivables.

The targets of the aforementioned evaluation are financial assets that could potentially be influenced by the Corporation's counterparties defaulting on their contractual obligations and contracts with positive fair values as of the balance sheet date. The customers of the Corporation are financial institutions or manufacturers with good credit ratings; and thus, there is no expected material credit risk.

c. Liquidity risk

The Corporation manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Corporation's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants. The Corporation relies on bank borrowings as a significant source of liquidity. As of December 31, 2017 and 2016, the Corporation had available unutilized overdraft and short-term bank loan facilities of approximately \$6,785,500 thousand and \$2,892,500 thousand, respectively.

Liquidity and interest risk rate table for non-derivative financial liabilities

The following tables detail the Corporation's remaining contractual maturity for its non-derivative financial liabilities with agreed upon repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities, including the interest and principal cash flow based on the earliest date on which the Corporation can be required to pay.

	December 31, 2017				
	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	More Than 5 Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$ 2,628,330	\$ 2,397,428	\$ 2,958,382	\$ -	\$ -
<u>December 31, 2016</u>					
	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	More Than 5 Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$ 2,211,826	\$ 2,478,563	\$ 2,560,008	\$ -	\$ -
Variable interest rate instruments	<u>354,750</u>	<u>225,750</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,566,576</u>	<u>\$ 2,704,313</u>	<u>\$ 2,560,008</u>	<u>\$ -</u>	<u>\$ -</u>

Information of Financial Asset Transfers

Refer to Note 9 for more information relating to the Corporation's factored trade receivables.

28. RELATED-PARTY TRANSACTIONS

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

a. Related-party and its relationship

<u>Related Party</u>	<u>Relationship</u>
Toshiba International Procurement Hong Kong, Ltd.	Other related parties
Toshiba Memory America, Inc.	Other related parties
Toshiba Singapore Pte. Ltd.	Other related parties
Toshiba Corporation, Japan	Other related parties
Toshiba Client Solutions ANZ Pty Limited	Other related parties
Toshiba (Australia) Pty Limited	Other related parties
Toshiba Electronics (China) Co., Ltd.	Other related parties
Toshiba America Electronic Components, Inc.	Other related parties
Toshiba Memory Corporation	Other related parties
Toshiba Electronics Asia (Singapore) Pte., Ltd.	Other related parties
Toshiba Memory Taiwan Corporation	Other related parties
Toshiba Electronic Components Taiwan Corporation	Other related parties
Orient Semiconductor Electronics Ltd.	Other related parties
Dawning Leading Technology Inc.	Other related parties
Kingston Solutions Inc.	Associates

(Continued)

<u>Related Party</u>	<u>Relationship</u>
PMS Technology Corporation	Associates
Microtops Design Corporation	Associates
Epostar Electronics Corporation	Associates
Lian Xu Dong Investment Corporation	Subsidiaries
Phisontech Electronics (Malaysia) Sdn. Bhd.	Subsidiaries
Emtops Electronics Corp.	Subsidiaries
Ostek Corporation	Subsidiaries
Phisontech Electronics Taiwan Corp.	Subsidiaries
Hefei Core Storage Electronic Limited	Subsidiaries
Memoryexchange Corporation	Subsidiaries

(Concluded)

b. Operating revenue

	<u>For the Year Ended December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>Related-party categories</u>		
Subsidiaries	\$ 533,925	\$ 496,916
Associates	22,380	33,279
Other related parties (Note 1)	<u>1,855,850</u>	<u>2,070,973</u>
	<u>\$ 2,412,155</u>	<u>\$ 2,601,168</u>

The terms of sales to related parties were similar to those for third parties.

c. Operating costs

1) Purchases

	<u>For the Year Ended December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>Related-party categories</u>		
Subsidiaries	\$ 35,993	\$ 901
Associates	293,119	318,003
Other related parties		
Toshiba Memory Taiwan Corporation	3,210,897	-
Toshiba Electronic Components Taiwan Corporation	12,335,671	18,853,531
Others (Note 1)	<u>3,716,265</u>	<u>2,678,440</u>
	<u>\$ 19,591,945</u>	<u>\$ 21,850,875</u>

