

Syscom Computer Engineering Co.

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Syscom Computer Engineering Co.

Opinion

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

In our opinion, based on our audits and the reports of other auditors (refer to Other Matter section), 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 based on our audits and the reports of other auditors.

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 financial statements of the Corporation for the year ended December 31, 2017 are stated as follows:

Recognition of Contract Revenue

The Corporation generates revenue through rendering of services according to contract. Revenue from contract is recognized by reference to the stage of completion of contract activity. The stage of completion of the contract is measured based on the proportion of contract cost incurred for work performed to date relative to the estimated total contract cost. The management estimates total contract cost upon signing of the contract. However, the estimated total cost may change as

the contract activity progresses and such change may have material impact on revenue recognition; therefore, the recognition of contract revenue is deemed to be a key audit matter.

We focus on the measurement of stage of completion while testing the recognition of contract revenue. Procedures we performed as following:

1. Verified the accuracy of accumulated incurred cost through test of detail;
2. Assessed the appropriateness of underlying information and assumptions the management utilized in estimating total cost;
3. Performed retrospective review of discrepancy between actual costs incurred and estimated total cost of completed contract;
4. Examined the underlying documents of original contract and related addendum used as basis for contract revenue recognized.

Please refer to Notes 4 and 5 to the accompanying financial statements for related disclosure on revenue recognition.

Valuation of Inventory

The inventories of the Corporation, which amounted to NT\$322,680 thousand as of December 31, 2017, are stated at the lower of cost or net realizable value. As described in Note 5, net realizable value is the estimated selling price in the ordinary course of business less all estimated costs of completion and costs necessary to make the sale. Since the above estimation are subject to management's judgement, the valuation of inventory is deemed to be a key audit matter.

In respect of the valuation of inventory, we:

1. Verified the reasonableness of estimated net realizable value and the underlying documents through examining recent sales information;
2. Observed the annual physical inventory count and assessed the adequacy of the methods used by management to identify obsolete inventory.

Other Matter

The financial statements as of and for the years ended December 31, 2017 and 2016 of some investees in which the Corporation had equity-method investments were audited by other auditors. Our opinion, insofar as it relates to the amounts included in the accompanying financial statements for these investees, is based solely on the reports of the other auditors. As of December 31, 2017 and 2016, the aforementioned investments accounted for using equity method amounted to NT\$206,050 thousand and NT\$217,568 thousand, which were 6% and 7% of total assets of the Corporation. For the years ended December 31, 2017 and 2016, investment loss from the aforementioned equity-method investments amounted to NT\$3,230 thousand and NT\$3,130 thousand, which represented (3%) and (4%) of total comprehensive income of the Corporation.

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.

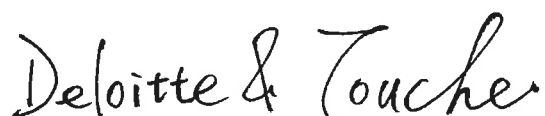
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding 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 Li-Wen Kuo.



Deloitte & Touche
Taipei, Taiwan
Republic of China

March 26, 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.

SYSCOM COMPUTER ENGINEERING CO.

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)	\$ 201,333	6	\$ 261,591	9
Available-for-sale financial assets - current (Notes 4 and 7)	190,008	6	1,049	-
Debt investments with no active market - current (Notes 4, 9 and 26)	71,609	2	78,797	3
Notes receivable	563	-	3,103	-
Accounts receivable (Notes 4, 5, 10 and 25)	1,273,671	37	1,127,457	37
Lease receivables	125	-	83	-
Other receivables	14,519	-	15,550	-
Current tax asset	-	-	2,277	-
Inventories (Notes 4, 5 and 11)	322,680	9	254,835	8
Prepayments	152,793	5	174,378	6
Other current assets	70,483	2	46,851	1
Total current assets	2,297,784	67	1,965,971	64
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current (Notes 4 and 7)	1,462	-	1,509	-
Financial assets measured at cost - non-current (Notes 4 and 8)	1,595	-	3,150	-
Debt investments with no active market - non-current (Notes 4, 9 and 26)	206,229	6	120,006	4
Investments accounted for using equity method (Notes 4 and 12)	407,786	12	415,540	14
Property, plant and equipment (Notes 4, 13 and 26)	462,438	13	492,998	16
Intangible assets (Notes 4 and 14)	7,992	-	7,000	-
Deferred tax assets (Notes 4, 5 and 20)	32,023	1	35,315	1
Long-term lease receivables	1,192	-	2,883	-
Other non-current assets	24,661	1	21,440	1
Total non-current assets	1,145,378	33	1,099,841	36
TOTAL	\$ 3,443,162	100	\$ 3,065,812	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 15 and 26)	\$ 230,000	7	\$ 100,000	3
Short-term bills payable (Note 15)	49,964	1	-	-
Notes payable	652	-	12,887	1
Accounts payable (Note 25)	995,419	29	887,934	29
Other payables (Note 16)	193,132	6	154,576	5
Current tax liabilities	6,858	-	-	-
Unearned receipts	53,773	2	17,216	1
Other current liabilities	13,193	-	8,570	-
Total current liabilities	1,542,991	45	1,181,183	39
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 20)	12,108	-	13,101	-
Net defined benefits liabilities non-current (Notes 4, 5 and 17)	139,562	4	141,977	5
Guarantee deposits received	9,102	-	10,838	-
Total non-current liabilities	160,772	4	165,916	5
Total liabilities	1,703,763	49	1,347,099	44
EQUITY (Notes 4, 18 and 20)				
Share capital - ordinary shares	1,000,000	29	1,000,000	33
Capital surplus	99	-	511	-
Retained earnings				
Legal reserve	234,824	7	228,177	7
Special reserve	17,619	1	17,619	1
Unappropriated earnings	498,889	14	471,900	15
Total retained earnings	751,332	22	717,696	23
Other equity	(12,032)	-	506	-
Total equity	1,739,399	51	1,718,713	56
TOTAL	\$ 3,443,162	100	\$ 3,065,812	100

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

(With Deloitte & Touche auditors' report dated March 26, 2018)

SYSCOM COMPUTER ENGINEERING CO.

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

	2017		2016	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 5 and 25)				
Sales	\$ 3,351,811	79	\$ 2,457,508	74
Rental revenue	33,821	1	19,917	1
Maintenance	<u>858,019</u>	<u>20</u>	<u>824,402</u>	<u>25</u>
Net operating revenue	<u>4,243,651</u>	<u>100</u>	<u>3,301,827</u>	<u>100</u>
OPERATING COSTS (Notes 4, 11, 19 and 25)				
Cost of goods sold	2,592,090	61	1,823,731	55
Rental costs	22,962	1	17,322	-
Maintenance costs	<u>729,152</u>	<u>17</u>	<u>684,593</u>	<u>21</u>
Total operating costs	<u>3,344,204</u>	<u>79</u>	<u>2,525,646</u>	<u>76</u>
GROSS PROFIT	<u>899,447</u>	<u>21</u>	<u>776,181</u>	<u>24</u>
OPERATING EXPENSES (Notes 19 and 25)				
Selling and marketing expenses	555,966	13	522,275	16
Research and development expenses	<u>263,082</u>	<u>6</u>	<u>189,747</u>	<u>6</u>
Total operating expenses	<u>819,048</u>	<u>19</u>	<u>712,022</u>	<u>22</u>
PROFIT FROM OPERATIONS	<u>80,399</u>	<u>2</u>	<u>64,159</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 4, 19 and 25)	48,398	1	32,098	1
Other gains and losses (Notes 4 and 19)	(2,644)	-	(1,643)	-
Finance costs (Note 19)	(2,425)	-	(34)	-
Share of profit or loss of associates and joint ventures (Note 12)	<u>(13,769)</u>	<u>-</u>	<u>(22,775)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>29,560</u>	<u>1</u>	<u>7,646</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	109,959	3	71,805	2
INCOME TAX EXPENSE (Notes 4 and 20)	<u>(18,931)</u>	<u>(1)</u>	<u>(5,336)</u>	<u>-</u>
NET PROFIT	<u>91,028</u>	<u>2</u>	<u>66,469</u>	<u>2</u>

(Continued)

SYSCOM COMPUTER ENGINEERING CO.

