TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2018 and 2017

Address: No.1, Huanqu 3rd Rd., Kaohsiung Export Processing Zone, Kaohsiung City
Telephone: 886-7-813-9989

Notice to readers

This English-version consolidated financial statement is a summary translation of the Chinese version. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

Table of Contents

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
March 31, 2018, December 31, 2017 and March 31, 2017
(Numbers as of March 31, 2018 and 2017 Are Reviewed, Not Audited)
(In Thousands of New Taiwan Dollars)

Assets	Notes	March 31, 2018	December 31, 2017	March 31, 2017
Current assets				
Cash and cash equivalents	4, 6(1)	$ 1,760,307	$ 1,934,276	$ 2,829,616
Financial assets at fair value through profit or loss, current	4, 6(2)	17,834	17,463	34,795
Notes receivable, net	4, 6(3)	2,160,476	2,027,778	1,593,511
Accounts receivable, net	4, 6(4)	2,504,211	2,748,633	2,433,133
Other receivables		67,444	55,865	52,158
Inventories, net	4, 6(5)	1,949,799	1,626,286	1,394,304
Prepayments		144,212	95,630	114,084
Other current assets	8	29,531	26,746	87,186
Total current assets		8,633,814	8,532,677	8,538,787
Non-current assets				
Financial assets at fair value through other comprehensive income, non-current	4, 6(6)	-	-	-
Financial assets carried at cost, non-current	4, 6(7)	-	-	-
Investments accounted for under the equity method	4, 6(8)	41,868	-	-
Property, plant and equipment	4, 6(9)	2,814,303	2,876,458	2,743,664
Intangible assets	4, 6(10,12)	116,943	121,378	113,026
Deferred income tax assets	4, 6(25)	148,910	130,697	152,073
Other non-current assets	4, 6(11)	63,688	72,026	71,853
Total non-current assets		3,185,712	3,200,559	3,080,616
Total assets		$ 11,819,526	$ 11,733,236	$ 11,619,403

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

(Continued)

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS-(Continued)
March 31, 2018, December 31, 2017 and March 31, 2017
(Numbers as of March 31, 2018 and 2017 Are Reviewed, Not Audited)
(In Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	March 31, 2018	December 31, 2017	March 31, 2017
Current liabilities				
Short-term loans	6(13)	$ 997,326	$ 656,596	$ 1,309,823
Financial liabilities at fair value through profit or loss, current	4, 6(14)	26,514	13,351	-
Contract liabilities – current		1,045	-	-
Notes payable		23,114	324	130,833
Accounts payable		1,996,703	2,416,532	2,005,823
Other payables		514,969	666,715	463,268
Current income tax liabilities	4, 6(25)	158,328	115,338	115,426
Current portion of long-term loans	6(16)	22,572	44,825	127,476
Lease payable – current	6(15)	682	639	-
Other current liabilities		3,447	5,777	10,623
Total current liabilities		3,744,700	3,920,097	4,163,272
Non-current liabilities				
Long-term loans	6(16)	302,555	210,871	308,047
Deferred income tax liabilities	4, 6(25)	204,646	176,327	162,248
Lease payable – non-current	6(15)	1,611	2,499	-
Net defined benefit liabilities, non-current	4, 6(17)	188,601	184,124	192,079
Other non-current liabilities	4, 12	255	255	32
Total non-current liabilities		697,668	574,076	662,406
Total liabilities		4,442,368	4,494,173	4,825,678
Equity attributable to shareholders of the parent				
Capital	6(18)			
Common stock		2,088,467	2,087,802	2,083,252
Capital collected in advance		2,730	665	1,200
Total capital		2,091,197	2,088,467	2,084,452
Capital surplus	6(18)	1,446,593	1,441,339	1,410,774
Retained earnings				
Legal capital reserve		742,131	742,131	684,163
Special capital reserve		102,158	102,158	102,158
Unappropriated earnings		2,949,267	2,845,730	2,660,657
Total retained earnings		3,793,556	3,690,019	3,446,978
Others	4	(67,855)	(92,974)	(149,002)
Treasury stocks	6(18)	-	-	(98,744)
Total equity attributable to shareholders of the parent		7,263,491	7,126,851	6,694,458
Non-controlling interests	4, 6(18)	113,667	112,212	99,267
Total equity		7,377,158	7,239,063	6,793,725
Total liabilities and equity		$ 11,819,526	$ 11,733,236	$ 11,619,403

(Concluded)

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

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Three Months Ended March 31, 2018 and 2017
(Reviewed, Not Audited)
(In Thousands of New Taiwan Dollars)

		Three Months Ended March 31	
	Notes	2018	2017
Net revenue	4, 6(20)	$ 1,999,586	$ 2,312,657
Cost of revenue	4, 6(5)	(1,605,387)	(1,849,262)
Gross profit		394,199	463,395
Unrealized sales profit or loss		-	(95)
Gross profit, net		394,199	463,300
Operating expenses	4, 6(23)		
Sales and marketing expenses		(100,353)	(101,812)
General and administrative expenses		(87,524)	(79,643)
Research and development expenses		(56,018)	(52,269)
Impairment gains on expected credit loss	6(21)	29,252	-
Total operating expenses		(214,643)	(233,724)
Operating income		179,556	229,576
Non-operating income and expenses	6(24)		
Other income		9,126	7,540
Other gains and losses		(33,025)	(78,051)
Finance costs		(14,435)	(18,938)
Share of profit or loss of associates under the equity method	4, 6(8)	10,121	-
Total non-operating income and expenses		(28,213)	(89,449)
Income before income tax		151,343	140,127
Income tax expense	4, 6(25)	(53,095)	(41,499)
Net income of continuing operations		98,248	98,628
Net income		98,248	98,628
Other comprehensive income (loss)	6(24)		
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		37,138	(89,973)
Income tax related to components of other comprehensive income that may be reclassified subsequently to profit or loss		(5,275)	15,295
Total other comprehensive income, net of tax		31,863	(74,678)
Total comprehensive income		$ 130,111	$ 23,950
Net income (loss) attributable to:	4, 6(26)		
Shareholders of the parent		$ 96,937	$ 99,322
Non-controlling interests		1,311	(694)
		$ 98,248	$ 98,628
Total comprehensive income (loss) attributable to:			
Shareholders of the parent		$ 128,656	$ 24,993
Non-controlling interests		1,455	(1,043)
		$ 130,111	$ 23,950
Earnings per share (NT$)	4, 6(26)		
Earnings per share - basic		$ 0.46	$ 0.48
Earnings per share - diluted		$ 0.46	$ 0.48

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

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Three Months Ended March 31, 2018 and 2017

(Reviewed, Not Audited)

(In Thousands of New Taiwan Dollars)

	Equity Attributable to Shareholders of the Parent											
				Retained Earnings			Others					
	Common Stock	Capital Collected in Advance	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Gain/Loss on Financial Assets at Fair Value through Other Comprehensive Income	Treasury Stocks	Total	Non-Controlling Interests	Total Equity
Balance as of January 1, 2017	$ 2,083,252	$ -	$ 1,407,558	$ 684,163	$ 102,158	$2,561,335	$ (74,673)	$ -	$ (98,744)	$ 6,665,049	$ 100,310	$ 6,765,359
Changes in other capital surplus												
Share-based payment		1,200	3,216							4,416		4,416
Net income for the three months ended March 31, 2017						99,322				99,322	(694)	98,628
Other comprehensive income (loss) for the three months ended March 31, 2017							(74,329)			(74,329)	(349)	(74,678)
Total comprehensive income	-	-	-	-	-	99,322	(74,329)	-	-	24,993	(1,043)	23,950
Balance as of March 31, 2017	$ 2,083,252	$ 1,200	$ 1,410,774	$ 684,163	$ 102,158	$2,660,657	$ (149,002)	$ -	$ (98,744)	$ 6,694,458	$ 99,267	$ 6,793,725
Balance as of January 1, 2018	$ 2,087,802	$ 665	$ 1,441,339	$ 742,131	$ 102,158	$2,845,730	$ (92,974)	$ -	$ -	$ 7,126,851	$ 112,212	$ 7,239,063
Effect of retrospective application						6,600		(6,600)		-		-
Changes in other capital surplus												
Changes in associates accounted for under the equity method			(1,599)							(1,599)		(1,599)
Share-based payment	665	2,065	6,853							9,583		9,583
Net income for the three months ended March 31, 2018						96,937				96,937	1,311	98,248
Other comprehensive income (loss) for the three months ended March 31, 2018							31,719			31,719	144	31,863
Total comprehensive income	-	-	-	-	-	96,937	31,719	-	-	128,656	1,455	130,111
Balance as of March 31, 2018	$ 2,088,467	$ 2,730	$ 1,446,593	$ 742,131	$ 102,158	$2,949,267	$ (61,255)	$ (6,600)	$ -	$ 7,263,491	$ 113,667	$ 7,377,158

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

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2018 and 2017
(Reviewed, Not Audited)
(In Thousands of New Taiwan Dollars)

	Three Months Ended March 31	
	2018	2017
Cash flows from operating activities:		
Income before income tax	$ 151,343	$ 140,127
Adjustments:		
Non-cash income and expense items:		
Depreciation	70,606	68,575
Amortization	8,327	8,444
Impairment gains on expected credit loss	(29,252)	(401)
Net loss (gain) of financial assets (liabilities) at fair value through profit or loss	35,390	(9,274)
Interest expense	14,435	18,938
Interest income	(3,531)	(3,801)
Share of profit of associates under the equity method	(10,121)	-
Loss on disposal of property, plant and equipment	328	36
Gain on reversal of impairment loss for non-financial assets	(32,332)	-
Others	84,058	1,676
Changes in operating assets and liabilities:		
Decrease in financial assets held for trading	-	10,486
Increase in financial assets mandatorily at fair value through profit or loss	(22,598)	-
Increase in notes receivable	(132,698)	(50,752)
Decrease in accounts receivable	272,681	365,433
Increase in other receivables	(12,085)	(5,379)
Increase in inventories	(325,215)	(263,581)
Increase in prepayments	(48,582)	(12,511)
Increase in other current assets	(2,785)	(710)
Increase in other non-current assets	-	(189)
Decrease in contract liabilities	(1,526)	-
Increase (decrease) in notes payable	22,790	(47,060)
Decrease in accounts payable	(419,829)	(127,453)
Decrease in other payables	(140,879)	(60,224)
Increase (decrease) in other current liabilities	146	(5,276)
Increase in net defined benefit liabilities	4,477	1,803
Decrease in other non-current liabilities	-	(14)
Cash generated from operations	(516,852)	28,893
Interest received	4,037	4,282
Interest paid	(13,706)	(17,212)
Income tax paid	(7,006)	(14,721)
Net cash (used in) generated by operating activities	(533,527)	1,242

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

(Continued)

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS-(Continued)
For the Three Months Ended March 31, 2018 and 2017
(Reviewed, Not Audited)
(In Thousands of New Taiwan Dollars)

	Three Months Ended March 31	
	2018	2017
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(92,793)	(89,769)
Disposal of property, plant and equipment	500	-
Decrease in refundable deposits	6,239	3,063
Acquisition of intangible assets	(915)	(4,539)
Increase in other current assets - other financial assets, current	-	(42,800)
Net cash used in investing activities	(86,969)	(134,045)
Cash flows from financing activities:		
Increase in short-term loans	340,730	370,040
Increase in long-term loans	69,431	-
Repayment of long-term loans	-	(335,275)
Decrease in lease payable	(943)	-
Exercise of employee stock options	9,583	4,416
Net cash provided by financing activities	418,801	39,181
Effect of exchange rate changes on cash and cash equivalents	27,726	(58,970)
Net decrease in cash and cash equivalents	(173,969)	(152,592)
Cash and cash equivalents at beginning of period	1,934,276	2,982,208
Cash and cash equivalents at end of period	$ 1,760,307	$ 2,829,616

(Concluded)

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

1. History and Organization

Taiflex Scientific Company Limited ("the Company") was incorporated in August, 1997. Its main operations consist of manufacturing, research and development, and selling of flexible copper-clad laminate, cover layer and PV module backsheet. The shares of the Company commenced trading on Taiwan's Over-the-Counter Market on December 19, 2003 and were listed on the Taiwan Stock Exchange on December 17, 2009.

2. Date and Procedures of Authorization of Financial Statements

The consolidated financial statements of the Company and its subsidiaries ("the Group") for the three months ended March 31, 2018 and 2017 were approved and authorized for issue in the Board of Directors' meeting on April 17, 2018.