2) Processing costs

	For the Year Ended December 31	
	2017	2016
<u>Related-party categories</u>		
Subsidiaries	\$ 23,405	\$ 22,094
Associates	1,330	13
Other related parties (Note 2)	<u>1,387,601</u>	<u>3,039,291</u>
	<u>\$ 1,412,336</u>	<u>\$ 3,061,398</u>

The terms of operating costs from related parties were similar to those for third parties.

d. Receivables from related parties

	December 31	
	2017	2016
<u>Related-party categories</u>		
Subsidiaries	\$ 17,891	\$ 4,815
Associates	465	1,039
Other related parties (Note 1)	<u>317,686</u>	<u>357,211</u>
	<u>\$ 336,042</u>	<u>\$ 363,065</u>

The outstanding trade receivables from related parties are unsecured. No bad debt expense was recognized for the allowance for impaired trade receivables with respect to the amounts owed by related parties.

e. Payables to related parties

	December 31	
	2017	2016
<u>Related-party categories</u>		
Subsidiaries	\$ 5,188	\$ 4,330
Associates	24,959	79,059
Other related parties		
Toshiba Electronic Components Taiwan Corporation	17	1,697,597
Toshiba Memory Taiwan Corporation	2,105,363	-
Others (Note 1)	<u>430,199</u>	<u>342,735</u>
	<u>\$ 2,565,726</u>	<u>\$ 2,123,721</u>

The outstanding trade payables from related parties are unsecured.

Note 1: Other related parties are mainly corporate members of the Corporation's board of directors and their subsidiaries.

Note 2: The Corporation is the director of the related party.

f. Compensation of key management personnel

	For the Year Ended December 31	
	2017	2016
Short-term employee benefits	\$ 280,848	\$ 255,506
Post-employment benefits	1,436	1,310
Other employee benefits	<u>4,869</u>	<u>5,561</u>
	<u>\$ 287,153</u>	<u>\$ 262,377</u>

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

29. OPERATING LEASE ARRANGEMENTS

a. The Corporation as lessee

The Corporation's lease contracts for a factory and an office expire on September 30, 2022.

Future minimum lease payments under the above operating leases are as follows:

	December 31	
	2017	2016
Not later than 1 year	\$ 9,124	\$ 4,049
Later than 1 year and not later than 5 years	<u>25,076</u>	<u>70</u>
	<u>\$ 34,200</u>	<u>\$ 4,119</u>

b. The Corporation as lessor

Operating leases relate to the property are owned by the Corporation, and such leases will expire on December 31, 2018.

For the years ended December 31, 2017 and 2016, the Corporation individually recognized a guarantee on trade receivables of \$465 thousand and \$510 thousand, respectively.

The future minimum lease payments of non-cancellable operating leases were as follows:

	December 31	
	2017	2016
Not later than 1 year	<u>\$ 3,163</u>	<u>\$ 3,563</u>

30. ASSETS PLEDGED

The following assets were provided as collateral for the tariff of imported raw materials:

	December 31	
	2017	2016
Refundable deposits for the Customs Duty Bureau - certificates of deposit (debt investments with no active market)	<u>\$ 20,549</u>	<u>\$ 20,503</u>

31. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The Corporation's significant commitments and contingencies as of December 31, 2017 and 2016 were as follows:

Significant Commitments

	<u>December 31</u>	
	2017	2016
Unused letters of credit	<u>\$ 2,046,500</u>	<u>\$ 2,000,000</u>

32. EXCHANGE RATE INFORMATION OF FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

The monetary assets or liabilities denominated in foreign currencies that have material effects on the Corporation's financial statements were as follows:

In Thousands of New Taiwan Dollars and Foreign Currencies

	<u>December 31, 2017</u>		
	Foreign Currencies	Exchange Rates	New Taiwan Dollars
<u>Financial assets</u>			
Monetary			
USD	\$ 281,943	29.7600	\$ 8,390,630
CNY	23,370	4.5650	106,684
<u>Financial liabilities</u>			
Monetary			
USD	95,955	29.7600	2,855,622
	<u>December 31, 2016</u>		
	Foreign Currencies	Exchange Rates	New Taiwan Dollars
<u>Financial assets</u>			
Monetary			
USD	\$ 280,470	32.2500	\$ 9,045,165
CNY	23,960	4.6170	110,623
Non-monetary			
MYR	5,234	6.9050	36,142
JPY	35,578	0.2756	9,805
<u>Financial liabilities</u>			
Monetary			
USD	108,362	32.2500	3,494,668

33. OTHER SIGNIFICANT EVENT

The Corporation has been under statutory investigation since August 5, 2016 for an alleged violation of the Securities and Exchange Act, and the investigation was conducted by the Taiwan Hsinchu District Prosecutorial Office and concluded on August 31, 2017. According to the press release announcement from the Taiwan Hsinchu District Prosecutorial Office on September 1, 2017, under the Securities and Exchange Act and related provisions in the Criminal Code, the prosecutor charged the chairman of the Corporation, Mr. Khein Seng Pua, and others culminating in either deferred prosecution or the dropping of the claim for further prosecution. The Taiwan Hsinchu District Prosecutorial Office ex officio sent the ruling to the Taiwan High Prosecutors Office for reconsideration. As of November 18, 2017, in regard to the partial revocation and partial dismissal charge by the Taiwan High Court Prosecutorial Office against the chairman of the Corporation, Mr. Khein Seng Pua, and others, the case is under re-investigation, and the financial position and operation of the Corporation is not affected in respect of this matter.

34. ADDITIONAL DISCLOSURES

a. Information about significant transactions and investees:

- 1) Financing provided to others. (None)
- 2) Endorsement/guarantee provided. (None)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures). (Table 1)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (Table 2)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 3)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 4)
- 9) Trading in derivative instruments. (None)
- 10) Information of investees. (Table 5)

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 investments in the mainland China area. (Table 6)

- 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. (Table 7)
- a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements, guarantees or pledges of collateral at the end of the period and their purposes.
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.

PHISON ELECTRONICS CORP.

MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES)