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

	2017		2016	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Notes 17, 18 and 20)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (7,567)	-	\$ (7,767)	-
Share of the other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method	(59)	-	90	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	1,286	-	1,321	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(11,838)	-	(9,529)	-
Unrealized loss on available-for-sale financial assets	(88)	-	(458)	-
Share of the other comprehensive loss of subsidiaries, associates and joint ventures accounted for using the equity method	(612)	-	(2,778)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	-	-	3,029	-
Other comprehensive loss for the year, net of income tax	(18,878)	-	(16,092)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 72,150</u>	<u>2</u>	<u>\$ 50,377</u>	<u>2</u>
EARNINGS PER SHARE (Note 21)				
Basic	<u>\$ 0.91</u>		<u>\$ 0.66</u>	
Diluted	<u>\$ 0.91</u>		<u>\$ 0.66</u>	

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

(With Deloitte & Touche auditors' report dated March 26, 2018)

(Concluded)

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

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche auditors' report dated March 26, 2018)

SYSCOM COMPUTER ENGINEERING CO.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 109,959	\$ 71,805
Adjustments for:		
Depreciation expenses	86,825	77,137
Amortization expenses	8	-
Finance costs	2,425	34
Interest income	(1,978)	(3,467)
Dividend income	(17)	(65)
Share of loss of subsidiaries, associates and joint ventures	13,769	22,775
(Gain) loss on disposal of property, plant and equipment	(277)	24
Net gain on disposal of available-for-sale financial assets	(212)	(1,266)
Impairment loss recognized on financial assets measured at cost	1,555	-
Write-downs of inventories	2,633	1,178
Net gain on foreign currency exchange	(2,687)	(380)
Changes in operating assets and liabilities		
Notes receivable	2,540	(1,837)
Accounts receivable	(146,214)	(251,270)
Other receivables	1,031	(6,010)
Inventories	(74,383)	(53,951)
Prepayments	21,585	(78,674)
Other current assets	845	(5,789)
Lease receivables	1,649	(2,204)
Notes payable	(12,235)	(997)
Accounts payable	110,365	28,664
Other payables	38,461	(14,134)
Unearned receipts	36,557	(3,867)
Other current liabilities	2,905	(368)
Net defined benefits liabilities	(9,982)	(16,872)
Cash generated from (used in) operations	185,127	(239,534)
Interest received	1,978	3,467
Dividends received	17	65
Interest paid	(2,267)	(34)
Income tax paid	(6,211)	(15,261)
Net cash generated from (used in) operating activities	<u>178,644</u>	<u>(251,297)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of available-for-sale financial assets	(750,000)	(675,000)
Proceeds from sale of available-for-sale financial assets	561,212	966,187
Purchases of debt investments with no active market	(79,035)	-
Proceeds from sale of debt investments with no active market	-	11,577
Acquisition of subsidiaries (Note 12)	(19,988)	-
Payments for property, plant and equipment	(52,500)	(112,582)
Proceeds from disposal of property, plant and equipment	417	50
		(Continued)

SYSCOM COMPUTER ENGINEERING CO.

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

	2017	2016
Increase in refundable deposits	\$ (27,698)	\$ (17,414)
Payments for intangible assets	<u>(1,000)</u>	<u>-</u>
Net cash (used in) generated from investing activities	<u>(368,592)</u>	<u>172,818</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term notes and bills payable	49,901	-
Proceeds from short-term borrowings	130,000	100,000
Proceeds from guarantee deposits received	-	4,352
Refunds of guarantee deposits received	(18)	-
Cash dividends	<u>(50,000)</u>	<u>(50,000)</u>
Net cash generated from financing activities	<u>129,883</u>	<u>54,352</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(193)</u>	<u>(169)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(60,258)	(24,296)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>261,591</u>	<u>285,887</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 201,333</u>	<u>\$ 261,591</u>

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

(With Deloitte & Touche auditors' report dated March 26, 2018)

(Concluded)

SYSCOM COMPUTER ENGINEERING CO.

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

Syscom Computer Engineering Co. (the "Corporation") was incorporated in July 1975. The Corporation mainly leases and sells computer systems and designs computer software. It also provides services for the integration of computer information systems and maintenance of computer hardware.

The Corporation's shares have been listed on the Taiwan Stock Exchange since May 22, 2001.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Corporation's board of directors on March 26, 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 and issued into effect by the FSC. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include an emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president of the 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 relationship with whom the Corporation has significant transactions. If the transaction amount or balance with a specific related party is 10% or more of the Corporation's respective total transaction amount or balance, such transactions should be separately disclosed by the name of each related party.

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

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions and impairment of goodwill are enhanced. Refer to Note 25 for the related disclosures.

The initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs endorsed and issued by the FSC mentioned above would not have any material impact on the Corporation's financial position and financial performance.

b. The IFRSs endorsed by the FSC for application starting from 2018

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

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

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

1) IFRS 9 “Financial Instruments” and related amendments

Classification, measurement and impairment of financial assets

With regards 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 collecting of contractual cash flows and the selling 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 the 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. Under IFRS 9:

- a) Listed shares classified as available-for-sale will be designated as at fair value through other comprehensive income and the fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal. Besides this, unlisted shares measured at cost will be measured at fair value instead.
- b) Mutual funds classified as available-for-sale will be classified as at fair value through profit or loss because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments.

IFRS 9 requires impairment loss on financial assets to be recognized by using the “Expected Credit Losses Model”. A loss allowance is required for financial assets measured at amortized cost, 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 initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for

full-lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

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

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

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

	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
<u>Impact on assets, liabilities and equity</u>			
Financial assets at fair value through profit or loss - current	\$ -	\$ 190,008	\$ 190,008
Financial assets at fair value through other comprehensive income - non-current	-	3,057	3,057
Available-for-sale financial assets - current	190,008	(190,008)	-
Available-for-sale financial assets - non-current	1,462	(1,462)	-
Financial assets measured at cost - non-current	<u>1,595</u>	<u>(1,595)</u>	<u>-</u>
Total effect on assets	<u>\$ 193,065</u>	<u>\$ -</u>	<u>\$ 193,065</u>
Other equity - unrealized gain or loss on available-for-sale financial assets	\$ (455)	\$ 455	\$ -
Other equity - unrealized gain or loss on financial assets at fair value through other comprehensive income	-	(2,140)	(2,140)
Unappropriated earnings	<u>498,889</u>	<u>1,685</u>	<u>500,574</u>
Total effect on equity	<u>\$ 498,434</u>	<u>\$ -</u>	<u>\$ 498,434</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 Corporation 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 Corporation satisfies a performance obligation.

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

For contracts that the Corporation enters into with its customers, including sales of computer hardware and software, the Corporation provides a significant service whereby it integrates hardware and software into a computer information system in accordance with customized specifications. The aforementioned services and goods (hardware and software) are highly interrelated. Under IFRS 15, the Corporation will account for such contracts as a single performance obligation. Currently, the contracts which the Corporation enters into are also bundled into one component.

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.

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 16 “Leases”	January 1, 2019 (Note 3)
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.

1) IFRS 16 “Leases”

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

Under IFRS 16, if the 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 low-value and short-term leases. On the statements of comprehensive income, the Corporation should present the depreciation expense charged on right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for 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.

2) IFRIC 23 “Uncertainty Over Income Tax Treatments”

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

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

Except for the above 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

a. Statement of compliance

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

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

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

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

When preparing these parent company only financial statements, the Corporation used 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 with the amounts attributable to the owner of the Corporation in its consolidated financial statements, adjustments arising from the differences in accounting treatment between parent company only basis and consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, associates and joint ventures, the share of other comprehensive income of subsidiaries, associates and joint ventures and the related equity items, as appropriate, in these parent company only financial statements.

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

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

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

d. Foreign currencies

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

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

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

e. Inventories

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

f. Investments in subsidiaries

The Corporation uses the equity method to account for its 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 adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the subsidiary. The Corporation also recognizes the changes in the Corporation's share of equity of subsidiaries attributable to the Corporation.

Changes in the Corporation's ownership interests in subsidiaries that do not result in the Corporation's losing control of the subsidiaries are 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.

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

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

The 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 company. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Corporation recognizes the reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

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

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

Investment in associates and joint ventures

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. A joint venture is a joint arrangement whereby the Corporation and other parties have joint control of the arrangement have rights to the net assets of the arrangement.