3. Newly Issued or Revised Standards and Interpretations

(1) The Group has adopted International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC interpretations and SIC interpretations endorsed by the Financial Supervisory Commission (FSC) to take effect for annual periods beginning on January 1, 2018. The first-time adoption does not have any material impact on the Group except for the following descriptions on the nature and the impact of the newly issued or revised standards and interpretations:

A. IFRS 15 "Revenue from Contracts with Customers" (including the relevant clarifications associated with IFRS 15)

IFRS 15 replaces IAS 11 "Construction Contracts", IAS 18 "Revenue" and relevant interpretations. The Group chooses to recognize the cumulative effect of the first-time adoption on the initial application date (i.e. January 1, 2018) in accordance with the transitional provisions of IFRS 15 and to retrospectively apply IFRS 15 to contracts that are not completed on that date.

The Group's revenue from contracts with customers mostly involves the sale of goods. The impact of IFRS 15 on the Group's recognition of revenue is as follows:

(a) Please refer to Note 4 for accounting policies adopted by the Group after and prior to January 1, 2018.

(b) Prior to January 1, 2018, the Group recognizes revenue from the sale of goods when the products are delivered to the customers. For reporting periods starting on or after January 1, 2018, revenue is recognized when the promised products are transferred to the customers and the performance obligation is satisfied under IFRS 15. The adoption of IFRS 15 does not have any material impact on the Group's recognition of revenue from the sale of goods. As for contracts where a part of the considerations is collected upon signing the contracts, the Group assumes the obligations to transfer the goods subsequently. Prior to January 1, 2018, the considerations collected in advance are recognized as other current liabilities. After January 1, 2018, they are recognized as contract liabilities in accordance with IFRS 15. The Group reclassified NT$2,571 thousand from other current liabilities to contract liabilities on January 1, 2018. In addition, other current liabilities decreased by NT$1,045 thousand and contract liabilities increased by NT$1,045 thousand comparing to the adoption of IAS 18.

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

(c) Please refer to Notes 4, 5 and 6 for additional disclosures required by IFRS 15.

B. IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39. In accordance with the transitional provisions of IFRS 9, the Group chooses not to restate the comparative periods upon the initial application date (i.e. January 1, 2018). The effects of adopting IFRS 9 are as follows:

(a) The Company adopts IFRS 9 starting from January 1, 2018 and prior to this date, IAS 39 is used. Please refer to Note 4 for details on accounting policies.

(b) In accordance with the transitional provisions of IFRS 9, the business model is assessed and the financial assets are classified into the appropriate categories pursuant to IFRS 9 based on the facts and circumstances that exist as of January 1, 2018. The classifications and carrying amounts of those financial assets as of January 1, 2018 are as follows:

IAS 39		IFRS 9	
Measurement Category	Carrying Amount	Measurement Category	Carrying Amount
Fair value through profit or loss (including carried at cost)	$ 17,463	Fair value through profit or loss	$ 17,463
Measured at amortized cost			
Loans and receivables (including cash and cash equivalents, notes and accounts receivables, other financial assets and other receivables)	6,786,254	Measured at amortized cost (including cash and cash equivalents, notes and accounts receivables, financial assets measured at amortized cost and other receivables)	6,786,254
Total	$ 6,803,717	Total	$ 6,803,717

(c) Detailed information concerning the changes in the classifications of financial assets and financial liabilities for the transition from IAS 39 to IFRS 9 as of January 1, 2018 is as follows:

IAS 39		IFRS 9			
Account	Carrying Amount	Account	Carrying Amount	Adjustment on Retained Earnings	Adjustment on Other Equity
Financial assets at fair value through profit or loss					
Designated as at fair value through profit or loss	$ 17,463	At fair value through profit or loss	$ 17,463		
Available-for-sale financial assets (including financial assets measured at cost) (Note)	0	At fair value through other comprehensive income – equity instruments	0	$ 6,600	($ 6,600)
Sub-total	$ 17,463				

(Continued)

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

IAS 39		IFRS 9		Adjustment on Retained Earnings	Adjustment on Other Equity
Account	Carrying Amount	Account	Carrying Amount		
Loans and receivables (Note)					
Cash and cash equivalents (excluding cash on hand)	$ 1,933,624	Cash and cash equivalents (excluding cash on hand)	1,933,624		
Other financial assets	20,354	Other financial assets	20,354		
Notes receivable	2,027,778	Notes receivable	2,027,778		
Accounts receivable	2,748,633	Accounts receivable	2,748,633		
Other receivables	55,865	Other receivables	55,865		
Sub-total	$ 6,786,254				
Total	$ 6,803,717	Total	$ 6,803,717	$ 6,600	($ 6,600)

(Concluded)

Note: Pursuant to IAS 39, available-for-sale financial assets include investments in funds, stocks and bonds of listed (OTC) companies and non-listed (OTC) stocks. Details concerning the changes in classification are as follows:

Investments in stocks (both listed (OTC) and non-listed (OTC) stocks)

The assessment is conducted based on the facts and circumstances that exist as of January 1, 2018. As these investments are not held-for-trading, the Group chooses to designate them as financial assets at fair value through other comprehensive income. The amount reclassified from available-for-sale financial assets (including ones measured at cost) to financial assets at fair value through other comprehensive income was NT$0 thousand as of January 1, 2018. Other relevant adjustments are as follows:

Impairment loss is recognized fully for the non-listed (OTC) stocks with an initial carrying amount of NT$6,600 thousand that are measured at cost pursuant to IAS 39. However, under IFRS 9, those stocks shall be measured at fair value and the recognition of impairment loss is not required. As the fair value is deemed to be NT$0 thousand as of January 1, 2018, the Group would adjust the carrying amount of financial assets at fair value through other comprehensive income. The retained earnings and other equity would also be adjusted by NT$6,600 thousand.

For items classified as loans and receivables in accordance with IAS 39, their cash flows are solely payments of principal and interest on the outstanding principal. Based on the facts and circumstances that exited as at January 1, 2018, as the business model is assessed to be one that collects contractual cash flows, they are measured at amortized cost. In addition, no adjustment arisen from the impairment assessment conducted in accordance with IFRS 9 on January 1, 2018. Thus, the carrying amount as of January 1, 2018 is not affected.

(d) Please refer to Notes 4, 5, 6 and 12 for disclosures required by IFRS 7 and IFRS 9.

(2) The Group has not adopted the following new, revised and amended standards or interpretations issued by International Accounting Standards Board (IASB) and endorsed by FSC: None.

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

(3) As of the date of issuance of the financial statements, the Group has not adopted the following new, revised and amended standards or interpretations issued by IASB and but not yet endorsed by FSC:

No.	Projects of New, Revised and Amended Standards or Interpretations	Effective Date
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
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019
IFRS 17	Insurance Contracts	January 1, 2021
IAS 28	Investments in Associates and Joint Ventures	January 1, 2019
IFRS 9	Prepayment Features with Negative Compensation	January 1, 2019
Improvements to IFRS (2015-2017 cycle):		
IFRS 3	Business Combinations	January 1, 2019
IFRS 11	Joint Arrangements	January 1, 2019
IAS 12	Income Taxes	January 1, 2019
IAS 23	Borrowing Costs	January 1, 2019
IAS 19	Employee Benefits	January 1, 2019

The potential effects of adopting above standards or interpretations, which are issued by IASB but not yet endorsed by FSC, in the preparation of Group's financial statements for future periods are listed below:

A. Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The plan deals with the inconsistency between IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" in relation to the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 states that when non-monetary assets are contributed in exchange for an interest in an associate or a joint venture, the share of gains and losses shall be eliminated in accordance with the treatments of a downstream transaction. However, IFRS 10 requires a full recognition of gains or losses arising from the loss of control of a subsidiary. The amendments place restrictions on the above-mentioned rules of IAS 28, where gains or losses are recognized in full for sale or contribution of assets that constitute a business, as defined in IFRS 3. The amendments also change IFRS 10, where gains or losses arising from the sale or contributions of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture are recognized only to the extent of their shares owned by non-investors.

B. IFRS 16 "Leases"

The new standard requires lessees to adopt a single accounting model for all leases except for certain exemptions. Nearly all leases will be capitalized on the balance sheet by recognizing assets and liabilities. Moreover, lessors continue to classify leases as operating or finance leases.

C. IFRIC 23 "Uncertainty over Income Tax Treatments"

The Interpretation clarifies the application of recognition and measurement requirements in IAS 12 "Income Taxes" when there is uncertainty over income tax treatments.

D. Amendments to IAS 28 "Investments in Associates and Joint Ventures"

The amendments clarify that prior to the adoption of IAS 28, IFRS 9 shall be used to account for the long-term interests in associates or joint ventures that form part of the net investment in the associates or joint ventures. Also, during the application of IFRS 9, adjustments arising from the adoption of IAS 28 shall not be considered.

E. Amendments to IFRS 9 "Financial Instruments"

The amendments allows financial assets with prepayment features (parties to the contract may pay or receive reasonable compensation for early termination of the contracts) to be measured at amortized cost or at fair value through other comprehensive income.

F. Improvements to IFRS (2015-2017 cycle)

IAS 12 "Income Taxes"

The amendments clarify that entities shall recognize income tax consequences of dividends in profit or loss, other comprehensive income or equity, depending on how the originating transaction or event that has given rise to the dividends is recognized.

IAS 23 "Borrowing Costs"

The amendments clarify that when a qualifying asset is ready for its intended use or sale, the entity shall treat borrowings related specifically to the acquisition of such an asset as general borrowings.

G. Amendments to IAS 19 "Employee Benefits"

The amendments clarify that when changes occurred to the defined benefit plan (e.g. amendment, curtailment or settlement), entities shall remeasure the net defined benefit liability or asset using the updated assumptions.

The Group currently assesses the potential effects of the new, revised and amended standards or interpretations in the preceding A to G paragraphs on the financial position and performance of the Group. The outcome will be disclosed upon completion of the assessment.

4. Summary of Significant Accounting Policies

(1) Statement of compliance

The consolidated financial statements for the three months ended March 31, 2018 and 2017 have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" endorsed and issued into effect by FSC.

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

(2) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value

(3) Basis of consolidation

Preparation principle of consolidated financial statements

The Group adopts the same preparation principle as the one used in the preparation of consolidated financial statements for the year ended December 31, 2017. Please refer to the consolidated financial statements for the year ended December 31, 2017 for details.

The consolidated entities are listed as follows:

Investor	Subsidiary	Main Business	Percentage of Ownership (%)		
			2018.3.31	2017.12.31	2017.3.31
The Company	Taistar Co., Ltd. (Taistar)	Investment holding	100.00%	100.00%	100.00%
The Company	Leadmax Ltd. (Leadmax)	Trading of electronic materials	100.00%	100.00%	100.00%
The Company	Koatech Technology Corporation (Koatech)	Manufacturing and selling of electronic materials and components	53.86%	53.86%	53.86%
The Company	TFS Co., Ltd. (TFS)	Investment holding	100.00%	100.00%	100.00%
The Company	Taiflex Scientific Japan Co., Ltd. (Japan Taiflex)	Trading of electronic materials and technical support	100.00%	100.00%	100.00%
The Company	Taiflex USA Corporation (USA Taiflex)	Technical service and marketing of electronic materials	100.00%	-	-
Taistar	TSC International Ltd. (TSC)	Investment holding	100.00%	100.00%	100.00%
TSC	Kunshan Taiflex Electronic Material Co., Ltd. (Kunshan Taiflex)	Trading of coating materials for high polymer film and copper foil	100.00%	100.00%	100.00%
TSC	Taiflex Scientific (Kunshan) Co., Ltd. (Taiflex Kunshan)	Manufacturing and selling of coating materials for high polymer film and copper foil	100.00%	100.00%	100.00%
TFS	RICHSTAR Co., Ltd. (RICHSTAR)	Investment holding	100.00%	100.00%	100.00%
RICHSTAR	Shenzhen Taiflex Electronic Co., Ltd. (Shenzhen Taiflex)	Trading of coating materials for high polymer film and copper foil	100.00%	100.00%	100.00%

(Continued)

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

Investor	Subsidiary	Main Business	Percentage of Ownership (%)		
			2018.3.31	2017.12.31	2017.3.31
Koatech	KTC Global Co., Ltd. (KTC Global)	Investment holding	100.00%	100.00%	100.00%
KTC Global	KTC PanAsia Co., Ltd. (KTC PanAsia)	Investment holding	100.00%	100.00%	100.00%
KTC PanAsia	Kunshan Koatech Technology Corporation (Kunshan Koatech)	Wholesale and act as a commission agent of electronic materials and components	100.00%	100.00%	100.00%

(Concluded)

The financial statements of some immaterial subsidiaries in the consolidated entities above were not reviewed by auditors. The total assets of those subsidiaries amounted to NT$372,375 thousand and NT$406,169 thousand, and the total liabilities were NT$105,302 thousand and NT$173,470 thousand as of March 31, 2018 and 2017, respectively. The total comprehensive income amounted to NT$1,875 thousand and NT$(12,285) thousand for the three months ended March 31, 2018 and 2017, respectively.