DECEMBER 31, 2017

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Marketable Securities Type/Name and Issuer (Note 1)	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Shares or Units (In Thousands)	Carrying Amount (Note 2)	Percentage of Ownership (%)	Market Value	
Phison Electronics Corp.	<u>Beneficiary certificates</u>							
	Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss - current	8,307	\$ 103,558	-	\$ 103,558	Note 3
	FSITC Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	6,139	93,349	-	93,349	Note 3
	UPAMC James Bond Money Market Fund	-	Financial assets at fair value through profit or loss - current	12,254	203,599	-	203,599	Note 3
	Union Money Market Fund	-	Financial assets at fair value through profit or loss - current	6,995	91,837	-	91,837	Note 3
	Franklin Templeton SinoAm Money Market Fund	-	Financial assets at fair value through profit or loss - current	14,847	152,526	-	152,526	Note 3
	Yuanta De-Li Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,130	50,738	-	50,738	Note 3
	Jih Sun Money Market Fund	-	Financial assets at fair value through profit or loss - current	13,767	202,746	-	202,746	Note 3
	Taishin Ta-Chong Market Fund	-	Financial assets at fair value through profit or loss - current	3,594	50,757	-	50,757	Note 3
	Allianz Global Investors Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	8,119	101,129	-	101,129	Note 3
	<u>Convertible bonds</u>							
	Ubitus Inc.	-	Financial assets at fair value through profit or loss - current	-	53,722	-	53,722	Note 11
	<u>Common shares</u>							
	Orient Semiconductor Electronics, Ltd.	-	Financial assets at fair value through profit or loss - current	7,100	67,095	0.88	67,095	Note 4
	Aptos Technology Inc.	-	Financial assets measured at cost - non-current	1,059	-	1.86	10,736	Note 10
	Viva Baseball Co., Ltd.	-	Financial assets measured at cost - non-current	Note 7	-	8.33	259	Note 5
	JAFCO Asia Technology Fund IV L.P.	-	Financial assets measured at cost - non-current	1,000	8,720	0.50	8,720	Note 5
	AppWorks Fund I Co., Ltd.	-	Financial assets measured at cost - non-current	3,000	24,471	18.75	25,770	Note 5
	Zillians Inc.	-	Financial assets measured at cost - non-current	440	-	17.25	-	Note 9
	Adam Elements International Co., Ltd.	-	Financial assets measured at cost - non-current	1,710	13,373	19.00	15,639	Note 5
	JAFCO Asia Technology Fund VI L.P.	-	Financial assets measured at cost - non-current	900	17,293	0.67	17,293	Note 5
	THLight Co., Ltd.	-	Financial assets measured at cost - non-current	6,388	-	17.94	1,153	Note 5
	UD INFO Corp.	-	Financial assets measured at cost - non-current	570	5,569	18.51	9,248	Note 5
	Appworks Fund II Co., Ltd.	-	Financial assets measured at cost - non-current	15,000	138,812	11.11	138,812	Note 5
	GeoThings, Inc.	-	Financial assets measured at cost - non-current	150	-	6.70	850	Note 5
	Ironyun Incorporated (preference shares)	-	Financial assets measured at cost - non-current	5,000	-	5.92	1,594	Note 5
	Vescir Ltd.	-	Financial assets measured at cost - non-current	63	-	4.57	266	Note 5
	Innorich Venture Capital Corp.	-	Financial assets measured at cost - non-current	3,000	27,945	5.61	27,945	Note 5
	Dawning Leading Technology Inc.	-	Financial assets measured at cost - non-current	10,335	53,670	2.82	54,277	Note 5
	CAL-COMP INDUSTRIA DE SEMICONDUCTORES S.A.	-	Financial assets measured at cost - non-current	11,966	58,253	17.16	79,319	Note 5
	Gomore Inc.	-	Financial assets measured at cost - non-current	16,075	6,770	13.00	4,388	Note 5

(Continued)

Holding Company Name	Marketable Securities Type/Name and Issuer (Note 1)	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Shares or Units (In Thousands)	Carrying Amount (Note 2)	Percentage of Ownership (%)	Market Value	
Lian Xu Dong Investment Corporation	Patriot Memory Asia Headquarter	-	Financial assets measured at cost - non-current	580	\$ 7,540	4.33	\$ 7,532	Note 5
	Taishan Buffalo Investment Co., Ltd.	-	Financial assets measured at cost - non-current	25,000	25,000	1.08	25,055	Note 5
	Apacer Technology Inc.	-	Available-for-sale financial assets - non-current	10,050	434,763	9.96	434,763	Note 6
	<u>Private equity fund</u>							
	Fuh Hwa Smart Energy Fund		Financial assets measured at cost - non-current	6,000	60,000	3.81	58,078	Note 3
	<u>Beneficiary certificates</u>							
	FSITC Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,986	30,203	-	30,203	Note 3
	Allianz Global Investors Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	2,424	30,194	-	30,194	Note 3
	<u>Common shares</u>							
	United Power Research Technology Corp.	-	Financial assets measured at cost - non-current	5,616	45,702	16.12	63,027	Note 5
	Fresco Logic, Inc. (preference shares)	-	Financial assets measured at cost - non-current	1,250	-	2.23	4,154	Note 5
	Translink Capital Partners III, L.P.	-	Financial assets measured at cost - non-current	1,245	38,441	1.18	38,376	Note 5
	Translink Capital Partners IV L.P.	-	Financial assets measured at cost - non-current	100	3,034	0.92	2,660	Note 5
	Liqid, Inc. (preference shares)	-	Financial assets measured at cost - non-current	2,111	230,118	10.92	19,697	Note 5
	Weltronics Corp., Ltd.	-	Financial assets measured at cost - non-current	700	-	19.44	(1,279)	Note 5
UMBO CV Inc. (preference shares)	-	Financial assets measured at cost - non-current	1,626	16,860	3.58	4,720	Note 5	
Omni Media International Incorporation	-	Financial assets measured at cost - non-current	1,714	20,756	13.84	20,756	Note 5	
RENIAC, INC. (preference shares)	-	Financial assets measured at cost - non-current	302	15,300	3.46	14	Note 5	
Emtops Electronics Corporation	<u>Beneficiary certificates</u>							
	Allianz Global Investors Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	815	10,148	-	10,148	Note 3
	Franklin Templeton SinoAm Money Market Fund	-	Financial assets at fair value through profit or loss - current	988	10,155	-	10,155	Note 3
Phisontech Electronics (Malaysia) Sdn. Bhd.	<u>Beneficiary certificates</u>							
	United Cash Fund	-	Financial assets at fair value through profit or loss - current	2,731	19,461	-	19,461	Note 3
Everspeed Technology Limited	<u>Common shares</u>							
	Zillians Inc.	-	Financial assets measured at cost - non-current	500	-	19.61	-	Note 9
Cloud Solution Global Limited	<u>Common shares</u>							
	My Digital Discount, Inc.	-	Financial assets measured at cost - non-current	-	-	19.00	4,066	Note 5