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

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

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

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

When the 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.

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

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

g. Property, plant and equipment

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

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

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

h. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

i. Impairment of tangible and intangible assets

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

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

1) Financial assets

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

a) Measurement categories

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

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

ii. Loans and receivables

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

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

b) Impairment of financial assets

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

For financial assets carried at amortized cost, such as accounts receivable is 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 of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60-120 days, 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 any available-for-sale equity investment, 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 are 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 measured at cost, the amount of the impairment loss is measured as the difference between such an asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

c) 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 asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

2) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

k. Revenue recognition

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

1) Sale of goods

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

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

- b) The Corporation retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;
- d) It is probable that the economic benefits associated with the transaction will flow to the Corporation; and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specially, sale of goods are recognized when the goods are delivered and the legal ownership is transferred.

2) Rendering of services

Service income is recognized when services are provided.

3) Contract revenue

When the outcome of a contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred to date relative to the estimated total contract costs.

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

4) Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established and 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 applicable effective interest rate.

1. Amounts due from/to customers for contracts

When contract costs incurred to date plus recognized profits less recognized losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognized profits less recognized losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the balance sheet as a liability, as prepayments. Amounts billed for work performed but not yet paid by the customer are included in the balance sheet under accounts receivable.

m. Leasing

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

1) The Corporation as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Corporation's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Corporation's net investment outstanding in respect of the leases.

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

2) The Corporation as lessee

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

n. Government grants

Government grants are not recognized until there is reasonable assurance that the Corporation will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Corporation recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Corporation should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Corporation with no future related costs are recognized in profit or loss in the period in which they become receivable.

o. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

p. Taxation

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

1) Current tax

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities 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, research and development expenditures and personnel training expenditures 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, and interests in joint arrangements, 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 they are expected to reverse in the foreseeable future.

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

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

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Estimated impairment of accounts receivable

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 the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

b. Write-down of inventories

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

c. Recognition and measurement of defined benefit plans

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

d. Revenue recognition

Contract revenue is recognized by reference to the stage of completion of each contract. The stage of completion of the contract is measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The Corporation estimated the total contract cost upon signing the contract. If the estimated cost changes, the Corporation amends the percentage of completion and the related contract revenue.

e. Income taxes

As of December 31, 2017 and 2016, the carrying amount of deferred tax assets in relation to unused tax losses was \$32,023 thousand and \$35,315 thousand, respectively. As of December 31, 2017 and 2016, no deferred tax asset has been recognized on tax losses of \$285 thousand and of \$21 thousand, respectively, due to the unpredictability of future profit streams. The reliability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2017	2016
Cash on hand	\$ 435	\$ 435
Checking accounts and demand deposits	200,898	251,156
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	-	10,000
	<u>\$ 201,333</u>	<u>\$ 261,591</u>

The market rate intervals of cash and cash equivalents at the end of the reporting period were as follows:

	December 31	
	2017	2016
Bank demand deposits	0.08%	0.08%
Time deposits with original maturities less than 3 months	-	0.81%

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2017	2016
<u>Domestic investments</u>		
Mutual funds	\$ 190,008	\$ 1,049
Domestic quoted shares	<u>1,462</u>	<u>1,509</u>
	<u>\$ 191,470</u>	<u>\$ 2,558</u>
Current	\$ 190,008	\$ 1,049
Non-current	<u>1,462</u>	<u>1,509</u>
	<u>\$ 191,470</u>	<u>\$ 2,558</u>

8. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT

	December 31	
	2017	2016
Domestic unlisted ordinary shares	<u>\$ 1,595</u>	<u>\$ 3,150</u>
Classified according to financial asset measurement categories		
Available-for-sale financial assets	<u>\$ 1,595</u>	<u>\$ 3,150</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 so significant. Therefore, they were measured at cost less impairment at the end of the reporting period.

9. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	December 31	
	2017	2016
Pledged time deposits	\$ 249,464	\$ 172,421
Time deposits with original maturities of more than 3 months	<u>28,374</u>	<u>26,382</u>
	<u>\$ 277,838</u>	<u>\$ 198,803</u>
Current	\$ 71,609	\$ 78,797
Noncurrent	<u>206,229</u>	<u>120,006</u>
	<u>\$ 277,838</u>	<u>\$ 198,803</u>

The market interest rates of the time deposits with original maturity more than 3 months were 0.77%-1.245% and 0.63%-1.425% per annum, respectively, as of December 31, 2017 and 2016.

Refer to Note 26 for information relating to debt investments with no active market pledged as security.

10. ACCOUNTS RECEIVABLE

	December 31	
	2017	2016
Accounts receivable	\$ 923,825	\$ 920,278
Amount due from customers for contracts	350,615	207,948
Less: Allowance for impairment loss	<u>(769)</u>	<u>(769)</u>
	<u>\$ 1,273,671</u>	<u>\$ 1,127,457</u>

The average credit period of sales of goods was 60 to 120 days. In determining the recoverability of an accounts receivable, the Corporation considered any change in the credit quality of the accounts receivable since the date credit was initially granted to the end of the reporting period. Allowance for impairment loss were recognized based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial positions.

For the accounts receivables balances that were past due at the end of the reporting period, the Corporation did not recognize an allowance for impairment loss, because there was 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.

The aging of receivables was as follows:

	December 31	
	2017	2016
Less than and including 60 days	\$ 777,343	\$ 857,659
61-90 days	45,603	20,994
91-120 days	35,490	31,350
Over 121 days	<u>65,389</u>	<u>10,275</u>
	<u>\$ 923,825</u>	<u>\$ 920,278</u>

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

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

	December 31	
	2017	2016
Over 121 days	<u>\$ 64,620</u>	<u>\$ 9,506</u>

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

The allowance for impairment loss on accounts receivable did not change in 2017 and 2016.

11. INVENTORIES

	December 31	
	2017	2016
Prepayments for contracts	\$ 161,464	\$ 65,593
Commodities	157,493	171,546
Inventories in transit	3,635	17,011
Maintenance materials	<u>88</u>	<u>685</u>
	<u>\$ 322,680</u>	<u>\$ 254,835</u>

Prepayment for contracts are the cost incurred to date related to computer hardware, software and labor.

The commodities mainly consisted of computer hardware and software.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2017 and 2016 was \$2,592,090 thousand and \$1,823,731 thousand, respectively. The cost of goods sold included inventory write-downs of \$2,633 thousand and \$1,178 thousand, respectively.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2017	2016
Investments in subsidiaries	\$ 271,484	\$ 282,416
Investments in associates	84,695	82,721
Investments in joint venture	<u>51,607</u>	<u>50,403</u>
	<u>\$ 407,786</u>	<u>\$ 415,540</u>

Investments in Subsidiaries

Name of Subsidiaries	December 31	
	2017	2016
Unlisted company		
CASEMaker, Inc.	\$ 114,774	\$ 129,103
Syscom International Inc.	65,434	64,848
WiseMaker Technology Co.	51,058	48,016
Netmaker Technology Co.	36,470	32,953
Syscom Vietnam Co., Ltd.	2,715	4,084
Coach Tech Management Co.	837	2,037
Syscom Computer (Thailand) Co., Ltd.	196	1,375
	<u>\$ 271,484</u>	<u>\$ 282,416</u>

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

Name of Subsidiaries	Proportion of Ownership and Voting Rights Held by Non-controlling Interests		Notes
	December 31		
	2017	2016	
CASEMaker, Inc.	100.00%	100.00%	a)
Syscom International Inc.	100.00%	100.00%	a)
WiseMaker Technology Co.	98.68%	98.68%	a)
Netmaker Technology Co.	76.00%	75.50%	a), b)
Syscom Vietnam Co., Ltd.	100.00%	100.00%	a)
Coach Tech Management Co.	97.50%	97.50%	a)
Syscom Computer (Thailand) Co., Ltd.	89.77%	89.77%	a)

- The investments in subsidiaries accounted for using 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 were based on the subsidiaries' financial statements audited by auditors for the same years.
- In June 2017, the Corporation subscribed for 16 thousand shares of Netmaker Technology Co. through a private placement for cash of \$165 thousand; after the subscription, the Corporation's percentage of ownership in Netmaker Technology Co. was 76%.