(4) Except for the following accounting policies, the consolidated financial statements for the three months ended March 31, 2018 and 2017 adopt the same accounting policies as the ones used in the consolidated financial statements for the year ended December 31, 2017. Please refer to the consolidated financial statements for the year ended December 31, 2017 for a summary of other significant accounting policies.

A. Foreign currency transactions

The Group's consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recognized by each entity of the Group 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 closing rates of that date; 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 is measured; and non-monetary items measured at historical cost that are denominated in foreign currencies are retranslated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement or translation of monetary items are recognized in profit or loss in the period in which they arise, except for the following:

(a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

(b) Foreign currency items within the scope of IFRS 9 “Financial Instruments” (prior to January 1, 2018: IAS 39) are accounted for based on the accounting policies for financial instruments.

(c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation are recognized initially in other comprehensive income and reclassified from equity to profit or loss upon disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

B. Financial instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 "Financial Instruments" (prior to January 1, 2018: IAS 39) are recognized initially at fair value plus or minus, in the case of financial assets and financial liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial assets or financial liabilities.

(a) Recognition and measurement of financial assets

<u>The accounting treatment starting from January 1, 2018 is as follows:</u>

The Group accounts for regular way purchase or sales of financial assets on the trade date basis.

The Group classifies financial assets as subsequently measured at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss on the basis of the following two conditions:

i. the business model for managing the financial assets, and

ii. the contractual cash flow characteristics of the financial assets

<u>Financial assets measured at amortized cost</u>

A financial asset satisfying both of the conditions below is measured at amortized cost and presented as notes receivables, accounts receivables, financial assets measured at amortized cost and other receivables on the balance sheet:

i. the business model for managing the financial assets: the financial asset is held to collect its contractual cash flows, and

ii. the contractual cash flow characteristics of the financial assets: cash flows are solely payments of principal and interest on the outstanding principal.

Such financial assets (excluding ones involved in a hedging relationship) are subsequently measured at amortized cost {the amount initially recognized less principal repayments, plus or minus the cumulative amortization of the difference between the initial amount and the maturity amount (calculated using the effective interest method), and adjusted for loss allowance}. A gain or loss is recognized in profit or loss when the financial asset is derecognized, going through the amortization process or recognizing the impairment gains or losses.

Interest calculated by the effective interest method (applying the effective interest rate to the gross carrying amount of financial assets) or under one of the follow situations is recognized in profit or loss.

i. For purchased or originated credit-impaired financial assets, interest is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial assets.

ii. For financial assets that do not belong to the former category but subsequently have become credit-impaired financial assets, interest is calculated by applying the effective interest rate to the amortized cost of the financial assets.

Financial assets at fair value through other comprehensive income

A financial asset satisfying both of the conditions below is measured at fair value through other comprehensive income and presented as financial assets at fair value through other comprehensive income on the balance sheet:

i. the business model for managing the financial assets: the financial asset is held to collect its contractual cash flows and for sale, and

ii. the contractual cash flow characteristics of the financial assets: cash flows are solely payments of principal and interest on the outstanding principal.

Recognition of gain or loss on such a financial asset is described below:

i. Prior to its derecognition or reclassification, the gain or loss on a financial asset at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains or losses, which are recognized in profit or loss.

ii. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

iii. Interest calculated by the effective interest method (applying the effective interest rate to the gross carrying amount of financial assets) or under one of the follow situations is recognized in profit or loss:

  (i) For purchased or originated credit-impaired financial assets, interest is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial assets.

  (ii) For financial assets that do not belong to the former category but subsequently have become credit-impaired financial assets, interest is calculated by applying the effective interest rate to the amortized cost of the financial assets.

In addition, for an equity instrument within the scope of IFRS 9 that is not held for trading and the contingent consideration recognized by an acquirer in a business combination under IFRS 3 does not apply, the Group makes an (irrevocable) election at initial recognition to present its subsequent changes in the fair value in other comprehensive income. Amounts presented in other comprehensive income cannot be subsequently transferred to profit or loss (upon disposal of such equity instrument, its cumulative amount in other equity is transferred directly to retained earnings) and shall be recognized as a financial asset measured at fair value through other comprehensive income on the balance sheet. Dividends from the investment are recognized in profit or loss unless they clearly represent recovery of a part of the investment cost.

Financial assets at fair value through profit or loss

Except for financial assets that are measured at amortized cost or at fair value through other comprehensive income due to the satisfaction of certain conditions, all other financial assets are at fair value through profit or loss and presented as financial assets at fair value through profit or loss on the balance sheet.

Those financial assets are measured at fair value and the gains or losses resulting from their remeasurement are recognized in profit or loss, which include dividends or interests received on such financial assets.

(b) Impairment of financial assets

The accounting treatment from January 1, 2018 is as follows:

The Group measures and recognizes the loss allowance for debt instrument investments at fair value through other comprehensive income and financial assets measured at amortized cost at an amount equal to expected credit losses. The loss allowance on debt instrument investments at fair value through other comprehensive income is recognized in other comprehensive income and does not reduce the carrying amount of the investments.

The Group measures expected credit loss in a way that reflects:

i. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

ii. the time value of money; and

iii. reasonable and supportable information about past events, current conditions and forecasts of future economic conditions that is available (without undue cost or effort at the balance sheet date)

The loss allowance is measured as follows:

i. at an amount equal to 12-month expected credit losses: including financial assets whose credit risk has not increased significantly since initial recognition or ones that are determined to have low credit risk at the balance sheet date. In addition, financial assets whose loss allowance is measured at an amount equal to lifetime expected credit losses in the previous reporting period, but the condition of a significant increase in credit risk since initial recognition is no longer met at the current balance sheet date shall also be included.

ii. at an amount equal to the lifetime expected credit losses: including financial assets whose credit risk has increased significantly since initial recognition or purchased or originated credit-impaired financial assets.

iii. for accounts receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group assesses whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default at the reporting date and initial recognition. Please refer to Note 12 for further details on credit risk.

C. Revenue recognition

The accounting treatment from January 1, 2018 is as follows:

The Group's revenue from contracts with customers mostly involves the sale of goods. The accounting treatment is detailed as follows:

The Group manufactures and sells goods. Revenues are recognized when goods have been delivered to the customers and customers have obtained control (i.e. the customers have the ability to direct the use of goods and obtain substantially all of the remaining benefits from the goods). The main products of the Group are flexible copper-clad laminate, cover layer and PV module backsheet. Revenues are recognized based on the prices stated on the contracts.

The credit terms of accounts receivable are set at 60 to 150 days. Accounts receivables are recognized when the control over goods is transferred and the Group has an unconditional right to collect the considerations. Those accounts receivables usually have a short collection period and do not have a significant financing component.

As for contracts where a part of the considerations is collected upon signing the contracts, the Group assumes the obligations to transfer the goods subsequently. Thus, they are recognized as contract liabilities.

5. Significant Accounting Judgments, Estimates and Assumptions

Except for the following descriptions, the same significant accounting judgments, estimates, and assumptions have been followed in the consolidated financial statements for the three months ended March 31, 2018 and 2017 as were applied in the preparation of the Company's consolidated financial statements for the year ended December 31, 2017. For the summary of significant accounting judgments, estimates, and assumptions, please refer to the consolidated financial statements for the year ended December 31, 2017.

Receivables – impairment loss estimate

From January 1, 2018

The Group estimates the impairment loss of receivables by measuring the lifetime expected credit losses. Credit loss is calculated as the present value of difference between the contractual cash flows that are due to the Group under contracts (carrying amount) and the cash flows the Group expects to receive (assessing the forward-looking information). For short-term receivables, as the discount effect is not significant, credit loss is measured using the undiscounted difference. Less-than-expected future cash flows could result in significant impairment charges. Please refer to Note 6(21) for details.

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

6. Details of Significant Accounts

(1) Cash and cash equivalents

	March 31, 2018	December 31, 2017	March 31, 2017
Cash on hand	$ 620	$ 652	$ 659
Bank deposits	1,759,687	1,933,624	2,828,957
Total	$ 1,760,307	$ 1,934,276	$ 2,829,616

(2) Financial assets at fair value through profit or loss, current

	March 31, 2018	December 31, 2017 (Note)	March 31, 2017 (Note)
Mandatorily at fair value through profit or loss:			
Derivative instruments not designated in a hedging relationship			
- Forward foreign exchange contracts	$ 392		
Non-derivative financial assets - Stocks	17,442		
Total	$ 17,834		

	March 31, 2018 (Note)	December 31, 2017	March 31, 2017
Held for trading:			
Derivative instruments not designated in a hedging relationship			
- Forward foreign exchange contracts		$ 214	$ 16,641
- Cross-currency swap contracts		572	-
Non-derivative financial assets - Stocks		16,677	18,154
Total		$ 17,463	$ 34,795

Note: The Group adopted IFRS 9 on January 1, 2018 and chose not to restate the comparative periods in accordance with the transitional provisions of IFRS 9.

The Group’s financial assets at fair value through profit or loss were not pledged.

(3) Notes receivable, net

	March 31, 2018	December 31, 2017	March 31, 2017
Notes receivable, net	$ 2,160,476	$ 2,027,778	$ 1,593,511

The Group’s notes receivables were not pledged.

The Group adopted IFRS 9 on January 1, 2018 for impairment assessment. Please refer to Note 6(21) for details on accumulated impairment and Note 12 for information concerning credit risk.

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

(4) Accounts receivable, net

	March 31, 2018	December 31, 2017	March 31, 2017
Accounts receivable	$ 2,692,447	$ 2,965,128	$ 2,644,239
Less: loss allowance	(188,236)	(216,495)	(211,106)
Net	$ 2,504,211	$ 2,748,633	$ 2,433,133

A. The credit terms of accounts receivable are generally set at 60 to 150 days end of month. The Group adopted IFRS 9 on January 1, 2018 for impairment assessment. Please refer to Note 6(21) for loss allowance for the three months ended March 31, 2018. Prior to January 1, 2018, IAS 39 was adopted for impairment assessment. The movements in the allowance for impairment of accounts receivable for the three months ended March 31, 2017 were as follows (please refer to Note 12 for credit risk disclosure):

	March 31, 2017
Beginning balance	$ 211,697
Reversal for the period	(401)
Effect of exchange rate changes	(190)
Ending balance	$ 211,106

B. Ageing analysis of net accounts receivable:

	December 31, 2017	March 31, 2017
Neither past due nor impaired	$ 2,053,205	$ 2,260,994
Past due but not impaired		
≤ 120 days	462,019	171,031
121 to 180 days	201,612	-
≥ 181 days	31,797	1,108
Total	$ 2,748,633	$ 2,433,133

C. The Group entered into agreements of factoring without recourse with banks. The banks would engage in factoring with respect to accounts receivable selected. The information of factoring transactions was as follows:

March 31, 2018

Amount of accounts receivable	Amount of factoring	Condition	Unreceived amount (Recorded as other receivables)
US$ 18,424 thousand	US$ 18,424 thousand	Without recourse	-

December 31, 2017

Amount of accounts receivable	Amount of factoring	Condition	Unreceived amount (Recorded as other receivables)
US$ 38,680 thousand	US$ 38,680 thousand	Without recourse	-

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

March 31, 2017			
Amount of accounts receivable	Amount of factoring	Condition	Unreceived amount (Recorded as other receivables)
US$ 24,985 thousand	US$ 24,974 thousand	Without recourse	US$ 11 thousand (NT$ 362 thousand)

D. The Group's accounts receivables were not pledged.

(5) Inventories, net

	March 31, 2018	December 31, 2017	March 31, 2017
Raw materials	$ 763,943	$ 585,584	$ 268,713
Inventories in transit	164,953	171,759	74,039
Supplies	3,998	4,966	4,603
Work in process	202,099	52,701	121,865
Finished goods	560,331	619,307	671,507
Merchandise	254,475	191,969	253,577
Total	$ 1,949,799	$ 1,626,286	$ 1,394,304

Expenses or income recognized were as follows:

	Three Months Ended March 31	
	2018	2017
Cost of inventories sold	$ 1,608,238	$ 1,853,180
Write-down of inventory (gain on recovery)	(20,592)	510
Loss on inventory write-off	22,294	1,166
Revenue from sale of scraps	(4,553)	(5,594)
Cost of revenue	$ 1,605,387	$ 1,849,262

The aforementioned inventories were not pledged.

For the three months ended March 31, 2018, gain on inventory value recovery due to a decrease in allowance for inventory valuation losses from price recovery of inventories with allowance for inventory valuation losses at beginning of period, inventories sold or inventories used amounted to NT$ 20,592 thousand.