Note 1: The marketable securities listed refer to the types of financial instruments applying International Accounting Standard 39 "Financial Instruments Recognition and Measurement".

Note 2: The carrying amount is either the fair value or the original cost net accumulated impairment loss.

Note 3: The calculation of the market value was based on the net asset value as of December 31, 2017.

Note 4: The calculation of the market value was based on the closing price as of December 31, 2017.

(Continued)

Note 5: The calculation of the net asset value was based on the investee's unaudited financial statements as of December 31, 2017.

Note 6: Refer to Note 27(b)-3 for market value information.

Note 7: The Company is not limited by shares.

Note 8: The Group held marketable securities that had not been guaranteed, pledged or mortgaged as collateral or restricted by other commitments.

Note 9: The Company liquidation was approved by the board of directors on December 31, 2016.

Note 10: The calculation of the net asset value was based on the investee's reviewed financial statements as of June 30, 2017.

Note 11: The calculation of the market value was based on an expert assessment report as of December 29, 2017.

(Concluded)

PHISON ELECTRONICS CORP.

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
 FOR THE YEAR ENDED DECEMBER 31, 2017
 (In Thousands of New Taiwan Dollars)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty and Purpose	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Phison Electronics Corp.	Zhunan third phase factory	2016.1.22 (Note)	\$ 780,000	Fully paid	Build on its land (main contractor: Ruentex Engineering & Construction Co., Ltd.)	-	-	-	-	\$ -	-	Operating	-

Note: The commissioned construction project was for building on the counterparty's land and was approved by the Corporation's board of directors. The construction will be transferred to the Corporation's property, plant and equipment after the acceptance of work is completed.

PHISON ELECTRONICS CORP.