Investment in Associates

	December 31	
	2017	2016
<u>Associates that are not individually material</u>		
Listed company		
Dimension Computer Technology Co., Ltd.	\$ 72,067	\$ 70,836
Unlisted company		
DBMaker Japan Inc.	<u>12,628</u>	<u>11,885</u>
	<u>\$ 84,695</u>	<u>\$ 82,721</u>

As the end of the reporting period, the proportions of ownership and voting rights in associates held by the Corporation were as follows:

Name of Associates	Proportion of Ownership and Voting Rights Held by Non-controlling Interests	
	December 31	
	2017	2016
Dimension Computer Technology Co., Ltd.	17.62%	17.62%
DBMaker Japan Inc.	49.89%	49.89%

Fair values (Level 1) of investments in associates with available published price quotation are summarized as follows:

Name of Associates	December 31	
	2017	2016
Dimension Computer Technology Co., Ltd.	<u>\$ 80,431</u>	<u>\$ 79,755</u>

All the associates are accounted for using the equity method.

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.

	For the Year Ended December 31	
	2017	2016
The Corporation's share of:		
Net profit (loss) for the year	\$ 2,848	\$ (2,260)
Other comprehensive loss	<u>(875)</u>	<u>(3,002)</u>
Total comprehensive income (loss) for the year	<u>\$ 1,973</u>	<u>\$ (5,262)</u>

Except for DBMaker Japan Inc., 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 the financial statements that 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 DBMaker Japan Inc. that have not been audited.

Investment in Joint Venture

	December 31	
	2017	2016
Joint ventures that are not individually material		
CloudMaster Co., Ltd. ("CloudMaster")	<u>\$ 51,607</u>	<u>\$ 50,403</u>

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

Name of Associate	Proportion of Ownership and Voting Rights Held by Non-controlling Interests	
	December 31	
	2017	2016
CloudMaster	50.00%	50.00%

The joint venture is accounted for using the equity method.

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

	For the Year Ended December 31	
	2017	2016
The Corporation's share of:		
Net profit for the year	\$ 1,367	\$ 678
Other comprehensive (loss) income	<u>(163)</u>	<u>113</u>
Total comprehensive income for the year	<u>\$ 1,204</u>	<u>\$ 791</u>

In March 2013, under the authorization of the Investment Commission of the Ministry of Economic Affairs, the Corporation incorporated CloudMaster under the joint venture agreement and had 50% of ownership. CloudMaster provides services in information software, data processing and electronic information. Under the joint venture agreement, in the meetings of the board of directors and the shareholders of CloudMaster, majority rule shall prevail. However, the Corporation's seat in CloudMaster's board of director does not exceed half of the board. Besides, under CloudMaster's policies, significant strategic decisions should be made by unanimous agreement of the shareholders of both entities, and the Corporation has no right to obtain the variable rewards which is unavailable to CloudMaster's shareholders and does not have direct ability to affect the rewards from investing in CloudMaster. As a result, the Corporation has no control over CloudMaster.

The investments accounted for using 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 were based on the joint ventures' financial statements audited by auditors for the same years.

13. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Maintenance Equipment	Computer Equipment	Leasehold Improve- ments	Others	Total
<u>Cost</u>							
Balance at January 1, 2016	\$ 116,553	\$ 83,229	\$ 144,980	\$ 211,900	\$ 86,284	\$ 74,405	\$ 717,351
Additions	-	-	7,294	26,995	490	77,803	112,582
Disposals	-	-	(561)	(420)	-	-	(981)
Reclassification	-	-	<u>2,217</u>	<u>2,685</u>	-	-	<u>4,902</u>
Balance at December 31, 2016	<u>\$ 116,553</u>	<u>\$ 83,229</u>	<u>\$ 153,930</u>	<u>\$ 241,160</u>	<u>\$ 86,774</u>	<u>\$ 152,208</u>	<u>\$ 833,854</u>

(Continued)

	Land	Buildings	Maintenance Equipment	Computer Equipment	Leasehold Improvements	Others	Total
<u>Accumulated depreciation</u>							
Balance at January 1, 2016	\$ -	\$ 31,915	\$ 89,202	\$ 94,375	\$ 30,020	\$ 19,114	\$ 264,626
Depreciation expense	-	1,410	19,063	33,873	8,590	14,201	77,137
Disposals	-	-	(526)	(381)	-	-	(907)
Balance at December 31, 2016	<u>\$ -</u>	<u>\$ 33,325</u>	<u>\$ 107,739</u>	<u>\$ 127,867</u>	<u>\$ 38,610</u>	<u>\$ 33,315</u>	<u>\$ 340,856</u>
Carrying amounts at December 31, 2016	<u>\$ 116,553</u>	<u>\$ 49,904</u>	<u>\$ 46,191</u>	<u>\$ 113,293</u>	<u>\$ 48,164</u>	<u>\$ 118,893</u>	<u>\$ 492,998</u>
<u>Cost</u>							
Balance at January 1, 2017	\$ 116,553	\$ 83,229	\$ 153,930	\$ 241,160	\$ 86,774	\$ 152,208	\$ 833,854
Additions	-	-	22,186	23,837	4,156	2,321	52,500
Disposals	-	-	-	(2)	-	(1,092)	(1,094)
Reclassification	-	-	3,420	431	-	25	3,876
Balance at December 31, 2017	<u>\$ 116,553</u>	<u>\$ 83,229</u>	<u>\$ 179,536</u>	<u>\$ 265,426</u>	<u>\$ 90,930</u>	<u>\$ 153,462</u>	<u>\$ 889,136</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2017	\$ -	\$ 33,325	\$ 107,739	\$ 127,867	\$ 38,610	\$ 33,315	\$ 340,856
Depreciation expense	-	1,409	17,188	34,726	9,065	24,437	86,825
Disposals	-	-	-	(2)	-	(952)	(954)
Reclassification	-	-	(28)	(1)	-	-	(29)
Balance at December 31, 2017	<u>\$ -</u>	<u>\$ 34,734</u>	<u>\$ 124,899</u>	<u>\$ 162,590</u>	<u>\$ 47,675</u>	<u>\$ 56,800</u>	<u>\$ 426,698</u>
Carrying amounts at December 31, 2017	<u>\$ 116,553</u>	<u>\$ 48,495</u>	<u>\$ 54,637</u>	<u>\$ 102,836</u>	<u>\$ 43,255</u>	<u>\$ 96,662</u>	<u>\$ 462,438</u>

(Concluded)

Except for depreciation expense, property, plant and equipment did not occur any material addition, disposal and impairment in 2017 and 2016.

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

Buildings	50-60 years
Maintenance equipment	3-6 years
Computer equipment	3-6 years
Leasehold improvements	5-10 years
Others	
Research and development equipment	3 years
Furniture and fixtures	5-8 years
Transportation equipment	5 years
Equipment under capital leases	2-6 years

Property, plant and equipment pledged as collateral for bank borrowings is set out in Note 26.

14. INTANGIBLE ASSETS

	Computer Software Cost	Customer Relations	Total
Balance at January 1, 2016	\$ <u>-</u>	\$ <u>7,000</u>	\$ <u>7,000</u>
Balance at January 1, 2017	\$ -	\$ 7,000	\$ 7,000
Additions	1,000	-	1,000
Accumulated amortization and impairment	<u>(8)</u>	<u>-</u>	<u>(8)</u>
Carrying amounts at December 31, 2017	\$ <u>992</u>	\$ <u>7,000</u>	\$ <u>7,992</u>

Except for amortization expense, intangible asset did not occur any material addition, disposal and impairment in 2017 and 2016.

Computer software is being depreciated on a straight-line basis and will be amortized over 5 years to 10 years.

The value of customer relations is recognized as intangible asset based on the expected benefit from sustainable partnership with the customers. The Corporation expects to gain economic benefits from the intangible asset, but its economic life cannot be estimated. Therefore, the asset is assessed for impairment annually or when there is indication of impairment, based on IAS 36.

There was no indication of impairment for the years ended December 31, 2017 and 2016.