(6) Financial assets at fair value through other comprehensive income, non-current

	March 31, 2018	December 31, 2017 (Note)	March 31, 2017 (Note)
Equity instrument investments at fair value through other comprehensive income – non-current:			
Non-publicly traded stocks	$ 6,600		
Less: valuation adjustment	(6,600)		
Net	$ –		

Note: The Group adopted IFRS 9 on January 1, 2018 and chose not to restate the comparative periods in accordance with the transitional provisions of IFRS 9.

The Group's financial assets at fair value through other comprehensive income were not pledged.

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

(7) Financial assets measured at cost, non-current

	December 31, 2017	March 31, 2017
Stocks	$ 6,600	$ 6,600
Less: accumulated impairment	(6,600)	(6,600)
Net	$ –	$ –

Note: The Group adopted IFRS 9 on January 1, 2018 and chose not to restate the comparative periods in accordance with the transitional provisions of IFRS 9.

The aforementioned non-publicly traded stocks held by the Group were recognized in accordance with IAS 39 prior to January 1, 2018. Since the range of reasonable fair value estimates was significant and the probabilities of the various estimates could not be reasonably assessed, those stocks could not be measured at fair value. Thus, they were measured at cost.

The Group's financial assets measured at cost were not pledged.

(8) Investments accounted for under the equity method

	March 31, 2018		December 31, 2017		March 31, 2017	
Investees	Amount	Percentage of ownership	Amount	Percentage of ownership	Amount	Percentage of ownership
Investments in associates:						
Innovision FlexTech Corp.	$ 41,868	15.07%	$ 31,518	15.67%	$ 31,518	16.72%
Less: accumulated impairment - Innovision FlexTech Corp.	–		(31,518)		(31,518)	
Net	$ 41,868		$ –		$ –	

The aforementioned investments accounted for under the equity method were not pledged.

A. The shares of profit or loss of the associate accounted for under the equity method based on the unaudited financial statements of the investee for the three months ended March 31, 2018 and 2017 were as follows:

	Three Months Ended March 31	
Investees	2018	2017
Innovision FlexTech Corp.	$ 10,121	$ –

B. In December 2017, the Group participated in the capital increase of Innovision FlexTech Corp. (Innovision) and subscribed at a percentage different from its existing ownership percentage. Thus, the shareholding percentage reduced from 16.72% to 15.67%. In February 2018, the Group subscribed in the capital increase of Innovision at a percentage different from its existing ownership percentage. The shareholding percentage dropped from 15.67% to 15.07%. The Group evaluated and concluded that it still has significant influence over Innovision; thus, this investment is accounted for using the equity method.

C. The summarized financial information of the Group's investments in associates was as follows:

	March 31, 2018	December 31, 2017	March 31, 2017
Total assets	$ 364,773	$ 331,496	$ 272,860
Total liabilities	$ 65,788	$ 73,767	$ 69,031

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

	Three Months Ended March 31	
	2018	2017
Revenue	$ 70,012	$ 26,725
Net income (loss)	$ 29,919	$ (6,025)

D. For investments accounted for under the equity method, the Group recognized a gain on reversal of impairment of NT$31,518 thousand for the three months ended March 31, 2018 based on the assessment of future recoverable amount.

E. The aforementioned recoverable amount is measured at fair value less costs of disposal and the fair value is determined using the market approach. The recent financing activities of the investees, the technology development status, companies with similar attributes, market conditions and other economic indicators shall all be considered. This is a level 3 fair value measurement.

(9) Property, plant and equipment

	March 31, 2018	December 31, 2017	March 31, 2017
Land	$ 100,843	$ 100,843	$ 100,843
Buildings	1,159,686	966,217	973,490
Machinery and equipment	828,857	896,022	956,538
Hydropower equipment	167,054	118,143	110,949
Testing equipment	153,707	128,173	116,738
Miscellaneous equipment	88,838	82,032	62,434
Construction in progress and equipment awaiting inspection	315,318	585,028	422,672
Net	$ 2,814,303	$ 2,876,458	$ 2,743,664

	As of January 1, 2018	Additions	Disposals	Reclassification	Impairment loss	Effect of exchange rate changes	As of March 31, 2018
Cost							
Land	$ 100,843	$ –	$ –	$ –	$ –	$ –	$ 100,843
Buildings	1,438,659	1,450	(213)	241,205	–	8,443	1,689,544
Machinery and equipment	2,552,155	3,990	–	8,675	–	7,049	2,571,869
Hydropower equipment	398,778	–	–	52,905	–	2,394	454,077
Testing equipment	251,175	4,197	–	27,387	–	386	283,145
Miscellaneous equipment	363,839	1,800	(2,840)	10,157	–	1,374	374,330
Total	$ 5,105,449	$ 11,437	$ (3,053)	$ 340,329	$ –	$ 19,646	$5,473,808

(Continued)

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

	As of January 1, 2018	Additions	Disposals	Reclassification	Impairment loss	Effect of exchange rate changes	As of March 31, 2018
Accumulated depreciation and impairment							
Buildings	$ 472,442	$ 17,538	$ (213)	$ －	$ 37,144	$ 2,947	$ 529,858
Machinery and equipment	1,656,133	36,478	－	－	45,212	5,189	1,743,012
Hydropower equipment	280,635	4,945	－	－	－	1,443	287,023
Testing equipment	123,002	6,167	－	－	－	269	129,438
Miscellaneous equipment	281,807	5,478	(2,012)	－	(814)	1,033	285,492
Total	$2,814,019	$ 70,606	$ (2,225)	$ －	$ 81,542	$ 10,881	$2,974,823
Construction in progress and equipment awaiting inspection	585,028	69,858	－	(340,329)	－	761	315,318
Net	$2,876,458						$ 2,814,303

(Concluded)

	As of January 1, 2017	Additions	Disposals	Reclassification	Impairment loss	Effect of exchange rate changes	As of March 31, 2017
Cost							
Land	$ 100,843	$ －	$ －	$ －	$ －	$ －	$ 100,843
Buildings	1,415,480	328	－	296	－	(22,974)	1,393,130
Machinery and equipment	2,488,501	11,183	(13,600)	23,187	－	(19,000)	2,490,271
Hydropower equipment	370,939	1,421	－	8,144	－	(6,156)	374,348
Testing equipment	223,526	5,572	(99)	245	－	(1,096)	228,148
Miscellaneous equipment	334,840	598	(3,796)	165	－	(3,483)	328,324
Total	$ 4,934,129	$ 19,102	$(17,495)	$ 32,037	$ －	$(52,709)	$4,915,064
Accumulated depreciation and impairment							
Buildings	$ 410,029	$ 15,690	$ －	$ －	$ －	$ (6,079)	$ 419,640
Machinery and equipment	1,519,451	39,606	(13,599)	－	－	(11,725)	1,533,733
Hydropower equipment	262,438	4,407	－	－	－	(3,446)	263,399
Testing equipment	108,104	4,134	(89)	－	－	(739)	111,410

(Continued)

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

	As of January 1, 2017	Additions	Disposals	Reclassification	Impairment loss	Effect of exchange rate changes	As of March 31, 2017
Miscellaneous equipment	$ 267,413	$ 4,738	$ (3,771)	$ —	$ —	$ (2,490)	$ 265,890
Total	$ 2,567,435	$ 68,575	$(17,459)	$ —	$ —	$(24,479)	$ 2,594,072
Construction in progress and equipment awaiting inspection	422,826	32,094	—	(32,079)	—	(169)	422,672
Net	$ 2,789,520						$ 2,743,664

(Concluded)

Please refer to Note (8) for property, plant and equipment pledged.

(10) Intangible assets

	March 31, 2018	December 31, 2017	March 31, 2017
Trademarks	$ 354	$ 414	$ 400
Patents	6,671	7,780	6,005
Software cost	40,137	43,403	36,840
Goodwill	69,781	69,781	69,781
Total	$ 116,943	$ 121,378	$ 113,026

	As of January 1, 2018	Additions	Reclassification	Effect of exchange rate changes	As of March 31, 2018
Cost					
Trademarks	$ 672	$ —	$ —	$ —	$ 672
Patents	44,247	592	—	—	44,839
Software cost	128,557	323	—	242	129,122
Goodwill	69,781	—	—	—	69,781
Total	$ 243,257	$ 915	$ —	$ 242	$ 244,414
Accumulated amortization and impairment					
Trademarks	$ 258	$ 60	$ —	$ —	$ 318
Patents	36,467	1,701	—	—	38,168
Software cost	85,154	3,691	—	140	88,985
Total	121,879	$ 5,452	$ —	$ 140	127,471
Net	$ 121,378				$ 116,943

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

	As of January 1, 2017	Additions	Reclassification	Effect of exchange rate changes	As of March 31, 2017
Cost					
Trademarks	$ 583	$ 73	$ –	$ –	$ 656
Patents	42,202	211	–	–	42,413
Software cost	108,294	4,255	–	(666)	111,883
Goodwill	69,781	–	–	–	69,781
Total	$ 220,860	$ 4,539	$ –	$ (666)	$ 224,733
Accumulated amortization and impairment:					
Trademarks	$ 198	$ 58	$ –	$ –	$ 256
Patents	34,855	1,553	–	–	36,408
Software cost	72,209	3,206	–	(372)	75,043
Total	107,262	$ 4,817	$ –	$ (372)	111,707
Net	$ 113,598				$ 113,026

(11) Other non-current assets

	March 31, 2018	December 31, 2017	March 31, 2017
Long-term prepaid rent (Land use rights)	$ 20,423	$ 20,218	$ 19,890
Refundable deposits	17,861	24,100	20,649
Other non-current assets - other	25,404	27,708	31,314
Total	$ 63,688	$ 72,026	$ 71,853

(12) Impairment testing of goodwill

The Company did not have intangible assets with indefinite useful lives. Goodwill acquired through business combinations was allocated to each of the cash generating unit (CGU), which were expected to benefit from synergies. Impairment evaluation of recoverable amount of goodwill was conducted at each year end. The recoverable amount of the CGU was determined based on value-in-use which was calculated using cash flow projections from financial budgets approved by management covering a five-year period discounted at a pre-tax rate. The projected cash flows had been updated to reflect the change in demand for relevant products. As a result of the analysis conducted on December 31, 2017, the Company did not identify any impairment for goodwill.

(13) Short-term loans

	March 31, 2018	December 31, 2017	March 31, 2017
Unsecured bank loans	$ 997,326	$ 656,596	$ 1,309,823

The interest rates of loans were 0.76% to 5.22%, 1.69% to 4.57% and 1.40% to 4.79% as of March 31, 2018, December 31, 2017 and March 31, 2017, respectively.

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

(14) Financial liabilities at fair value through profit or loss, current

	March 31, 2018	December 31, 2017	March 31, 2017
Held for trading:			
Derivative instruments not designated in a hedging relationship			
- Forward foreign exchange contracts	$ 19,313	$ 13,058	$ -
- Forward exchange swap contracts	620	224	-
- Cross-currency swap contracts	6,581	69	-
Total	$ 26,514	$ 13,351	$ -

(15) Lease payable

Some equipment of the Group were held under finance lease where the lessee had the option to purchase the equipment. The reconciliation of total future minimum lease payments and their present value was as follows:

	March 31, 2018	December 31, 2017	March 31, 2017
Total minimum lease payments			
Less than 1 year	$ 997	$ 981	$ —
1 to 5 years (excluding)	1,800	2,750	—
	2,797	3,731	—
Less: Future finance expense	(504)	(593)	—
Present value of minimum lease payments	$ 2,293	$ 3,138	$ —
Present value of minimum lease payments			
Less than 1 year	$ 682	$ 639	$ —
1 to 5 years (excluding)	1,611	2,499	—
Total	$ 2,293	$ 3,138	$ —

(16) Long-term loans

	March 31, 2018	December 31, 2017	March 31, 2017
Secured loans	$ 58,259	$ 62,011	$ 73,205
Revolving loans	266,868	193,685	275,010
Syndicated loans	-	-	91,008
Total	325,127	255,696	439,223
Less: current portion	(22,572)	(44,825)	(127,476)
Less: unamortized syndicated loan fee	-	-	(3,700)
Net	$ 302,555	$ 210,871	$ 308,047

	2018.1.1～2018.3.31	2017.1.1～2017.12.31	2017.1.1～2017.3.31
Interest rate range	0.78%~2.70%	0.85%~2.47%	0.99%~2.17%

A. Please refer to Note 8 for collateral of those long-term loans.

B. In January, 2012, the Group entered into a syndicated loan agreement with eight financial institutions, including the Bank of Taiwan (bookrunner), for a loan facility of NT$1.8 billion or the equivalent in U.S. dollars. The credit term of the agreement was mid-term loans - current. The terms and conditions of the agreement were as follows:

(a) The contract term is three years from the initial draw-down date, i.e. March 2012 to March 2015. The Group may apply for a 2-year extension six months before the maturity date. In August 2014, the Group entered into the first addendum to the syndicated loan agreement with eight financial institutions (the crediting banks), including the Bank of Taiwan. The contract stated that the crediting banks agreed to the 2-year credit extension and the term was extended to March 2017.

