TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended June 30, 2018 and 2017

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TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
June 30, 2018, December 31, 2017 and June 30, 2017
(Numbers as of June 30, 2018 and 2017 Are Reviewed, Not Audited)
(In Thousands of New Taiwan Dollars)

Assets	Notes	June 30, 2018	December 31, 2017	June 30, 2017
Current assets				
Cash and cash equivalents	4, 6(1)	$ 1,595,602	$ 1,934,276	$ 2,727,464
Financial assets at fair value through profit or loss, current	4, 6(2)	33,556	17,463	18,358
Notes receivable, net	4, 6(3)	1,650,642	2,027,778	1,583,719
Accounts receivable, net	4, 6(4)	3,274,005	2,748,633	2,912,268
Other receivables		48,143	55,865	33,088
Inventories, net	4, 6(5)	2,013,672	1,626,286	1,255,235
Prepayments		182,194	95,630	146,747
Other current assets	8	25,708	26,746	25,637
Total current assets		8,823,522	8,532,677	8,702,516
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)	49,154	-	-
Property, plant and equipment	4, 6(9)	2,816,927	2,876,458	2,794,844
Intangible assets	4, 6(10,12)	117,545	121,378	110,774
Deferred income tax assets	4, 6(25)	149,112	130,697	134,178
Other non-current assets	4, 6(11)	59,600	72,026	71,834
Total non-current assets		3,192,338	3,200,559	3,111,630
Total assets		$ 12,015,860	$ 11,733,236	$ 11,814,146

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

(Continued)

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS-(Continued)
June 30, 2018, December 31, 2017 and June 30, 2017
(Numbers as of June 30, 2018 and 2017 Are Reviewed, Not Audited)
(In Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	June 30, 2018	December 31, 2017	June 30, 2017
Current liabilities				
Short-term loans	6(13)	$ 1,245,277	$ 656,596	$ 1,564,873
Financial liabilities at fair value through profit or loss, current	4, 6(14)	1,570	13,351	7,881
Contract liabilities – current		203	-	-
Notes payable		65,368	324	24,658
Accounts payable		1,790,745	2,416,532	1,845,113
Other payables		1,078,760	666,715	952,817
Current income tax liabilities	4, 6(25)	138,049	115,338	102,048
Current portion of long-term loans	6(16)	18,667	44,825	27,581
Lease payable – current	6(15)	708	639	-
Other current liabilities		3,809	5,777	4,475
Total current liabilities		4,343,156	3,920,097	4,529,446
Non-current liabilities				
Long-term loans	6(16)	300,151	210,871	314,257
Deferred income tax liabilities	4, 6(25)	185,527	176,327	169,556
Lease payable – non-current	6(15)	1,649	2,499	-
Net defined benefit liabilities, non-current	4, 6(17)	190,373	184,124	196,492
Other non-current liabilities	4, 12	255	255	32
Total non-current liabilities		677,955	574,076	680,337
Total liabilities		5,021,111	4,494,173	5,209,783
Equity attributable to shareholders of the parent				
Capital	6(18)			
Common stock		2,091,197	2,087,802	2,084,452
Capital collected in advance		-	665	55
Total capital		2,091,197	2,088,467	2,084,507
Capital surplus	6(18)	1,446,616	1,441,339	1,410,921
Retained earnings				
Legal capital reserve		815,590	742,131	742,131
Special capital reserve		102,158	102,158	102,158
Unappropriated earnings		2,510,684	2,845,730	2,384,350
Total retained earnings		3,428,432	3,690,019	3,228,639
Others	4	(88,185)	(92,974)	(121,308)
Treasury stocks	6(18)	-	-	(98,744)
Total equity attributable to shareholders of the parent		6,878,060	7,126,851	6,504,015
Non-controlling interests	4, 6(18)	116,689	112,212	100,348
Total equity		6,994,749	7,239,063	6,604,363
Total liabilities and equity		$ 12,015,860	$ 11,733,236	$ 11,814,146

(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 and Six Months Ended June 30, 2018 and 2017
(Reviewed, Not Audited)
(In Thousands of New Taiwan Dollars)