15. BORROWINGS

a. Short-term borrowings

	December 31	
	2017	2016
<u>Unsecured borrowings</u>		
Line of credit borrowings	\$ <u>230,000</u>	\$ <u>100,000</u>

The range of weighted average effective interest rates on bank loans was 1.30%-1.42% and 1.40%-1.55% per annum as of December 31, 2017 and 2016, respectively.

b. Short-term notes and bills payable

	December 31	
	2017	2016
Commercial paper	\$ 50,000	\$ -
Less: Unamortized discounts on bills payable	<u>(36)</u>	<u>-</u>
	\$ <u>49,964</u>	\$ <u>-</u>

Outstanding short-term bills payable were as follows:

December 31, 2017

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Starting Date	Ending Date
<u>Commercial paper</u>						
Sunny Bank	\$ 50,000	\$ 36	\$ 49,964	1.358%	2017/11/27	2018/01/19

The payable of commercial paper have not been discounted, because the effect was not material.

16. OTHER PAYABLES

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Payables for salaries or bonus	\$ 112,376	\$ 90,729
Payables for value-added tax	34,520	21,511
Payables for insurance	12,527	11,124
Payables for pension	11,621	10,836
Payables for annual leave	2,213	5,214
Others	<u>19,875</u>	<u>15,162</u>
	<u>\$ 193,132</u>	<u>\$ 154,576</u>

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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 plans

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 6 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 plans were as follows:

	December 31	
	2017	2016
Present value of defined benefit obligation	\$ 215,727	\$ 211,024
Fair value of plan assets	<u>(76,165)</u>	<u>(69,047)</u>
Net defined benefit liabilities	<u>\$ 139,562</u>	<u>\$ 141,977</u>

Movements in net defined benefit liabilities (assets) 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	<u>\$ 208,545</u>	<u>\$ (57,463)</u>	<u>\$ 151,082</u>
Current service cost	765	-	765
Net interest expense (income)	<u>2,239</u>	<u>(578)</u>	<u>1,661</u>
Recognized in profit or loss	<u>3,004</u>	<u>(578)</u>	<u>2,426</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	134	134
Actuarial gain - changes in financial assumptions	<u>(3,083)</u>	-	<u>(3,083)</u>
Actuarial loss - experience adjustments	<u>10,716</u>	-	<u>10,716</u>
Recognized in other comprehensive income	<u>7,633</u>	<u>134</u>	<u>7,767</u>
Contributions from the employer	-	<u>(19,298)</u>	<u>(19,298)</u>
Benefits paid	<u>(8,158)</u>	<u>8,158</u>	-
Balance at December 31, 2016	<u>211,024</u>	<u>(69,047)</u>	<u>141,977</u>
Current service cost	604	-	604
Net interest expense (income)	<u>2,560</u>	<u>(831)</u>	<u>1,729</u>
Recognized in profit or loss	<u>3,164</u>	<u>(831)</u>	<u>2,333</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	143	143
Actuarial loss - changes in financial assumptions	<u>5,828</u>	-	<u>5,828</u>
Actuarial loss - experience adjustments	<u>1,596</u>	-	<u>1,596</u>
Recognized in other comprehensive income	<u>7,424</u>	<u>143</u>	<u>7,567</u>
Contributions from the employer	-	<u>(12,315)</u>	<u>(12,315)</u>
Benefits paid	<u>(5,885)</u>	<u>5,885</u>	-
Balance at December 31, 2017	<u>\$ 215,727</u>	<u>\$ (76,165)</u>	<u>\$ 139,562</u>

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

	For the Year Ended December 31	
	2017	2016
Operating expenses	<u>\$ 2,333</u>	<u>\$ 2,426</u>

Through the defined benefit plans 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:

	December 31	
	2017	2016
Discount rate	0.95%	1.25%
Expected rate of salary increase	2.00%	2.00%

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

	December 31	
	2017	2016
Discount rate		
0.25% increase	\$ (4,872)	\$ (4,998)
0.25% decrease	\$ 5,038	\$ 5,175
Expected rate of salary increase		
0.25% increase	\$ 4,973	\$ 5,123
0.25% decrease	\$ (4,835)	\$ (4,974)

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

	December 31	
	2017	2016
Expected contributions to the plans for the next year	\$ 2,772	\$ 7,200
Average duration of the defined benefit obligation	10 years	10 years

18. EQUITY

a. Ordinary shares

	December 31	
	2017	2016
Number of shares authorized (in thousands)	157,000	157,000
Shares authorized	<u>\$ 1,570,000</u>	<u>\$ 1,570,000</u>
Number of shares issued and fully paid (in thousands)	100,000	100,000
Shares issued	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>

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

b. Capital surplus

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

c. Retained earnings and dividends policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on June 16, 2016 and, in that meeting, had resolved amendments to the Company's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation.

Under the dividends policy as set forth 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 distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration of directors and supervisors after amendment, refer to "Employee's compensation and remuneration of directors and supervisors for 2017 and 2016" in Note 19,f.

The Corporation distributes both cash and share dividends, taking into account its profitability, future capital expenditure requirements and cash position. The distribution of cash dividends should not be less than 10% of the total dividends of the year. The Corporation may raise the percentage of cash dividend distribution only if the Corporation's earnings and cash position are strong.

An appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Corporation's paid-in capital. The 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.

Items referred to under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Corporation.

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

The appropriations of earnings for 2016 and 2015 approved in the shareholders' meetings on June 13, 2017 and June 16, 2016, respectively, were as follows:

	Appropriation of Earnings		Dividend Per Share (NT\$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2016	2015	2016	2015
Legal reserve	\$ 6,647	\$ 6,542		
Cash dividends	<u>50,000</u>	<u>50,000</u>	\$0.5	\$0.5
	<u>\$ 56,647</u>	<u>\$ 56,542</u>		

The appropriation of earnings for 2017 had been proposed by the Corporation's board of directors on March 26, 2018. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 9,103	
Cash dividends	70,000	\$ 0.7

The appropriation of earnings for 2017 are subject to the resolution in the shareholders' meeting to be held on June 12, 2018.

d. Special reserves

On the first-time adoption of IFRSs, the Corporation appropriated for special reserve, the amount that was the same as the cumulative translation differences transferred to retained earnings, which was \$17,619 thousand.

e. Other equity items

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

	For the Year Ended December 31	
	2017	2016
Balance at January 1	\$ 868	\$ 10,146
Exchange differences on translating the financial statements of foreign operations	(11,838)	(9,529)
Share of exchange differences of subsidiaries, associates, and joint venture accounted for using the equity method	(607)	(2,778)
Related income tax	<u>-</u>	<u>3,029</u>
Balance at December 31	<u>\$ (11,577)</u>	<u>\$ 868</u>

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

	For the Year Ended December 31	
	2017	2016
Balance at January 1	\$ (362)	\$ 96
Unrealized loss arising on revaluation of available-for-sale financial assets	(88)	(458)
Share of unrealized loss on revaluation of available-for-sale financial assets of subsidiaries and associates accounted for using the equity method	<u>(5)</u>	<u>-</u>
Balance at December 31	<u>\$ (455)</u>	<u>\$ (362)</u>

19. NET PROFIT AND OTHER COMPREHENSIVE INCOME

Net profit included the following items:

a. Other income

	For the Year Ended December 31	
	2017	2016
Government grants	\$ 30,515	\$ 11,932
Rental income	6,061	6,344
Interest income of bank deposits	1,978	3,467
Others	<u>9,844</u>	<u>10,355</u>
	<u>\$ 48,398</u>	<u>\$ 32,098</u>

b. Other gains and losses

	For the Year Ended December 31	
	2017	2016
Gain (loss) on disposal of property, plant and equipment	\$ 277	\$ (24)
Gain on disposal of available-for-sale financial assets	212	1,266
Net foreign exchange losses	(873)	(349)
Impairment losses of financial assets measured at cost	(1,555)	-
Others	<u>(705)</u>	<u>(2,536)</u>
	<u>\$ (2,644)</u>	<u>\$ (1,643)</u>

c. Finance costs

	For the Year Ended December 31	
	2017	2016
Interest on bank loans	<u>\$ 2,425</u>	<u>\$ 34</u>

d. Depreciation and amortization

	For the Year Ended December 31	
	2017	2016
<u>Property, plant and equipment</u>		
An analysis of depreciation by function		
Operating costs	\$ 22,314	\$ 11,568
Operating expenses	<u>64,511</u>	<u>65,569</u>
	<u>\$ 86,825</u>	<u>\$ 77,137</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 8</u>	<u>\$ -</u>

e. Employee benefit expense

	For the Year Ended December 31	
	2017	2016
Short-term employee benefits		
Salary	\$ 888,909	\$ 776,706
Labor and health Insurance	80,502	70,934
Others	<u>34,865</u>	<u>30,887</u>
	<u>1,004,276</u>	<u>878,527</u>
Post-employment benefits (Note 17)		
Defined contribution plans	44,458	40,164
Defined benefit plans	<u>2,333</u>	<u>2,426</u>
	<u>46,791</u>	<u>42,590</u>
Total employee benefits expense	<u>\$ 1,051,067</u>	<u>\$ 921,117</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 429,263	\$ 392,356
Operating expenses	<u>621,804</u>	<u>528,761</u>
	<u>\$ 1,051,067</u>	<u>\$ 921,117</u>