(b) During the loan term, the Group is required to calculate and maintain the following financial ratios at an agreed level based on the consolidated financial statements audited by CPAs every six months: current ratio, debt ratio, interest coverage ratio and tangible net value. The Group has abided by those terms.

C. In January 2016, the Group entered into a syndicated loan agreement with ten financial institutions, including the Bank of Taiwan (bookrunner), for a loan facility of NT$2.5 billion or the equivalent in U.S. dollars. (The Group applied to lower the credit to NT$1.5 billion or the equivalent in U.S. dollars in July 2017.) The contract term is five years from the initial draw-down date, i.e. June 2016 to June 2021. The credit term of the agreement was mid-term loans - current. During the loan term, the Group is required to calculate and maintain the following financial ratios at an agreed level based on the consolidated financial statements audited by CPAs every six months: current ratio, debt ratio, interest coverage ratio and tangible net value. The Group has abided by those terms.

(17) Post-employment benefits

A. Defined contribution plan

Expenses under the defined contribution plan for the three months ended March 31, 2018 and 2017 were NT$6,385 thousand and NT$5,735 thousand, respectively.

B. Defined benefits plan

Expenses under the defined benefits plan for the three months ended March 31, 2018 and 2017 were NT$5,207 thousand and NT$2,525 thousand, respectively.

(18) Equity

A. Capital

(a) The Company’s authorized capital was NT$3,000,000 thousand, each at a par value of NT$10, divided into 300,000 thousand shares (including 15,000 thousand shares reserved for the exercise of employee stock options, preferred stock with warrants and bond with warrants) as of March 31, 2018, December 31, 2017 and March 31 2017.

(b) The Company’s issued capital was NT$2,088,467 thousand, NT$2,087,802 thousand and NT$2,083,252 thousand, each at a par value of NT$10, divided into 208,847 thousand shares, 208,780 thousand shares and 208,325 thousand shares as of March 31, 2018, December 31, 2017 and March 31 2017, respectively.

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

B. Capital surplus

	March 31, 2018	December 31, 2017	March 31, 2017
Additional paid-in capital	$ 1,042,894	$ 1,036,041	$ 1,025,819
Premium from merger	262,500	262,500	262,500
Donated assets	1,970	1,970	1,970
Treasury stock transactions	27,280	27,280	6,937
Others	111,949	113,548	113,548
Total	$ 1,446,593	$ 1,441,339	$ 1,410,774

According to laws and regulations, capital surplus shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital surplus related to the income derived from the issuance of new shares at a premium or income from endowments received by the company up to a certain percentage of paid-in capital. The distribution could be made in the form of cash dividends to its shareholders in proportion to the number of shares being held by each of them.

C. Treasury stocks

As of March 31, 2018, December 31, 2017 and March 31 2017, the number of treasury stocks held by the Company was 0 thousand shares, 0 thousand shares and 2,318 thousand shares with the amount of NT$0 thousand, NT$0 thousand and NT$98,744 thousand, respectively.

The changes of treasury stocks in the three months ended March 31, 2018 and 2017 were as follows:

Reasons of Repurchase	As of January 1	Increase	Decrease	As of March 31
2018.1.1 – 2018.3.31				
To be transferred to employees	–	–	–	–
2017.1.1 – 2017.3.31				
To be transferred to employees	2,318 thousand shares	–	–	2,318 thousand shares

Pursuant to the Securities and Exchange Act, the number of shares repurchased cannot exceed ten percent of the shares outstanding and the repurchase amount shall not exceed the sum of retained earnings, share premium and realized capital surplus. The shares bought back by the Company to be transferred to employees shall be transferred within three years from the buyback date. Shares not transferred within the said time limit shall be deemed as unissued shares and have to be cancelled. Furthermore, treasury stocks shall not be pledged as collateral and they do not have shareholders' rights before being transferred.

D. Appropriation of profits and dividend policies

(a) Appropriation of profits

The Articles of Incorporation state that current year's earnings, if any, shall be distributed in the following order:

i. Taxes and dues.

ii. Deficit compensation.

iii. 10% of net profit as legal capital reserves. However, this shall not apply when the accumulated legal capital reserve has equaled the total capital.

iv. Special capital reserve appropriated or reversed as stipulated by relevant laws and regulations or competent securities authority.

v. For the remaining profits, if any, the Board of Directors shall draft a proposal for the distribution of bonus to shareholders and submit it to the shareholders' meeting for resolution.

After taking into account the environment and development stage of the Company, the needs of capital in the future, long-term financial planning and shareholders' demand for cash, the Board of Directors shall draw up an earnings distribution proposal based on the distributable earnings and submit it to the shareholders' meeting for approval. At least forty percent of the distributable earnings shall be appropriated as shareholders' dividends. The cash dividend shall not be lower than 10 percent of the total dividends and shall be capped at 100 percent.

Following the adoption of IFRS, the FSC issued Order No. Jin-Guan-Zheng-Fa-1010012865 on April 6, 2012, which sets out the following provisions for compliance: On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special capital reserve. Following a company's adoption of the IFRS for the preparation of its financial reports, when distributing distributable earnings, if the company has already set aside special capital reserve according to the requirements in the preceding point, it shall set aside supplemental special capital reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

As of March 31, 2018 and 2017, special capital reserve set aside for the first-time adoption of IFRS amounted to NT$102,158 thousand. Furthermore, the Company did not reverse special reserve to undistributed earnings during the three months ended March 31, 2018 and 2017 as a result of use, disposal or reclassification of related assets.

Information about the appropriations of 2017 earnings resolved in the Board of Directors' meeting on April 17, 2018 and the appropriations of 2016 earnings approved in the shareholders' meeting on May 26, 2017 was as follows:

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

	Appropriation of Earnings		Dividend per Share (NT$)	
	2017	2016	2017	2016
Legal capital reserve	$ 73,459	$ 57,968	-	-
Cash dividends - common shares	522,799	412,254	$ 2.50	$ 2.00
Total	$ 596,258	$ 470,222		

Please refer to Note 6(23) for information on the accrual basis and amounts recognized for compensation to employees and remuneration to directors and supervisors.

E. Non-controlling interests (NCI)

	Three Months Ended March 31	
	2018	2017
Beginning balance	$ 112,212	$ 100,310
Net income (loss) attributable to NCI	1,311	(694)
Other comprehensive income attributable to NCI:		
Exchange differences arising on translation of foreign operations	144	(349)
Ending balance	$ 113,667	$ 99,267

(19) Share-based payment plans

On February 25, 2010, the Company resolved at the Board of Directors' meeting to issue employee stock options with a total number of 2,355 units. Each unit entitles an optionee to subscribe to one thousand shares of the Company's common stock. The chairperson is authorized by the Board to set the actual grant date. If a consensus was not reached regarding all terms and conditions, the grant date would be the date when consensuses for all were reached (April 30, 2010). Settlement upon exercise of the options will be made through issuance of new shares by the Company. An optionee may exercise the options in accordance with certain schedules and percentages prescribed by the plan two years from the grant date. Expense of the compensatory employee stock option plan for the three months ended March 31, 2018 was NT$ 0 thousand.

There have been no cancellations or modifications to any of the employee stock option plans by March 31, 2018.

	Three Months Ended March 31			
	2018		2017	
Stock options	Options	Weighted average exercise price per share (NT$)	Options	Weighted average exercise price per share (NT$)
Outstanding at beginning of period	273	$ 35.10	952	$ 36.80
Granted	—	—	—	—
Forfeited	—	—	—	—
Exercised	(273)	35.10	(120)	36.80
Expired	—	—	—	—
Outstanding at end of period	—	—	832	36.80
Exercisable at end of period	—	—	832	36.80

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

Information on the aforementioned employee stock options outstanding as of March 31, 2018 and 2017 was as follows:

	Weighted Average Remaining Contractual Years	
Date of Grant	March 31, 2018	March 31, 2017
2010.4.30	0.08	1.08

(20) Revenue

	Three Months Ended March 31	
	2018 (Note)	2017
Sale of goods	$ 1,999,586	$ 2,312,657

Note: The Group adopted IFRS 15 for the recognition of revenue from contracts with customers on January 1, 2018 and chose to recognize the cumulative effect of the first-time adoption on January 1, 2018.

The Group adopted IFRS 15 for the recognition of revenue from contracts with customers on January 1, 2018. Information concerning revenue from contracts with customers for the three months ended March 31, 2018 was as follows:

Contract liabilities - current

	Beginning Balance	Ending Balance	Difference
Sale of goods	$ 2,571	$ 1,045	$ (1,526)

In the first quarter of 2018, the significant decrease in the balance of contract liabilities was mostly due to the satisfaction of performance obligations. NT$1,526 thousand from the beginning balance was recognized as revenue during this period.

(21) Impairment gains on expected credit loss

	Three Months Ended March 31	
	2018	2017 (Note)
Operating expenses – Impairment loss (gain) on expected credit loss		
Accounts receivable	$ (29,252)	

Note: The Group adopted IFRS 9 on January 1, 2018 and chose not to restate the comparative periods in accordance with the transitional provisions of IFRS 9.

Please refer to Note 12 for information concerning credit risk.

For receivables (including notes and accounts receivables), the Group measures the loss allowance at an amount equal to lifetime expected credit losses. The assessment on the loss allowance as of March 31, 2018 was as follows:

Receivables were grouped by taking into account the credit ratings of counterparties, geographical regions and industry sectors, and the loss allowance was measured by adopting a provision matrix. Details were as follows:

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

	Not Past Due (Note)	Past Due			Total
		Within 90 Days	91-180 Days	Over 181 Days	
Gross carrying amount	$ 4,028,736	$ 663,054	$ 104,976	$ 56,157	$ 4,852,923
Loss ratio	0%~1%	3%~20%	20%~50%	50%~100%	
Lifetime expected credit losses	14,876	104,433	39,880	29,047	188,236
Sub-total	$ 4,013,860	$ 558,621	$ 65,096	$ 27,110	$ 4,664,687

Note: None of the Group's notes receivables was overdue.

The movement in the loss allowance for receivables in the three months ended March 31, 2018 was as follows:

	Notes Receivable	Accounts Receivable
Beginning balance	$ —	$ 216,495
Reversal in the current period	—	(29,252)
Effect of exchange rate changes	—	993
Ending balance	$ —	$ 188,236

(22) Operating leases

Pursuant to non-cancellable operating lease agreements, the Group entered into commercial property leases. The average duration was between one to ten years. Some lease agreements had renewal options.

Total future minimum lease payments were as follows:

	March 31, 2018	December 31, 2017	March 31, 2017
Less than 1 year	$ 19,698	$ 21,634	$ 28,908
More than 1 year but less than 5 years	36,288	39,185	52,802
More than 5 years	12,707	13,796	17,183
Total	$ 68,693	$ 74,615	$ 98,893

Expenses recognized under operating leases were as follows:

	Three Months ended March 31	
	2018	2017
Minimum lease payments	$ 8,845	$ 9,155

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

(23) Summary statement of employee benefits, depreciation and amortization expenses by function:

Function / Nature	Three Months Ended March 31					
	2018			2017		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	103,890	85,801	189,691	101,328	85,251	186,579
Labor and health insurance	12,261	7,121	19,382	10,208	7,251	17,459
Pension	6,349	5,243	11,592	4,675	3,585	8,260
Other employee benefits expense	11,301	7,715	19,016	11,441	6,209	17,650
Depreciation	66,456	4,150	70,606	64,302	4,273	68,575
Amortization	3,093	5,234	8,327	3,742	4,702	8,444

According to the Company’s Articles of Incorporation, when the Company makes a profit for the year, the compensation to employees shall not be lower than five percent of the balance and the remuneration to directors shall not be higher than four percent of the balance. However, if the Company has an accumulated deficit, the profit shall cover the deficit before it can be used for compensation to employees and remuneration to directors. The above-mentioned compensation to employees can be made in the form of stock or cash by a resolution adopted by a majority vote at a Board of Directors’ meeting attended by two-thirds of the total number of directors. A report of such distribution shall be submitted to the shareholders' meeting. Information on the compensation to employees and remuneration to directors and supervisors resolved or reported at the meetings of Board of Directors and shareholders is available at the Market Observation Post System website.