	Notes	Three Months Ended June 30 2018	Three Months Ended June 30 2017	Six Months Ended June 30 2018	Six Months Ended June 30 2017
Net revenue	4, 6(20)	$ 2,385,567	$ 2,776,813	$ 4,385,153	$ 5,089,470
Cost of revenue	4, 6(5)	(1,855,493)	(2,296,729)	(3,460,880)	(4,145,991)
Gross profit		530,074	480,084	924,273	943,479
Unrealized sales profit or loss		-	-	-	(95)
Gross profit, net		530,074	480,084	924,273	943,384
Operating expenses	4, 6(23)				
Sales and marketing expenses		(113,401)	(104,566)	(213,754)	(206,378)
General and administrative expenses		(119,198)	(85,897)	(206,722)	(165,540)
Research and development expenses		(63,343)	(60,086)	(119,361)	(112,355)
Impairment gains on expected credit loss	6(21)	9,734	-	38,986	-
Total operating expenses		(286,208)	(250,549)	(500,851)	(484,273)
Operating income		243,866	229,535	423,422	459,111
Non-operating income and expenses	6(24)				
Other income		10,117	6,148	19,243	13,688
Other gains and losses		(29,076)	39,274	(62,101)	(38,777)
Finance costs		(16,164)	(15,096)	(30,599)	(34,034)
Share of profit or loss of associates under the equity method	4, 6(8)	7,257	-	17,378	-
Total non-operating income and expenses		(27,866)	30,326	(56,079)	(59,123)
Income before income tax		216,000	259,861	367,343	399,988
Income tax expense	4, 6(25)	(55,208)	(65,004)	(108,303)	(106,503)
Net income of continuing operations		160,792	194,857	259,040	293,485
Net income		160,792	194,857	259,040	293,485
Other comprehensive income (loss)	6(24)				
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		(25,531)	33,533	11,607	(56,440)
Income tax benefit (expense) related to components of other comprehensive income that may be reclassified subsequently to profit or loss		5,106	(5,700)	(169)	9,595
Total other comprehensive income, net of tax		(20,425)	27,833	11,438	(46,845)
Total comprehensive income		$ 140,367	$ 222,690	$ 270,478	$ 246,640
Net income (loss) attributable to:	4, 6(26)				
Shareholders of the parent		$ 157,675	$ 193,915	$ 254,612	$ 293,237
Non-controlling interests		3,117	942	4,428	248
		$ 160,792	$ 194,857	$ 259,040	$ 293,485
Total comprehensive income (loss) attributable to:					
Shareholders of the parent		$ 137,345	$ 221,609	$ 266,001	$ 246,602
Non-controlling interests		3,022	1,081	4,477	38
		$ 140,367	$ 222,690	$ 270,478	$ 246,640
Earnings per share (NT$)	4, 6(26)				
Earnings per share - basic		$ 0.76	$ 0.94	$ 1.22	$ 1.42
Earnings per share - diluted		$ 0.75	$ 0.94	$ 1.21	$ 1.42

(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 Six Months Ended June 30, 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
Appropriation and distribution of 2016 earnings												
Legal capital reserve				57,968		(57,968)				-		-
Cash dividends for common shares						(412,254)				(412,254)		(412,254)
Changes in other capital surplus												
Share-based payment	1,200	55	3,363							4,618		4,618
Net income for the six months ended June 30, 2017						293,237				293,237	248	293,485
Other comprehensive income (loss) for the six months ended June 30, 2017							(46,635)			(46,635)	(210)	(46,845)
Total comprehensive income	-	-	-	-	-	293,237	(46,635)	-	-	246,602	38	246,640
Balance as of June 30, 2017	$ 2,084,452	$ 55	$1,410,921	$ 742,131	$ 102,158	$2,384,350	$ (121,308)	$ -	$ (98,744)	$ 6,504,015	$ 100,348	$ 6,604,363
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)		-		-
Appropriation and distribution of 2017 earnings												
Legal capital reserve				73,459		(73,459)				-		-
Cash dividends for common shares						(522,799)				(522,799)		(522,799)
Changes in other capital surplus												
Changes in associates accounted for under the equity method			(1,576)							(1,576)		(1,576)
Share-based payment	3,395	(665)	6,853							9,583		9,583
Net income for the six months ended June 30, 2018						254,612				254,612	4,428	259,040
Other comprehensive income (loss) for the six months ended June 30, 2018							11,389			11,389	49	11,438
Total comprehensive income	-	-	-	-	-	254,612	11,389	-	-	266,001	4,477	270,478
Balance as of June 30, 2018	$ 2,091,197	$ -	$1,446,616	$ 815,590	$ 102,158	$2,510,684	$ (81,585)	$ (6,600)	$ -	$ 6,878,060	$ 116,689	$ 6,994,749