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

The Corporation accrued employees' compensation at rate of no less than 3% of net profit before income tax and employees' compensation. The Corporation accrued employees' compensation in the amounts of \$3,410 thousand and \$2,250 thousand representing 3.01% and 3.04% of net profit before tax for the years ended December 31, 2017 and 2016, respectively. There was no accrual for remuneration of directors and supervisors for the years ended December 31, 2017 and 2016. The accrued amounts of employees' compensation and zero remuneration of directors and supervisors for 2017 have been approved by the Corporation's board of directors on March 26, 2018 and for 2016 approved on March 22, 2017.

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

There is 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 at the Market Observation Post System website of the Taiwan Stock Exchange.

20. INCOME TAXES RELATING TO CONTINUING OPERATIONS

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

	For the Year Ended December 31	
	2017	2016
Current tax		
In respect of the current year	\$ 11,896	\$ 8,513
Adjustments for prior years	3,450	(5,119)
Deferred tax		
In respect of the current year	<u>3,585</u>	<u>1,942</u>
Income tax expense recognized in profit or loss	<u>\$ 18,931</u>	<u>\$ 5,336</u>

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

	For the Year Ended December 31	
	2017	2016
Profit before income tax	<u>\$ 109,959</u>	<u>\$ 71,805</u>
Income tax expense calculated at the statutory rate	\$ 18,693	\$ 12,207
Nondeductible expenses (tax-free income) in determining taxable income	(1,394)	940
Tax-exempt income	(39)	(226)
Additional income tax under the Alternative Minimum Tax Act	-	11
Unrecognized investment credits	(5,098)	(3,644)
Income tax on unappropriated earnings	347	-
Unrecognized deductible temporary differences	2,972	1,167
Adjustments for prior years' tax	<u>3,450</u>	<u>(5,119)</u>
Income tax expense recognized in profit or loss	<u>\$ 18,931</u>	<u>\$ 5,336</u>

The applicable tax rate used above is the corporate tax rate of 17% payable by the Corporation.

In February 2018, it was announced that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets and deferred tax liabilities recognized as at December 31, 2017 are expected to be adjusted and increase by \$5,651 thousand and \$2,137 thousand, respectively, in 2018.

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

b. Deferred tax assets and liabilities

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

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized write-downs of inventories	\$ 10,291	\$ (2,370)	\$ -	\$ 7,921
Defined benefit obligation	24,137	(1,697)	1,286	23,726
Others	<u>887</u>	<u>(511)</u>	<u>-</u>	<u>376</u>
	<u>\$ 35,315</u>	<u>\$ (4,578)</u>	<u>\$ 1,286</u>	<u>\$ 32,023</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Subsidiaries and associates	\$ (13,101)	\$ 1,027	\$ -	\$ (12,074)
Others	<u>-</u>	<u>(34)</u>	<u>-</u>	<u>(34)</u>
	<u>\$ (13,101)</u>	<u>\$ 993</u>	<u>\$ -</u>	<u>\$ (12,108)</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				
Unrealized write-downs of inventories	\$ 10,091	\$ 200	\$ -	\$ 10,291
Defined benefit obligation	25,684	(2,868)	1,321	24,137
Others	<u>450</u>	<u>437</u>	<u>-</u>	<u>887</u>
	<u>\$ 36,225</u>	<u>\$ (2,231)</u>	<u>\$ 1,321</u>	<u>\$ 35,315</u>
				(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Subsidiaries and associates	\$ (13,384)	\$ 283	\$ -	\$ (13,101)
Exchange differences on translating the financial statements of foreign operations	(3,029)	-	3,029	-
Others	<u>(6)</u>	<u>6</u>	<u>-</u>	<u>-</u>
	<u>\$ (16,419)</u>	<u>\$ 289</u>	<u>\$ 3,029</u>	<u>\$ (13,101)</u> (Concluded)

c. Integrated income tax

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Unappropriated earnings		
Generated before January 1, 1998	\$ 280,351	\$ 280,351
Generated on and after January 1, 1998	<u>218,538</u>	<u>191,549</u>
	<u>\$ 498,889</u> (Note)	<u>\$ 471,900</u>
Shareholder-imputed credits account	<u>\$ 26,396</u> (Note)	<u>\$ 24,621</u>
	<u>For the Year Ended December 31</u>	<u>For the Year Ended December 31</u>
	<u>2017</u>	<u>2016</u>
Creditable ratio for distribution of earnings	Note	17.46%

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

d. Income tax assessments

The tax returns through 2015 have been assessed by the tax authorities.

21. EARNINGS PER SHARE

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>	
	<u>2017</u>	<u>2016</u>
Earnings used in the computation of basic earnings per share	<u>\$ 91,028</u>	<u>\$ 66,469</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 91,028</u>	<u>\$ 66,469</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2017</u>	<u>2016</u>
Weighted average number of ordinary shares in computation of basic earnings per share	100,000	100,000
Effect of potentially dilutive ordinary shares:		
Employees' compensation	<u>264</u>	<u>257</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>100,264</u>	<u>100,257</u>

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

22. OPERATING LEASE ARRANGEMENTS

Operating leases relate to leases of office with lease terms between 1 and 10 years. All operating lease contracts over 5 years contain clauses for 5-yearly market rental reviews. The Corporation does not have a bargain purchase option to acquire the leased office at the expiration of the lease periods.

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

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Not later than 1 year	\$ 39,288	\$ 36,480
Later than 1 year and not later than 5 years	154,282	143,890
Later than 5 years	<u>-</u>	<u>35,640</u>
	<u>\$ 193,570</u>	<u>\$ 216,010</u>

23. CAPITAL MANAGEMENT

The Corporation manages its capital to ensure that entities in the Corporation will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The Corporation's overall strategy remains unchanged from 2013.

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

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, or the amount of new debt issued or existing debt redeemed.

24. FINANCIAL INSTRUMENTS

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

Except for those equity investments that do not have a quoted market price in an active market (accounted for as financial assets measured at cost), the Corporation's management believes the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values or their fair values cannot be reliably measured.

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

Fair value hierarchy

	Level 1	Level 2	Level 3	Total
<u>December 31, 2017</u>				
Available-for-sale financial assets				
Mutual funds	\$ 190,008	\$ -	\$ -	\$ 190,008
Securities listed in ROC - equity securities	<u>1,462</u>	<u>-</u>	<u>-</u>	<u>1,462</u>
	<u>\$ 191,470</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 191,470</u>
<u>December 31, 2016</u>				
Available-for-sale financial assets				
Mutual funds	\$ 1,049	\$ -	\$ -	\$ 1,049
Securities listed in ROC - equity securities	<u>1,509</u>	<u>-</u>	<u>-</u>	<u>1,509</u>
	<u>\$ 2,558</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,558</u>

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

c. Categories of financial instruments

	December 31	
	2017	2016
<u>Financial assets</u>		
Loans and receivables (1)	\$ 1,769,241	\$ 1,606,587
Available-for-sale financial assets (2)	193,065	5,708

Financial liabilities

Amortized cost (3)	1,469,167	1,155,397
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- 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, lease receivable and other receivables.
- 2) The balances include the carrying amount of available-for-sale financial assets and financial assets measured at cost.
- 3) The balances include financial liabilities measured at amortized cost, which comprise short-term loans, short-term bills payable, notes payable, accounts payable and other payables.

d. Financial risk management objectives and policies

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

1) Market risk

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

a) Foreign currency risk

The Corporation had foreign currency sales and purchases, which exposed the Corporation to foreign currency risk.