Based on profitability, the compensation to employees and remuneration to directors accrued for the three months ended March 31, 2018 and 2017 were as follows:

	Three Months ended March 31	
	2018	2017
Compensation to employees	$ 7,196	$ 8,887
Remuneration to directors	1,968	2,666

If the Board of Directors resolved to distribute compensation to employees in the form of stock, the closing price of stocks on the date preceding the resolution shall be the basis in calculating the number of stocks to be distributed. If the amount accrued differed from the amount resolved in the Board of Directors’ meeting, the difference would be recognized in the profit or loss of the following year.

Information on 2017 compensation to employees and remuneration to directors resolved in the Board of Directors’ meeting on February 27, 2018 and 2016 compensation to employees and remuneration to directors in the form of cash reported in the shareholders’ meeting on May 26, 2017 was as follows:

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

	Years ended December 31	
	2017	2016
Compensation to employees	$ 74,579	$ 53,949
Remuneration to directors and supervisors	20,393	16,185

The above-mentioned 2016 compensation to employees and remuneration to directors and supervisors reported in the shareholders' meetings were consistent with the amounts resolved in the Board of Directors' meetings held on January 19, 2017 and the amounts recognized as expenses in the financial statements.

(24) Non-operating income and expenses

A. Other income

	Three Months Ended March 31	
	2018	2017
Interest income	$ 3,531	$ 3,801
Other income	5,595	3,739
Total	$ 9,126	$ 7,540

B. Other gains and losses

	Three Months Ended March 31	
	2018	2017
Loss on disposal of property, plant and equipment	$ (328)	$ (36)
Foreign exchange gain (loss), net	83,248	(86,832)
Gain on reversal of impairment loss of non-financial assets	32,332	-
(Loss) gain of financial assets (liabilities) at fair value through profit or loss, net	(35,390)	9,274
Disaster loss (Note 10)	(111,479)	-
Other losses	(1,408)	(457)
Total	$ (33,025)	$ (78,051)

C. Finance costs

	Three Months Ended March 31	
	2018	2017
Interest on borrowings from banks	$ (14,337)	$ (18,938)
Interest on finance lease	(98)	-
Total	$ (14,435)	$ (18,938)

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

D. Components of other comprehensive income

For the three months ended March 31, 2018:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax benefit (expense)	Other comprehensive income, net of tax
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	$ 37,138	$ –	$ 37,138	$ (5,275)	$ 31,863

For the three months ended March 31, 2017:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax benefit (expense)	Other comprehensive income, net of tax
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	$ (89,973)	$ –	$ (89,973)	$ 15,295	$ (74,678)

(25) Income tax

Based on the amendments to the Income Tax Act announced on February 7, 2018, the Company's corporate income tax rate for the year ended December 31, 2018 has changed from 17% to 20%. The tax rate applicable to undistributed earnings is reduced from 10% to 5%.

A. The major components of income tax expense (benefit) were as follows:

Income tax expense (benefit) recognized in profit or loss

	Three Months Ended March 31	
	2018	2017
Current income tax expense (benefit):		
Current income tax expense	$ 49,450	$ 31,945
Income tax adjustments on prior years	159	153
Effect of exchange rate changes	(103)	415
Deferred income tax expense (benefit):		
Deferred income tax expense (benefit) relating to origination and reversal of temporary differences	(10,976)	8,986
Deferred income tax relating to changes in tax rates	14,565	-
Total income tax expense	$ 53,095	$ 41,499

Income tax recognized in other comprehensive income

	Three Months Ended March 31	
	2018	2017
Deferred income tax expense (benefit):		
Exchange differences arising on translation of foreign operations	$ 7,415	$ (15,295)
Deferred income tax relating to changes in tax rates	(2,140)	-
Income tax relating to components of other comprehensive income	$ (5,275)	$ (15,295)

B. The assessment of income tax returns:

As of March 31, 2018, assessment of the Group's income tax returns in ROC was as follows:

	Assessment of Income Tax Returns
The Company	Assessed and approved up to 2015 (Note)
Subsidiary – Koatech Technology Corporation	Assessed and approved up to 2015

Note: Income tax return for 2014 has not yet been approved.

(26) Earnings per share

	Three Months Ended March 31, 2018		
	Amount after-tax	Weighted average number of outstanding shares (in thousands)	EPS (NT$)
Basic earnings per share			
Net income available to common shareholders of the Company	$ 96,937	208,973	$ 0.46
Diluted earnings per share			
Effect of dilutive potential common shares			
Employee compensation – stock	—	217	
Net income available to common shareholders of the Company and effect of potential common shares	$ 96,937	209,190	$ 0.46

	Three Months Ended March 31, 2017		
	Amount after-tax	Weighted average number of outstanding shares (in thousands)	EPS (NT$)
Basic earnings per share			
Net income available to common shareholders of the Company	$ 99,322	206,079	$ 0.48
Diluted earnings per share			
Effect of dilutive potential common shares			
Employee compensation – stock	-	260	
Net income available to common shareholders of the Company and effect of potential common shares	$ 99,322	206,339	$ 0.48

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

7. Related Party Transactions

Compensation to key management

	Three Months Ended March 31	
	2018	2017
Short-term employee benefits	$ 21,391	$ 19,769
Post-employment benefits	154	252
Total	$ 21,545	$ 20,021

8. Pledged Assets

The following table listed assets of the Group pledged as collateral:

	Carrying Amount			
	March 31, 2018	December 31, 2017	March 31, 2017	Purpose of Pledge
Demand deposits (Note)	$ -	$ -	$ 10,857	Collateral for short-term loans
Time deposits (Note)	20,354	20,354	20,295	Customs guarantee
Land	100,843	100,843	100,843	Collateral for long-term loans
Buildings	102,892	104,185	102,940	Collateral for long-term loans
Machinery and equipment	13,750	14,163	15,400	Collateral for long-term loans
Total	$ 237,839	$ 239,545	$ 250,335	

Note: Those assets were recognized as other current assets – other.

9. Significant Contingencies and Unrecognized Contract Commitments

Details of the Group's unused letters of credit as of March 31, 2018 were as follows:

	L/C Amount
NTD	NT$ 9,929 thousand
JPY	JPY 54,480 thousand
USD	US$ 10,281 thousand

10. Significant Disaster Loss

A fire broke out in the Group's subsidiary, Taiflex Scientific (Kunshan) Co., Ltd., on January 25, 2018. Parts of the plants, equipment and inventories were damaged, flooded and suffered from smoke and dust pollution. The repair and cleaning work was still underway and the loss was estimated to be NT$111,479 thousand, where direct loss by fire was NT$1,953 thousand and the repair and cleaning work for the water stains and smoke and dust pollution amounted to NT$109,526 thousand. The amount of loss was recognized under other gains and losses. Those assets were covered by fire insurance policies. As of the March 31, 2018, the insurance claim was still being processed by the insurance company.

11. Significant Subsequent Events

None.

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

12. Others

(1) Categories of financial instruments

Financial assets

	March 31, 2018	December 31, 2017	March 31, 2017
Financial assets at fair value through profit or loss:			
Held for trading	(Note 1)	$ 17,463	$ 34,795
Mandatorily at fair value through profit or loss	$ 17,834	(Note 1)	(Note 1)
Financial assets at amortized cost:			
Cash and cash equivalents (excluding cash on hand)	1,759,687	(Note 1)	(Note 1)
Receivables	4,732,131	(Note 1)	(Note 1)
Other financial assets - current	20,354	(Note 1)	(Note 1)
Loans and receivables (Note 2)	(Note 1)	6,786,254	6,987,300

Financial liabilities

	March 31, 2018	December 31, 2017	March 31, 2017
Financial liabilities at fair value through profit or loss:			
Held for trading	$ 26,514	$ 13,351	$ -
Financial liabilities at amortized cost:			
Short-term loans	997,326	656,596	1,309,823
Payables	2,534,786	3,083,571	2,599,924
Long-term loans (including current portion)	325,127	255,696	435,523

Note: 1. The Group adopted IFRS 9 on January 1, 2018 and chose not to restate the comparative periods in accordance with the transitional provisions of IFRS 9.

2. Including cash and cash equivalents, notes and accounts receivables, other receivables and other financial assets – current.

(2) Objectives of financial risk management

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies, measures, and manages the aforementioned risks based on its policy and risk preferences.

The Group has established appropriate policies, procedures and internal controls for the aforementioned financial risk management. Before entering into significant transactions, due approval process by the Board of Directors must be carried out based on related protocols and internal control procedures. The Group shall comply with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market risk comprises foreign currency risk, interest rate risk and other price risk.

In practice, it is rarely the case that a single risk variable will change independently from other risk variables. There are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

A. Foreign currency risk

The Group's exposure to foreign currency risk relates primarily to its operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and net investments in foreign operations.

The Group has certain foreign currency receivables denominated in the same foreign currency as certain foreign currency payables, therefore natural hedge is achieved. The Group also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as the said nature hedge and forward contracts do not qualify for hedge accounting criteria. Furthermore, as net investments in foreign operations are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the impact of possible changes in foreign exchange rates on the Group's profit and equity is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates of U.S. dollars and Chinese Yuan.

B. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk relates primarily to its variable interest rates for loans.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans.

C. Equity price risk

Equity securities of listed domestic companies held by the Group are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on equity portfolio are submitted to the Group's senior management on a regular basis. The Board of Directors shall review all equity investment decisions and approve where appropriate.

A change of 5% in the prices of listed companies stocks classified as mandatorily at fair value through profit or loss (held for trading in 2017) could cause the profit or loss for the three months ended March 31, 2018 and 2017 to increase/decrease by NT$872 thousand and NT$908 thousand, respectively.

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

D. Information on the pre-tax sensitivity analysis was as follows:

For the three months ended March 31, 2018

Key risk	Variation	Sensitivity of profit or loss
Foreign currency risk	NTD/USD Foreign exchange +/− 1%	−/+ 1,119 thousand
	NTD/CNY Foreign exchange +/− 1%	−/+ 3,164 thousand
Interest rate risk	Market rate +/− 10 basis points	+/− 438 thousand

For the three months ended March 31, 2017

Key risk	Variation	Sensitivity of profit or loss
Foreign currency risk	NTD/USD Foreign exchange +/− 1%	−/+ NT$ 2,942 thousand
	NTD/CNY Foreign exchange +/− 1%	−/+ NT$ 633 thousand
Interest rate risk	Market rate +/− 10 basis points	+/− NT$ 1,084 thousand

(4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract and result in a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts and notes receivable) and financing activities (primarily for bank deposits and various financial instruments).

Credit risk is managed by each business unit subject to the Group's credit risk policies, procedures and controls. Credit risk of all counterparties is assessed by taking into account their financial position, rating from credit rating agencies, past experience, current economic environment and the Group's internal rating criteria, etc. Certain customer's credit risk will also be managed by taking credit enhancement procedures, such as requesting for prepayment or insurance, to reduce their credit risk.

Credit risk from balances with banks and other financial instruments is managed by the Group's finance division in accordance with the Group's policies. The counterparties that the Group transacts with are reputable financial institutions both at home and abroad, thus, no significant credit risk is expected.

(5) Liquidity risk management

The Group maintains its financial flexibility through the use of cash and cash equivalents and bank borrowings. The table below summarized the maturity profile of the Group's financial liability contracts based on the earliest repayment dates and contractual undiscounted cash flows. The amount included the contractual interest. The undiscounted interest payment relating to borrowings with variable interest rates was extrapolated based on the yield curve as of the end of the reporting period.

Non-derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
March 31, 2018					
Borrowings	$ 1,023,042	$ 259,683	$ 42,872	$ −	$ 1,325,597
Payables	2,534,786	−	−	−	2,534,786

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

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
December 31, 2017					
Borrowings	$ 703,908	$ 165,291	$ 45,580	$ －	$ 914,779
Payables	3,083,571	－	－	－	3,083,571
March 31, 2017					
Borrowings	$ 1,440,395	$ 254,428	$ －	$ 53,619	$ 1,748,442
Payables	2,599,924	－	－	－	2,599,924

Derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
March 31, 2018					
Inflows	$ 1,344,227	$ －	$ －	$ －	$ 1,344,227
Outflows	1,383,941	－	－	－	1,383,941
Net	$ (39,714)	$ －	$ －	$ －	$ (39,714)
December 31, 2017					
Inflows	$ 1,058,336	$ －	$ －	$ －	$ 1,058,336
Outflows	1,079,765	－	－	－	1,079,765
Net	$ (21,429)	$ －	$ －	$ －	$ (21,429)
March 31, 2017					
Inflows	$ 353,197	$ －	$ －	$ －	$ 353,197
Outflows	354,688	－	－	－	354,688
Net	$ (1,491)	$ －	$ －	$ －	$ (1,491)

The derivative financial liabilities in the table above were expressed using undiscounted net cash flows.