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2017

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Phison Electronics Corp.	Toshiba Electronic Components Taiwan Corporation	Sub-subsidiary of parent company of the Corporation's legal entity board of directors	Purchase	\$ 12,335,671	43	Net 30 days after monthly closing	None	None	\$ (17)	-	-
	Toshiba America Electronic Components, Inc.	Subsidiary of parent company of the Corporation's legal entity board of directors	Purchase	2,795,015	10	Net 30 days after receipt date	None	None	-	-	-
	Kingston Solutions Inc.	Equity-method investee subsidiary	Purchase	293,119	1	Net 30 days after monthly closing	None	None	(24,959)	(1)	-
	Toshiba Memory America, Inc.	Subsidiary of parent company of the Corporation's legal entity board of directors	Purchase	921,246	3	Net 30 days after receipt date	None	None	(324,096)	(9)	-
	Toshiba Memory Taiwan Corporation	Sub-subsidiary of parent company of the Corporation's legal entity board of directors	Purchase	3,210,897	11	Net 30 days after monthly closing	None	None	(2,105,363)	(58)	-
	Orient Semiconductor Electronics, Ltd.	The Corporation is its director	Processing cost	1,043,145	3	Net 15 days after monthly closing	None	None	(85,934)	(2)	-
	Dawning Leading Technology Inc.	The Corporation is its director	Processing cost	344,456	1	Net 45 days after monthly closing	None	None	(20,169)	(1)	-
	Toshiba Corporation ("Toshiba-JP-SS")	Parent company of the Corporation's legal entity board of directors	Sale	(485,013)	(1)	Net 60 days after monthly closing	None	None	-	-	-
	Toshiba International Procurement Hong Kong Ltd. ("Toshiba-TIPH")	Subsidiary of parent company of the Corporation's legal entity board of directors	Sale	(314,516)	(1)	Net 60 days after monthly closing	None	None	144,108	2	-
	Toshiba Memory Corporation	The Corporation's legal entity board of directors	Sale	(876,187)	(2)	Net 60 days after monthly closing	None	None	79,556	1	-
	Dawning Leading Technology Inc.	The Corporation is its director	Sale	(172,914)	-	Net 30 days after monthly closing	None	None	93,889	2	-
	Hefei Core Storage Electronic Limited	Sub-subsidiary	Sale	(518,402)	(1)	Net 30 days after monthly closing	None	None	17,135	-	-
Hefei Core Storage Electronic Limited	Power Flash (HK) Limited	Fellow subsidiary	Sale	(272,041)	(41)	Net 30 days after monthly closing	None	None	-	-	-

PHISON ELECTRONICS CORP.

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2017

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period (Note)	Allowance for Impairment Loss
					Amount	Action Taken		
Phison Electronics Corp.	Toshiba International Procurement Hong Kong Ltd.	Subsidiary of parent company of the Corporation's legal entity board of directors	\$ 144,108	3.6	\$ -	-	\$ 143,111	\$ -

Note: As of March 1, 2018.

TABLE 5

PHISON ELECTRONICS CORP.

**INFORMATION OF INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)**

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2017			Net (Loss) Income of the Investee	Investment (Loss) Income	Note
				December 31, 2017	December 31, 2016	Number of Shares	Percentage of Ownership (%)	Carrying Amount			
Phison Electronics Corp.	Kingston Solutions Inc.	Taiwan	Embedded flash product and market development	\$ 106,050	\$ 106,050	10,605,000	32.91	\$ 1,623,790	\$ 1,441,523	\$ 474,405	Equity-method investee
	Emtops Electronics Corporation	Taiwan	Sale of flash memory controllers and peripheral system applications	95,000	95,000	9,500,000	100.00	70,108	(3,843)	(3,843)	Subsidiary
	Lian Xu Dong Investment Corporation	Taiwan	Investment	650,000	400,000	65,000,000	100.00	614,104	(8,914)	(8,914)	Subsidiary
	Flexmedia Electronics Corporation	Taiwan	R & D, sales and production of high-tech multimedia design	8,077	8,077	482,142	21.43	-	(10,900)	(1,063)	Equity-method investee
	Microtops Design Corporation	Taiwan	Research and design of flash memory controllers and related products	22,638	22,638	2,263,800	49.00	21,563	(5,405)	(2,648)	Equity-method investee
	Phison Electronics Japan Corp.	Japan	Sales and service office	28,982	28,982	900	100.00	3,969	(5,577)	(5,577)	Subsidiary
	Global Flash Limited	Samoa	Investment and trade	665,823	635,696	21,000,000	100.00	626,167	15,890	15,890	Subsidiary
	Phisontech Electronics (Malaysia) Sdn. Bhd.	Malaysia	Design, production and sale of flash memory controllers and peripheral system applications	91,422	81,771	10,000,000	100.00	62,707	5,686	5,368	Subsidiary
	Epostar Electronics (BVI) Corporation	British Virgin Islands	Investment	133,988	133,988	10,600,000	37.82	47,741	(98,817)	(42,745)	Equity-method investee
	Power Flash (Samoa) Limited	Samoa	Investment and trade	105,440	105,440	3,200,000	100.00	97,848	518	518	Subsidiary
	Everspeed Technology Limited	Samoa	Trade of electronic components	-	-	1,000,000	100.00	139,985	(15,318)	(15,318)	Subsidiary
Lian Xu Dong Investment Corporation	Ostek Corporation	Taiwan	Manufacture and trade of electronic components	9,000	9,000	900,000	100.00	53,546	(8,482)	-	Sub-subsubsidiary
	PMS Technology Corporation	Taiwan	Research and design of flash memory controllers and related products	2,000	2,000	200,000	33.33	16,617	43,260	-	Equity-method investee
Phisontech Electronics (Malaysia) Sdn. Bhd.	Phisontech Electronics Taiwan Corp.	Taiwan	Design of ASIC and R & D, manufacture, and sale of ASIC for IP and technical support service	10,000	10,000	1,000,000	100.00	38,755	6,948	-	Sub-subsubsidiary
Global Flash Limited	Core Storage Electronic (Samoa) Limited	Samoa	Investment and trade	576,229	576,229	18,050,000	100.00	563,172	22,336	-	Sub-subsubsidiary