The carrying amounts of the Corporation's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 28.

Sensitivity analysis

The Corporation was mainly exposed to USD.

The following details the Corporation's sensitivity to a 10% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. The sensitivity rate of 10% used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign currency forward contracts designated as cash flow

hedges and adjusts their translation at the end of the reporting period for a 10% change in foreign currency rates. For the years ended December 31, 2017 and 2016, there would be an increase of \$3,123 thousand and \$3,560 thousand, respectively, in pre-tax profit associated with New Taiwan dollars strengthen 10% against USD. For a 10% weakening of New Taiwan dollars against USD, there would be an equal and opposite impact on pre-tax profit and the balances would be negative. The effect of exchange rate changes was mainly attributable to the exposure outstanding on USD cash, payables and borrowings, which were not hedged at the end of the reporting period.

b) Interest rate risk

The Corporation was exposed to interest rate risk arising from the investments, classified as loans and receivables, at floating interest rates.

The carrying amount of the Corporation's financial assets 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	\$ 277,838	\$ 208,803
Financial liabilities	199,964	100,000
Cash flow interest rate risk		
Financial assets	200,852	251,113
Financial liabilities	80,000	-

Sensitivity analysis

The sensitivity analysis below was determined based on the Corporation's exposure to interest rates for non-derivative instruments at the end of the reporting period. A 1 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1 basis points higher/lower and all other variables were held constant, the Corporation's pre-tax profit for the years ended December 31, 2017 and 2016 would decrease/increase by \$12 thousand and \$25 thousand, respectively.

2) Credit risk

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

The Corporation adopted a policy of only dealing with creditworthy counterparties. Before trading with new customers, the Corporation assessed the credit quality of potential customer by internal credit checking and set the credit limit which is reassessed annually.

3) 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.

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

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

December 31, 2017

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	\$ -	\$ 1,189,031	\$ -
Financial guarantee contracts	8,000	-	73,498
Variable interest rate liabilities	80,054	-	-
Fixed interest rate liabilities	<u>100,150</u>	<u>100,035</u>	<u>-</u>
	<u>\$ 188,204</u>	<u>\$ 1,289,066</u>	<u>\$ 73,498</u>

December 31, 2016

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	\$ -	\$ 1,055,397	\$ -
Financial guarantee contracts	-	-	100,669
Fixed interest rate liabilities	<u>-</u>	<u>70,000</u>	<u>30,000</u>
	<u>\$ -</u>	<u>\$ 1,125,397</u>	<u>\$ 130,669</u>

The amounts included above for financial guarantee contracts were the maximum amounts the Corporation could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Corporation considers that it is more likely than not that no amount will be payable under the arrangement.

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

b) Financing facilities

	December 31	
	2017	2016
Secured bank overdraft facilities:		
Amount used	\$ -	\$ -
Amount unused	<u>200,000</u>	<u>200,000</u>
	<u>\$ 200,000</u>	<u>\$ 200,000</u>
Unsecured bank overdraft facilities, reviewed annually and payable on demand:		
Amount used	\$ 434,959	\$ 100,000
Amount unused	<u>465,041</u>	<u>720,000</u>
	<u>\$ 900,000</u>	<u>\$ 820,000</u>

25. TRANSACTIONS WITH RELATED PARTIES

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

Related Party	Relationship
Furly Investment Co., Ltd.	Investors with significant influence over the Corporation
Chuan Gao Investment Co., Ltd.	Investors with significant influence over the Corporation
Welida Investment Co., Ltd.	Investors with significant influence over the Corporation
DBMaker Japan Inc.	Associates
Dimension Computer Technology Co., Ltd.	Associates
CloudMaster Co., Ltd.	Joint ventures
CASEMaker, Inc.	Subsidiaries
Netmaker Technology Co.	Subsidiaries
WiseMaker Technology Co.	Subsidiaries
Syscom Computer (Thailand) Co., Ltd.	Subsidiaries
Coach Tech Management Co.	Subsidiaries
Syscom Vietnam Co., Ltd.	Subsidiaries
Syscom Computer Engineering (Shenzhen) Co., Ltd.	Subsidiaries

b. Operating revenue

	For the Year Ended December 31	
Related Party Categories	2017	2016
Subsidiaries	\$ 5,499	\$ 4,502
Associates	1,501	1,253
Joint ventures	<u>858</u>	<u>1,615</u>
	<u>\$ 7,858</u>	<u>\$ 7,370</u>

c. Purchases of goods

Related Party Categories	For the Year Ended December 31	
	2017	2016
Subsidiaries	\$ 18,334	\$ 17,646
Associates	14,467	-
Joint ventures	<u>4,683</u>	<u>4,007</u>
	<u>\$ 37,484</u>	<u>\$ 21,653</u>

d. Maintenance costs

Related Party Categories	For the Year Ended December 31	
	2017	2016
Subsidiaries	\$ 21,364	\$ 20,010
Joint ventures	<u>6,125</u>	<u>950</u>
	<u>\$ 27,489</u>	<u>\$ 20,960</u>

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

Line Item	Related Party Categories	December 31	
		2017	2016
Accounts receivable	Subsidiaries	\$ 2,377	\$ 4,306
	Associates	100	65
	Joint ventures	<u>-</u>	<u>998</u>
		<u>\$ 2,477</u>	<u>\$ 5,369</u>

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

f. Payables to related parties (excluding loans from related parties)

Line Item	Related Party Categories	December 31	
		2017	2016
Accounts payable	Subsidiaries	\$ 18,880	\$ 17,310
	Associates	6,200	-
	Joint ventures	2,155	1,105
	Investors with significant influence over the Corporation	1	2
		<u>\$ 27,236</u>	<u>\$ 18,417</u>

The outstanding accounts payable from related parties are unsecured.

g. Endorsements and guarantees

Refer to Table 1 for information relating to endorsements/guarantees provided with related parties.

h. Rental expense

Line Item	Related Party Categories	December 31	
		2017	2016
Operating expenses	Chuan Gao Investment Co., Ltd.	\$ 22,325	\$ 22,325
	Furly Investment Co., Ltd.	15,100	13,097
	Investors with significant influence over the Corporation	69	66
		<u>\$ 37,494</u>	<u>\$ 35,488</u>

i. Rental revenue

Line Item	Related Party Categories	December 31	
		2017	2016
Other income	Cloud Master Co., Ltd.	\$ 1,850	\$ 2,147
	Netmaker Technology Co.	1,486	1,486
	WiseMaker Technology Co.	<u>1,461</u>	<u>1,446</u>
		<u>\$ 4,797</u>	<u>\$ 5,079</u>

j. Compensation of key management personnel

	For the Year Ended December 31	
	2017	2016
Short-term employee benefits	\$ 196,994	\$ 156,288
Post-employment benefits	<u>8,508</u>	<u>7,192</u>
	<u>\$ 205,502</u>	<u>\$ 163,480</u>

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

26. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The assets pledged as collaterals for system design contract, bank loans and for product warranty were as follows:

	December 31	
	2017	2016
Pledge deposits (classified as debt investments with no active market)	\$ 249,464	\$ 172,421
Property, plant and equipment, net	<u>78,269</u>	<u>78,935</u>
	<u>\$ 327,733</u>	<u>\$ 251,356</u>

27. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

As of December 31, 2017, for the contracts with customers and the application for government grants, the Corporation issued guarantee notes and had bank guarantee amounting to \$145,791 thousand and \$191,343 thousand, respectively.

28. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2017			
	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 247	29.7600	\$ 7,340
Non-monetary items			
USD	6,055	29.7600	180,208
JPY	47,797	0.2642	12,628
<u>Financial liabilities</u>			
Monetary items			
USD	1,296	29.7600	38,567
December 31, 2016			
	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 1	32.2500	\$ 24
Non-monetary items			
USD	6,014	32.2500	193,950
JPY	43,126	0.2756	11,885
<u>Financial liabilities</u>			
Monetary items			
USD	1,105	32.2500	35,638

The significant realized and unrealized foreign exchange gains (losses) were as follows:

For the Year Ended December 31				
2017		2016		
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
USD	30.432 (USD:NTD)	\$ (873)	32.263 (USD:NTD)	\$ (349)

29. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others: None.