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the three months ended March 31, 2018:

	Short-term Loan	Long-term Loan	Lease Liability	Total Liabilities from Financing Activities
As of January 1, 2018	$656,596	$255,696	$3,138	$ 915,430
Cash flows	340,730	69,431	(943)	409,218
Non-cash movement	－	－	98	98
As of March 31, 2018	$997,326	$325,127	$2,293	$ 1,324,746

Reconciliation of liabilities for the three months ended March 31, 2017: Not applicable.

(7) Fair values of financial instruments

A. The methods and assumptions applied in determining the fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions are used by the Group in measuring or disclosing the fair values of financial assets and liabilities:

(a) The carrying amount of cash and cash equivalents, receivables, payables and other current liabilities approximate their fair value due to short maturity terms.

(b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (e.g. listed equity securities, beneficiary certificates, bonds and futures).

B. Fair value of financial instruments measured at amortized cost

The carrying amount of the Group's financial assets and liabilities measure at amortized cost approximates their fair value.

C. Information on the fair value hierarchy of financial instruments

Please refer to Note 12(9) for details.

(8) Derivative instruments

As of March 31, 2018, December 31, 2017 and March 31, 2017, the Group's derivative instruments that were not eligible for hedge accounting and were outstanding were listed as follows:

A. Forward foreign exchange contracts that were not eligible for hedge accounting and were outstanding as of the balance sheet date were listed as follows:

Currency	Contract Period	Contract Amount (in thousands)
March 31, 2018		
CNY to USD	2017.06～2018.12	CNY 94,329/US$ 14,564
CNY to NTD	2017.12～2018.07	CNY 150,000/NT$ 682,786
December 31, 2017		
CNY to USD	2017.05～2018.04	CNY 82,813/US$ 12,342
CNY to NTD	2017.09～2018.04	CNY 126,000/NT$ 566,937
March 31, 2017		
CNY to USD	2016.09～2017.12	CNY 80,455/US$ 11,643
CNY to NTD	2016.10～2017.06	CNY 95,500/NT$ 432,076

B. Foreign exchange swap contracts that were not eligible for hedge accounting and were outstanding as of the balance sheet date were listed as follows:

Currency	Contract Period	Contract Amount (in thousands)
March 31, 2018		
CNY to NTD	2017.12～2018.05	CNY 4,200/NT$ 18,826
December 31, 2017		
CNY to NTD	2017.09～2018.04	CNY 4,200/NT$ 18,822

C. Cross-currency swap contracts that were not eligible for hedge accounting and were outstanding as of the balance sheet date were listed as follows:

Currency	Contract Period	Contract Amount (in thousands)	Range of Interest Rate Paid	Range of Interest Rate Received
March 31, 2018				
CNY to USD	2017.09~2019.01	CNY 48,901/ US$ 7,500	2.82%~4.10%	1.70%~2.81%
December 31, 2017				
CNY to USD	2017.09~2018.11	CNY 23,027/ US$ 3,500	2.82%~3.65%	1.70%~1.80%

For forward foreign exchange, foreign exchange swap and cross-currency swap contracts, the main purpose is to hedge the foreign currency risk of net assets or liabilities denominated in foreign currencies. As there will be corresponding cash inflows or outflows upon expiration and the Company has sufficient operation funds, no significant cash flow risk is expected.

(9) Fair value hierarchy

A. Definition of fair value hierarchy

For assets and liabilities measured or disclosed in fair values, they are categorized in the level of the lowest level input that is significant to the entire measurement. Inputs of each level are as follows:

Level 1 inputs are quoted (unadjusted) prices in active markets for identical assets or liabilities at the measurement date

Level 2 inputs are inputs other than quoted market prices included within level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 inputs are unobservable inputs for the asset or liability

For assets and liabilities measured at a recurring basis, their categories shall be re-evaluated at the end of each reporting period to determine if there is any transfer between different levels of fair value hierarchy.

B. Hierarchy of fair value measurement

The Group does not have assets that are measured at fair value on a non-recurring basis. The fair value hierarchy of assets and liabilities measured at fair value on a recurring basis was disclosed as follows:

	Level 1	Level 2	Level 3	Total
March 31, 2018				
Financial assets:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	$ －	$ 392	$ －	$ 392
Stocks	17,442	－	－	17,442

(Continued)

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

	Level 1	Level 2	Level 3	Total
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	$ -	$ 19,313	$ -	$ 19,313
Forward exchange swap contracts	-	620	-	620
Cross-currency swap contracts	-	6,581	-	6,581
December 31, 2017				
Financial assets:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	$ -	$ 214	$ -	$ 214
Cross-currency swap contracts	-	572	-	572
Stocks	16,677	-	-	16,677
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	-	13,058	-	13,058
Forward exchange swap contracts	-	224	-	224
Cross-currency swap contracts	-	69	-	69
March 31, 2017				
Financial assets:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	$ -	$ 16,641	$ -	$ 16,641
Stocks	18,154	-	-	18,154
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	-	-	-	-

(Concluded)

For the three months ended March 31, 2018 and 2017, there were no transfers between Level 1 and Level 2 fair value hierarchy.

(10) Significant financial assets and liabilities denominated in foreign currencies

Information regarding the significant financial assets and liabilities denominated in foreign currencies was listed below:

	March 31, 2018			December 31, 2017		
	Foreign Currencies (in thousands)	Exchange Rate	NTD	Foreign Currencies (in thousands)	Exchange Rate	NTD
Financial assets						
Monetary items						
USD	$ 62,575	29.1250	$ 1,822,497	$ 83,788	29.8300	$ 2,499,396
CNY	68,412	4.6530	318,321	38,906	4.5745	177,975
Financial liabilities						
Monetary items						
USD	$ 58,733	29.1250	$ 1,710,599	$ 66,607	29.8300	$ 1,986,887
JPY	119,267	0.2740	32,679	224,995	0.2648	59,579

	March 31, 2017		
	Foreign Currencies (in thousands)	Exchange Rate	NTD
Financial assets			
Monetary items			
USD	$ 68,301	30.3360	$ 2,071,970
CNY	16,984	4.4085	74,873
Financial liabilities			
Monetary items			
USD	$ 58,591	30.3360	$ 1,777,428
JPY	108,440	0.2713	29,420

The data above was disclosed based on the carrying amounts in foreign currencies (already translated to functional currencies).

As entities within the Group transact in various currencies, the exchange gain (loss) of monetary financial assets and liabilities cannot be disclosed by currencies of significant influence. For the three months ended March 31, 2018 and 2017, the Group's foreign exchange gain (loss) amounted to NT$83,248 thousand and NT$(86,832) thousand, respectively.

(11) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages and adjusts its capital structure in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Additional Disclosures

(1) Information on significant transactions and investees

A. Financing provided to others: Please refer to Table 1.

B. Endorsement/Guarantee provided to others: Please refer to Table 2.

C. Marketable securities held as of March 31, 2018 (excluding investments in subsidiaries, associates and joint ventures): Please refer to Table 3.

D. Individual securities acquired or disposed of with accumulated amount of at least NT$300 million or 20 percent of the paid-in capital for the three months ended March 31, 2018: None.

E. Acquisition of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the three months ended March 31, 2018: None.

F. Disposal of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the three months ended March 31, 2018: None.

G. Related party transactions with purchase or sales amount of at least NT$100 million or 20 percent of the paid-in capital for the three months ended March 31, 2018: Please refer to Table 4.

H. Receivables from related parties of at least NT$100 million or 20 percent of the paid-in capital as of March 31, 2018: Please refer to Table 5.

I. Direct or indirect significant influence or control over the investees for the three months ended March 31, 2018 (excluding investments in China): Please refer to Table 6.

J. Derivative financial instruments transactions: Please refer to Note 12.

K. Others: intercompany relationships and significant intercompany transactions for the three months ended March 31, 2018: Please refer to Table 8.

(2) Information on investments in Mainland China: Please refer to Table 7.

14. Operating Segment Information

For management purposes, the Group is organized into operating segments based on each independent utility and has two reportable operating segments as follows:

The general management segment is responsible for the Group's operation planning and owns manufacturing, R&D and sales functions.

The overseas segment owns manufacturing and sales functions.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of decision-making on resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and measured consistently with methods applied to operating profit or loss in the consolidated financial statements. However, finance costs, financial benefits and income taxes are managed on the Group basis and are not allocated to operating segments.

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

(1) Segment income (loss)

For the three months ended March 31, 2018

	General Management	Overseas	Adjustment and Elimination (Note)	Consolidated
Revenue				
External customer	$ 1,028,349	$ 971,237	$ —	$ 1,999,586
Inter-segment	579,014	20,744	(599,758)	—
Total revenue	$ 1,607,363	$ 991,981	$ (599,758)	$ 1,999,586
Segment income (loss) (Income before income tax)	$ 140,933	$ (39,269)	$ 49,679	$ 151,343

Note: Inter-segment revenues were eliminated upon consolidation.

For the three months ended March 31, 2017

	General Management	Overseas	Adjustment and Elimination (Note)	Consolidated
Revenue				
External customer	$ 1,001,104	$ 1,311,553	$ —	$ 2,312,657
Inter-segment	543,001	59,561	(602,562)	—
Total revenue	$ 1,544,105	$ 1,371,114	$ (602,562)	$ 2,312,657
Segment income (loss) (Income before income tax)	$ 125,220	$ 51,982	$ (37,075)	$ 140,127

Note: Inter-segment revenues were eliminated upon consolidation.

TABLE 1: FINANCING PROVIDED TO OTHERS

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Financing Company	Counterparty	Financial Statement Account (Note 2)	Whether A Related Party	Maximum Balance for the Period (Note 3)	Ending Balance (Note 10)	Amount Actually Drawn (Note 11)	Interest Rate Range	Nature of Financing (Note 4)	Transaction Amounts (Note 5)	Reason for Financing (Note 6)	Allowance for Doubtful Accounts	Collateral		Financing Limits for Each Borrower	Financing Company's Total Financing Amount Limits	Note
													Item	Value			
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Other receivables - related parties	Y	$ 409,220	$ 407,750	$ 262,125	1.20%~7.00%	2	—	Operating capital	—	—	—	$ 1,452,698	$ 2,905,396	(Note 7)
0	Taiflex Scientific Co., Ltd.	Taiflex Scientific (Kunshan) Co., Ltd.	Other receivables - related parties	Y	1,169,200	1,165,000	774,482	1.20%~7.00%	2	—	Operating capital	—	—	—	1,452,698	2,905,396	(Note 7)

Note 1: Companies are coded as follows:

(1) Taiflex Scientific Co., Ltd. is coded "0".

(2) The investees are coded from "1" in the order presented in the table above.

Note 2: Receivables from affiliates and related parties, shareholder transactions, prepayments and temporary payments etc. are required to be disclosed in this field if they are financings provided to others.

Note 3: The maximum balance of financing provided to others for the three months ended March 31, 2018.

Note 4: Nature of Financing are coded as follows:

(1) Business transaction is coded "1".

(2) Short-term financing is coded "2".

Note 5: If nature of financing is business transaction, the amount of transaction should be disclosed. Amount of transaction shall refer to the business transaction amounts of the most recent year between the financing company and the borrower.

Note 6: With respect to short-term financing, the reasons of financing and the purpose of use by the counterparty shall be specified, such as loan repayment, equipment acquisition or operating capital.

Note 7: The Company's "Procedures for Lending Funds to Other Parties" stipulates that the amount of financing provided shall not exceed 40% of the Company's net worth in the most recent financial statements. The amount of financing provided to any single entity shall not exceed 20% of the Company's net worth in the most recent financial statements.

Note 8: Total amount of financing to firms or companies having business relationship with the Company shall not exceed 20% of the Company's net worth. The financing amount to an individual party is limited to the transaction amount between both parties. The transaction amount means the sales or purchasing amount between the parties, whichever is higher, and shall not exceed 10% of the Company's net worth. However, the lending amount to a single enterprise, whose voting shares are 100% held, directly or indirectly, by the Company, shall not exceed 20% of the Company's net worth.

Note 9: For subsidiaries that the Company holds, directly and indirectly, 100% of the voting shares, the financing provided to any single entity shall not exceed 20% of the net worth in the most recent financial statements of the financing company. Total financing shall not exceed 40% of the net worth in the most recent financial statements of the financing company.

Note 10: If public companies, pursuant to Paragraph 1, Article 14 of Regulations Governing Loaning of Funds and Making of Endorsements / Guarantees by Public Companies, resolve each individual lending at the board meetings, the amounts resolved before drawing shall be the publicly-announced balance to disclose the risk they assume; provided however, if any repayment is made subsequently, the outstanding balance after such repayment shall be disclosed to reflect the risk adjusted. If public companies, pursuant to Paragraph 2, Article 14 of the same Regulations, authorize the chairperson by board resolution, within a certain monetary limit and a period not to exceed one year, to give loans in instalments or to make a revolving credit line available, the amount resolved shall be the publicly-announced balance. Although repayment may be made subsequently, as drawings are likely to happen again, the amount of financing resolved by the board shall be recorded as the publicly-announced balance.