(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 Six Months Ended June 30, 2018 and 2017
(Reviewed, Not Audited)
(In Thousands of New Taiwan Dollars)

	Six Months Ended June 30	
	2018	2017
Cash flows from operating activities:		
Income before income tax	$ 367,343	$ 399,988
Adjustments:		
Non-cash income and expense items:		
Depreciation	142,465	138,631
Amortization	14,935	15,027
Impairment gains on expected credit loss	(38,986)	(1,277)
Net loss of financial assets (liabilities) at fair value through profit or loss	14,404	5,780
Interest expense	30,599	34,034
Interest income	(8,604)	(9,140)
Share of profit of associates under the equity method	(17,378)	-
Loss on disposal of property, plant and equipment	379	36
Gain on reversal of impairment loss for non-financial assets	(32,332)	-
Others	89,702	2,101
Changes in operating assets and liabilities:		
Decrease in financial assets held for trading	-	19,750
Increase in financial assets mandatorily at fair value through profit or loss	(42,278)	-
Decrease (increase) in notes receivable	377,136	(40,960)
Increase in accounts receivable	(486,873)	(113,049)
Decrease in other receivables	7,925	13,588
Increase in inventories	(394,218)	(124,937)
Increase in prepayments	(86,564)	(45,174)
Decrease in other current assets	1,038	1,592
Increase in other non-current assets	-	(1,470)
Decrease in contract liabilities	(2,368)	-
Increase (decrease) in notes payable	65,044	(153,235)
Decrease in accounts payable	(625,787)	(288,163)
Decrease in other payables	(96,273)	(12,115)
Increase (decrease) in other current liabilities	508	(11,424)
Increase in net defined benefit liabilities	6,249	6,216
Decrease in other non-current liabilities	-	(14)
Cash generated from operations	(713,934)	(164,215)
Interest received	8,401	9,724
Interest paid	(29,585)	(32,189)
Income tax paid	(96,714)	(73,600)
Net cash used in operating activities	(831,832)	(260,280)

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

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TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS-(Continued)
For the Six Months Ended June 30, 2018 and 2017
(Reviewed, Not Audited)
(In Thousands of New Taiwan Dollars)

	Six Months Ended June 30	
	2018	2017
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(176,938)	(171,703)
Disposal of property, plant and equipment	651	-
Decrease in refundable deposits	7,166	1,756
Acquisition of intangible assets	(5,553)	(5,292)
Decrease in other current assets - other financial assets, current	-	16,447
Net cash used in investing activities	(174,674)	(158,792)
Cash flows from financing activities:		
Increase in short-term loans	588,681	625,090
Increase in long-term loans	63,122	-
Repayment of long-term loans	-	(428,960)
Decrease in lease payable	(970)	-
Exercise of employee stock options	9,583	4,618
Net cash provided by financing activities	660,416	200,748
Effect of exchange rate changes on cash and cash equivalents	7,416	(36,420)
Net decrease in cash and cash equivalents	(338,674)	(254,744)
Cash and cash equivalents at beginning of period	1,934,276	2,982,208
Cash and cash equivalents at end of period	$ 1,595,602	$ 2,727,464

(Concluded)

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

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended June 30, 2018 and 2017 and the Year Ended December 31, 2017

(Numbers for the Six Months Ended June 30, 2018 and 2017 Are Reviewed, Not Audited)