- 2) Endorsements/guarantees provided: Table 1.
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures): Table 2.
- 4) Marketable securities acquired and disposed of at costs or prices 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: None.
- 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: None.
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
- 9) Trading in derivative instruments: None.
- 10) Information on investees: Table 3.

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 4.
- 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: None.
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.

SYSCOM COMPUTER ENGINEERING CO.

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2017

(In Thousands of New Taiwan Dollars and U.S. Dollars Unless Stated Otherwise)

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period (Note 1)	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	Syscom Computer Engineering Co.	Syscom Computer (Shenzhen) Co., Ltd. Netmaker Technology Co. WiseMaker Technology Co. Casemaker, Inc. Coach Tech Management Co.	Indirect subsidiary Subsidiary Subsidiary Subsidiary Subsidiary	20% of net worth, \$347,880 Same as above Same as above Same as above Same as above	\$ 285,696 (US\$ 9,600) 170,000 30,000 35,712 (US\$ 1,200) 30,000	\$ 190,464 (US\$ 6,400) 170,000 30,000 35,712 (US\$ 1,200) 15,000	\$ 70,498 (US\$ 2,369) 19,515 - - 3,000	\$ - - - - -	10.95 9.77 1.72 2.05 0.86	50% of net worth, \$869,700 Same as above Same as above Same as above Same as above	Yes Yes Yes Yes Yes	No No No No No	Yes No No No No

Note 1: In ending endorsed guarantee balance which is conducted in extension is approved by regulation of endorsed/guarantee first, including \$40,000 thousand of Netmaker Technology Co. \$15,000 thousand of WiseMaker Technology Co. and \$35,712 thousand of Syscom Computer (Shenzhen) Co., Ltd.

Note 2: The above amounts were translated into New Taiwan dollar at the prevailing exchange rate as of December 31, 2017.

SYSCOM COMPUTER ENGINEERING CO.

MARKETABLE SECURITIES HELD

DECEMBER 31, 2017

(In Thousands of New Taiwan Dollars and U.S. Dollars Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2017			Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value
Syscom Computer Engineering Co.	Beneficiary certificates	-	Available-for-sale financial assets - current	2,958	\$ 40,004	-	\$ 40,004
	Eastspring Investments Well Pool Money Market Fund	-	Available-for-sale financial assets - current	2,975	40,003	-	40,003
	Taishin 1699 Money Market Fund	-	Available-for-sale financial assets - current	3,473	40,000	-	40,000
	KGI Victory Money Market Fund	-	Available-for-sale financial assets - current	3,082	50,001	-	50,001
	Nomura Taiwan Select Money Market Fund	-	Available-for-sale financial assets - current	1,282	20,000	-	20,000
	Fubon Chi-Hsiang Money Market Fund	-	Available-for-sale financial assets - current				
Ordinary shares	Engsound Technical Enterprise Co., Ltd.	-	Financial assets measured at cost - noncurrent	273	1,595	9.09	1,595
	Masterlink Securities Co., Ltd.	-	Available-for-sale financial assets - noncurrent	168	1,462	0.01	1,462

Note 1: The basis of market value: For listed shares, closing price as of December 31, 2017.

Note 2: Amount was based on the net asset value of the fund as of December 31, 2017.

Note 3: The calculation of the net asset value was based on the investees' unaudited financial statements as of December 31, 2017.

Note 4: The above shares and beneficiary certificates were not provided as guarantee.

SYSKOM COMPUTER ENGINEERING CO.

INFORMATION ON INVESTEEES

FOR THE YEAR ENDED DECEMBER 31, 2017

(In Thousands of New Taiwan Dollars, U.S. Dollars, Japanese Yen and Thai Baht Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2017		Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2017	December 31, 2016	Shares (Thousands)	Percentage of Ownership			
Syscom Computer Engineering Co.	Dimension Computer Technology Co., Ltd.	Taipei	Wholesale and retail of information software, electronic devices and machinery equipment.	\$ 39,284	\$ 39,284	6,759	17.62	\$ 8,973	\$ 1,581	Equity-method investee
	CASEMaker, Inc.	California	Sale of computer software and related products.	US\$ 1,300	US\$ 1,300	1,300	100.00	(6,227)	(6,227)	Subsidiary
	Syscom International Inc.	Cayman Islands	Investment	US\$ 3,850	US\$ 3,200	3,850	100.00	(14,754)	(14,754)	Subsidiary
	Netmaker Technology Co.	Taipei	Provision of services on information software, data processing and electronic information.	15,265	15,100	2,508	76.00	4,214	3,157	Subsidiary
	WiseMaker Technology Co.	Taipei	Provision of services on information software, data processing and electronic information.	41,675	41,675	2,664	98.68	3,353	3,309	Subsidiary
WiseMaker Technology Co.	DBMaker Japan Inc.	Tokyo	Sale of computer software and related products	JPY 53,260	JPY 53,260	5	49.89	2,541	1,267	Equity-method investee
	Syscom Vietnam Co., Ltd.	Vietnam	Consultation and administration of computer system, consultation on computer science and technology and other related computer services	US\$ 400	US\$ 400	-	100.00	(1,078)	(1,078)	Subsidiary
	Coach Tech Management Co.	Taipei	Business management consulting.	19,200	19,200	1,950	97.50	(1,244)	(1,213)	Subsidiary
	Syscom Computer (Thailand) Co., Ltd.	Thailand	Development and maintenance software.	THB 30,894	THB 30,894	3,160	89.77	(1,312)	(1,178)	Subsidiary
	CloudMaster Co., Ltd.	Taipei	Provision of services on information software, data processing and electronic information.	65,000	65,000	6,500	50.00	2,735	1,367	Equity-method investee
Coach Tech Management Co.	Dimension Computer Technology Co., Ltd.	Taipei	Wholesale and retail of information software, electronic devices and machinery equipment.	299	791	28	0.07	8,973	7	Equity-method investee
	Syscom Computer (Thailand) Co., Ltd.	Thailand	Development and maintenance software.	THB 200	THB 200	20	0.57	(1,312)	Not Applicable	Subsidiary

Note: The foreign currency amount of the net income of the investee is expressed in New Taiwan dollars at the average exchange rate in 2017.

SYSCOM COMPUTER ENGINEERING CO.

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2017

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

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2017	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2017	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2017 (Note 2)	Accumulated Repatriation of Investment Income as of December 31, 2017	Note
					Outflow	Inflow							
Syscom Computer (Shenzhen) Co., Ltd.	Development and manufacture of computer equipment and computer software; sale of self-manufactured products and provision of technical services	\$ 89,280 (US\$ 3,000)	Note 1	\$ 79,459 (US\$ 2,670)	\$ -	\$ -	\$ 79,459 (US\$ 2,670)	\$ (7,973) (US\$ (262)) (Note 2)	97.40	\$ (7,760) (US\$ (255)) (Note 2)	\$ 52,705 (US\$ 1,771) (Note 2)	\$ -	
Xian Lian Computer Company	Development and manufacture of computer equipment and computer software; sale of self-manufactured products and provision of technical services	44,640 (US\$ 1,500)	Note 1	5,000 (US\$ 168)	19,344 (US\$ 650)	-	24,344 (US\$ 818)	(14,303) (US\$ (470)) (Note 2)	67.39	(9,525) (US\$ (313)) (Note 2)	23,213 (US\$ 780) (Note 2)	-	

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)	
		\$	(US\$)
\$ 103,803 (US\$ 3,488)	\$ 103,803 (US\$ 3,488) (Note 1, b)	\$1,043,639	
-	12,975 (US\$ 436) (Note 1, a)		

Note 1: a. An investee of CASEMaker, Inc., a wholly owned subsidiary of Syscom Computer Engineering Company and dividend from paid capital.

b. An investee of Syscom International Inc., a wholly owned subsidiary of Syscom Computer Engineering Company.

Note 2: The calculation was based on the investees' audited financial statements as of December 31, 2017.

Note 3: The upper limit is calculated as follows:

60% of the shareholders' equity = \$1,739,399 × 60% = \$1,043,639

Note 4: The foreign currency amounts of original investment amount and carrying value are expressed in New Taiwan dollars at exchange rate as of December 31, 2017.