Note 11: This is the ending balance after evaluation.

TABLE 2: ENDORSEMENT/GUARANTEE PROVIDED TO OTHERS

(In Thousands of New Taiwan Dollars)

No (Note 1)	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 3)	Maximum Balance for the Period (Note 4)	Ending Balance (Note 5)	Amount Actually Drawn (Note 6)	Amount of Endorsement/ Guarantee Secured by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowed (Note 3)	Endorsement Provided by Parent Company to Subsidiaries	Endorsement Provided by Subsidiaries to Parent Company	Endorsement Provided to Subsidiaries in China
		Name	Nature of Relationship (Note 2)										
0	Taiflex Scientific Co., Ltd.	Taistar Co., Ltd.	2	$ 3,631,746	$ 116,920	$ 116,500	$ —	—	1.60%		Y	N	N
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	3	3,631,746	1,276,308	1,274,680	87,375	—	17.55%	$ 3,631,746	Y	N	Y
0	Taiflex Scientific Co., Ltd.	Taiflex Scientific (Kunshan) Co., Ltd.	3	3,631,746	1,088,519	1,087,351	372,342	—	14.97%		Y	N	Y

Note 1: Companies are coded as follows:

(1) Taiflex Scientific Co., Ltd. is coded "0".

(2) The investees are coded from "1" in the order presented in the table above.

Note 2: The relationships between endorsement/guarantee providers and guaranteed parties are categorized into the following six types. Please specify the type.

(1) A company that has a business relationship with Taiflex.

(2) A subsidiary in which Taiflex holds directly over 50% of common equity interest.

(3) An investee in which Taiflex and its subsidiaries jointly hold over 50% of common equity interest.

(4) A parent company that holds directly over 50%, or indirectly over 50% through a subsidiary, of the company's common equity interest.

(5) A company that has provided guarantees to Taiflex, and vice versa, due to contractual requirements.

(6) A company in which Taiflex jointly invests with other shareholders, and for which Taiflex has provided endorsement/guarantee in proportion to its shareholding percentage.

Note 3: The overall amount of guarantees/endorsements shall not exceed 50% of the Company's net worth in the most recent financial statements. The amount of guarantees/endorsements provided to any single entity shall not exceed 20% of the net worth in the most recent financial statements. However, the restriction does not apply to guarantees and endorsements to companies, whose voting shares are 100% held, directly or indirectly, by the Company.

Note 4: The maximum endorsement/guarantee balance for the three months ended March 31, 2018.

Note 5: As of March 31, 2018, the Company assumed endorsement or guarantee liabilities for endorsement/guarantee contracts signed or bill facilities approved. All other related endorsement or guarantee shall be included in the balance of guarantee/endorsement.

Note 6: This is the ending balance after evaluation.

TABLE 3: MARKETABLE SECURITIES HELD AS OF MARCH 31, 2018 (EXCLUDING INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)

(In Thousands of New Taiwan Dollars)

Name of Held Company	Type of Marketable Securities (Note 1)	Name of Marketable Securities (Note 1)	Relationship with the Company (Note 2)	Financial Statement Account	March 31, 2018				Note
					Shares (In Thousands)	Carrying Amount (Note 3)	Percentage of Ownership	Fair Value	
Taiflex Scientific Co., Ltd.	Not listed (OTC) stocks	Exploit Technology Co., Ltd.	—	Financial assets at fair value through other comprehensive income, non-current	25	—	0.30%	—	—
	Not listed (OTC) stocks	Kyoritsu Optronics Co., Ltd.	—	Financial assets at fair value through other comprehensive income, non-current	741	—	18.10%	—	—
	Listed stocks	Zhen Ding Technology Holding Limited	—	Financial assets at fair value through profit or loss, current	255	$ 17,442	0.03%	$ 17,442	—

Note 1: The marketable securities stated in this table shall refer to stocks, bonds, beneficiary certificates and securities derived from the said items within the scope of IFRS 9 "Financial Instruments".

Note 2: Not required if the issuer of the marketable securities is not a related party.

Note 3: If measured at fair value, please fill in the carrying amount after valuation adjustment of fair value and net of accumulated impairment. If not measured at fair value, please fill in the original cost or the carrying value of amortized cost, net of accumulated impairment.

TABLE 4: RELATED PARTY TRANSACTIONS WITH PURCHASE OR SALES AMOUNT OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction (Note 1)		Notes/Accounts Receivable (Payable)		Note
			Purchases/ Sales	Amount	Percentage to Total	Credit / Payment Terms	Unit Price	Credit / Payment Terms	Ending Balance	Percentage to Total	
Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	Sales	529,932	33.93%	150 days end of month	—	—	1,451,672	60.31%	—
Shenzhen Taiflex Electronic Co., Ltd.	Taiflex Scientific Co., Ltd.	The company's ultimate parent company	Purchases	529,932	80.40%	150 days end of month	—	—	(1,451,672)	(94.31%)	—

Note 1: The sales prices and collection terms to related parties are not significantly different from those of sales to non-related parties.

TABLE 5: RECEIVABLES FROM RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationships	Ending Balance	Turnover Ratio (times)	Overdue		Amounts Received in Subsequent Periods	Allowance for Doubtful Accounts	Note
					Amount	Action Taken			
Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	1,451,672	1.46	—	—	—	—	—

TABLE 6: INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE OR CONTROLS DIRECTLY OR INDIRECTLY (EXCLUDING INVESTEES IN MAINLAND CHINA)

(In Thousands of New Taiwan Dollars)

Investor	Investee	Business Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2018			Net Income (Losses) of Investee	Share of Profits/Losses	Note
				March 31, 2018	December 31, 2017	Shares (In Thousands)	Shareholding Percentage	Carrying Value			
Taiflex Scientific Co., Ltd.	Taistar Co., Ltd.	Belize	Investment holding	$ 822,194	$ 822,194	25,665	100.00%	$ 1,706,243	($84,508)	($83,883)	(Note 1)
Taiflex Scientific Co., Ltd.	Leadmax Limited	Samoa	Trading of electronic materials	337	337	10	100.00%	14,532	(832)	(832)	—
Taiflex Scientific Co., Ltd.	Koatech Technology Corporation	Taiwan	Manufacturing and selling of electronic materials and components	294,102	294,102	27,400	53.86%	231,239	2,722	106	(Note 2)
Taiflex Scientific Co., Ltd.	Innovision FlexTech Corp.	Taiwan	Manufacturing and selling of electronic materials	102,894	102,894	3,611	15.07%	41,868	29,919	10,121	—
Taiflex Scientific Co., Ltd.	TFS Co., Ltd.	Belize	Investment holding	478,797	478,797	15,520	100.00%	512,286	34,179	34,179	—
Taiflex Scientific Co., Ltd.	Taiflex Scientific Japan Co., Ltd.	Japan	Trading of electronic materials and technical support	16,260	16,260	6	100.00%	17,023	(79)	(79)	—
Taiflex Scientific Co., Ltd.	Taiflex USA Corporation	U.S.A.	Technical service and marketing of electronic materials	8,821	—	1	100.00%	8,452	(287)	(287)	—
TFS Co., Ltd.	Richstar Co., Ltd.	Samoa	Investment holding	478,563	478,563	15,510	100.00%	548,067	34,195	34,195	—
Taistar Co., Ltd.	TSC International Ltd.	Cayman Islands	Investment holding	801,604	801,604	25,010	100.00%	1,665,330	(80,090)	(80,090)	—
Koatech Technology Corporation	KTC Global Co., Ltd.	Samoa	Investment holding	28,649	28,649	960	100.00%	17,659	367	367	—
KTC Global Co., Ltd	KTC PanAsia Co., Ltd.	Samoa	Investment holding	28,500	28,500	955	100.00%	17,993	(161)	(161)	—

Note 1: Including unrealized gain/loss between affiliates.

Note 2: Including amortization of fixed assets.

TABLE 7: INFORMATION ON INVESTMENTS IN MAINLAND CHINA

(In Thousands of New Taiwan Dollars)

Investee	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2018	Profits/ Losses of Investee	Percentage of Ownership (Direct or Indirect Investment)	Share of Profits/ Losses	Carrying Amount as of March 31, 2018	Accumulated Inward Remittance of Earnings as of March 31, 2018
					Outflow	Inflow						
Kunshan Taiflex Electronic Material Co., Ltd.	Trading of coating materials for high polymer film and copper foil	$184,126 (USD5,603,350)	Through reinvestment of a company established in the third area	$ 32,536	—	—	$ 32,536	$ 800	100.00%	$ 800	$ 251,505	$ 128,532
Taiflex Scientific (Kunshan) Co., Ltd.	Manufacturing and selling of coating materials for high polymer film and copper foil	$767,141 (USD24,000,000)	Through reinvestment of a company established in the third area	767,141	—	—	767,141	(80,890)	100.00%	(80,890)	1,413,512	—
Kunshan Koatech Technology Corporation	Wholesale and act as a commission agent of electronic materials and components	$28,351 (USD950,000)	Through reinvestment of a company established in the third area	28,351	—	—	28,351	(161)	53.86%	(87)	9,684	—
Shenzhen Taiflex Electronic Co., Ltd.	Trading of coating materials for high polymer film and copper foil	$479,160 (USD15,500,000)	Through reinvestment of a company established in the third area	479,160	—	—	479,160	34,196	100.00%	34,196	547,877	—

Accumulated Outflow of Investment from Taiwan to Mainland China as of March 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$1,307,188	$2,399,726	$4,358,095

Note 1: The methods for investment in Mainland China are divided into the following three types. Please specify the type.

(1) Direct investment in Mainland China.

(2) Investment in Mainland China through companies in the third area.

(3) Others.

Note 2: Significant transactions with the investees in China directly or indirectly through the third area and the relevant prices, payment terms and unrealized gains and losses:

(1) Purchase, ending balance of related payables and their weightings: see Table 4.

(2) Sales, ending balance of related receivables and their weightings: see Tables 4 and 5.

(3) The transaction amount and gain or loss arising from property transactions: N/A.

(4) Ending balance of endorsements/guarantees or collateral provided and the purposes: see Table 2.

(5) Maximum balance, ending balance, interest rate range and total interest of current period from financing provided to others: see Table 1.

(6) Transactions that have significant impact on profit or loss or the financial position of current period, such as services rendered or received: N/A.

TABLE 8: INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS FOR THE THREE MONTHS ENDED MARCH 31, 2018

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Intercompany Transactions			
				Financial Statements Account	Amount (Note 4)	Terms	Percentage to Consolidated Net Revenue or Total Assets (Note 3)
0	Taiflex Scientific Co., Ltd.	Taiflex Scientific (Kunshan) Co., Ltd.	1	Sales revenue	$ 22,261	General trading terms	1.11%
0	Taiflex Scientific Co., Ltd.	Taiflex Scientific (Kunshan) Co., Ltd.	1	Accounts receivable	89,309	General trading terms	0.76%
0	Taiflex Scientific Co., Ltd.	Taiflex Scientific (Kunshan) Co., Ltd.	1	Other receivables	33,613	—	0.28%
0	Taiflex Scientific Co., Ltd.	Taiflex Scientific (Kunshan) Co., Ltd.	1	Other receivables	774,482	Financing	6.55%
0	Taiflex Scientific Co., Ltd.	Taiflex Scientific (Kunshan) Co., Ltd.	1	Cost of revenue	17,111	General trading terms	0.86%
0	Taiflex Scientific Co., Ltd.	Taiflex Scientific (Kunshan) Co., Ltd.	1	Accounts payable	16,079	General trading terms	0.14%
0	Taiflex Scientific Co., Ltd.	Taiflex Scientific (Kunshan) Co., Ltd.	1	Purchase on behalf of others	4,845	—	0.24%
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	1	Sales revenue	529,932	General trading terms	26.50%
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	1	Accounts receivable	1,451,672	General trading terms	12.28%

Note 1: Transaction information between the parent company and its subsidiaries should be disclosed by codes below:

(1) Taiflex Scientific Co., Ltd. is coded "0".

(2) The subsidiaries are coded from "1" in the order presented in the table above.

Note 2: Relationships are categorised into the following three types. Please specify the type.

(1) From the parent company to a subsidiary.

(2) From a subsidiary to the parent company.

(3) Between subsidiaries.

Note 3: Regarding the percentage of transaction amount to consolidated net revenue or total assets, it is computed based on the ending balance to consolidated total assets for balance sheet items; and based on interim accumulated amount to consolidated net revenue for profit or loss items.

Note 4: This is the ending balance after evaluation.