(Continued)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2017			Net (Loss) Income of the Investee	Investment (Loss) Income	Note
				December 31, 2017	December 31, 2016	Number of Shares	Percentage of Ownership (%)	Carrying Amount			
Power Flash (Samoa) Limited	Power Flash (HK) Limited	Hong Kong	Trade of electronic products	\$ 98,754	\$ 98,754	3,000,000	100.00	\$ 91,947	\$ 1,035	\$ -	Sub-subsidiary
Everspeed Technology Limited	Memoryexchange Corporation	Taiwan	Design and sale of flash memory related products	391,986	391,986	40,950,000	100.00	7,364	(6,154)	-	Sub-subsidiary
	Fast Choice Global Limited	British Virgin Islands	Trade of electronic components	1,482	1,482	50,000	100.00	2,637	(40)	-	Sub-subsidiary
	Cloud Solution Global Limited	British Virgin Islands	Trade of electronic components	186,963	186,963	5,950,440	100.00	11,277	(8,745)	-	Sub-subsidiary
Cloud Solution Global Limited	Asadhya Enterprises Private Limited	India	Trade of electronic products	611	611	122,255	49.00	-	(14)	-	Equity-method investee

(Concluded)

PHISON ELECTRONICS CORP.

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2017	Percentage of Ownership (%)	Investment (Loss) Income (Note 2)	Carrying Amount as of December 31, 2017	Accumulated Inward Remittance of Earnings as of December 31, 2017
					Outflow	Inflow					
Phisontech (Shenzhen) Limited	Design, R & D, import and export of storage devices and electronics	\$ 53,096	2	\$ 23,006	\$ 30,090	\$ -	\$ 53,096	100.00	\$ (7,242)	\$ 23,805	\$ -
Hefei Core Storage Electronic Limited	Design, R & D, production and sale of integrated circuits, systems and electronics hardware and software and rendering of related services	576,780	2	576,780	-	-	576,780	100.00	22,460	562,104	-

Accumulated Investments in Mainland China as of December 31, 2017	Investment Amount Authorized by Investment Commission, MOEA	Limit on Investments (Note 3)
\$ 629,876 (US\$ 19,790)	\$ 629,876 (US\$ 19,790)	\$ 15,634,989

Note 1: Indirectly invested in a China-based company through a third-region company, Global Flash Limited, and its subsidiaries.

Note 2: Amount was recognized based on audited financial statements.

Note 3: The limit of investments in mainland China, which is based on Regulations Governing the Approval of Investments on Technical Corporation in Mainland China, is 60% of the Group's net asset value, which is \$26,058,315 x 60% = \$15,634,989.

PHISON ELECTRONICS CORP.

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

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Phison Electronics Corp.	Hefei Core Storage Electronic Limited	Sub-subsidiary	Sale	\$ 518,402	1	Net 30 days after monthly closing	None	None	\$ 17,135	-	-
Hefei Core Storage Electronic Limited	Power Flash (HK) Limited	Fellow subsidiaries	Sale	272,041	41	Net 30 days after monthly closing	None	None	-	-	-