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

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 six months ended June 30, 2018 and 2017 were approved and authorized for issue in the Board of Directors' meeting on July 24, 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, as of June 30, 2018, other current liabilities decreased by NT$203 thousand and contract liabilities increased by NT$203 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 Group 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		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
Loans and receivables (including cash and cash equivalents, notes and accounts receivables, other financial assets 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		Adjustment on Retained Earnings	Adjustment on Other Equity
Account	Carrying Amount	Account	Carrying Amount		
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: Investments classified as available-for-sale financial assets in accordance with IAS 39 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 (equity instruments) 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 (i.e. unrealized gain/loss on financial assets at fair value through other comprehensive income) would also be adjusted by NT$6,600 thousand each.

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.

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

C. Disclosure Initiative (Amendments to IAS 7 "IFRS 9 "Statement of Cash Flows")

A reconciliation between the opening and closing balances for liabilities arising from financing activities of the Group is provided. Please refer to Note 12 for disclosures required.

(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:

No.	Projects of New, Revised and Amended Standards or Interpretations	Effective Date
IFRS 16	Leases	January 1, 2019
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019
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)		January 1, 2019
IAS 19	Employee Benefits	January 1, 2019

A. 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.

B. 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.

C. 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 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.

D. Amendments to IFRS 9 "Financial Instruments"

The amendments allow 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.

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

E. Improvements to IFRS (2015-2017 cycle)

IFRS 3 “Business Combinations”

The amendments clarify that when an entity having joint control over a joint operation obtains control of the joint operation, it remeasures previously held interests in that business.

IFRS 11 “Joint Arrangements”

The amendments clarify that when an entity that participates in (but has no joint control over) a joint operation obtains joint control over the joint operation, it does not remeasure previously held interests in that business.

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.

F. 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 abovementioned new, revised and amended standards or interpretations are issued by IASB and endorsed by FSC to take effect starting from January 1, 2019. The Group currently assesses the potential effects of the new, revised and amended standards or interpretations in the preceding A to F paragraphs on the financial position and performance of the Group. The outcome will be disclosed upon completion of the assessment.

(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 17	Insurance Contracts	January 1, 2021

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:

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.

The Group currently assesses the potential effects of the new, revised and amended standards or interpretations in the preceding paragraph 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 six months ended June 30, 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.

(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.

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

The consolidated entities are listed as follows:

Investor	Subsidiary	Main Business	Percentage of Ownership		
			2018.6.30	2017.12.31	2017.6.30
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 of electronic materials and marketing	100.00%	-	-
The Company	Richstar Co., Ltd. (Richstar)	Investment holding	31.10%	-	-
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	68.90%	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%
RICHSTAR	Rudong Fuzhan Scientific Co., Ltd. (Rudong Fuzhan)	Manufacturing and selling of electronic materials	100.00%	-	-
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%

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$617,321 thousand and NT$369,814 thousand, and the total liabilities were NT$128,230 thousand and NT$135,763 thousand as of June 30, 2018 and 2017, respectively. The total comprehensive income amounted to NT$1,818 thousand and NT$12,599 thousand for the three months ended June 30, 2018 and 2017, respectively; and NT$3,693 thousand and NT$314 thousand for the six months ended June 30, 2018 and 2017, respectively.

(4) Except for the following accounting policies, the consolidated financial statements for the six months ended June 30, 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 the 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 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. As it usually takes less than one year for the said contract liabilities to be reclassified to revenue, no significant financing component has arisen.

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 six months ended June 30, 2018 and 2017 as were applied in the preparation of the Group'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 the difference between contractual cash flows that are due to the Group under contracts (carrying amount) and 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

	June 30, 2018	December 31, 2017	June 30, 2017
Cash on hand	$ 657	$ 652	$ 634
Bank deposits	1,594,945	1,933,624	2,726,830
Total	$ 1,595,602	$ 1,934,276	$ 2,727,464

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

	June 30, 2018	December 31, 2017 (Note)	June 30, 2017 (Note)
Mandatorily at fair value through profit or loss:			
Derivative instruments not designated in a hedging relationship			
- Forward foreign exchange contracts	$ 12,933		
- Foreign exchange swap contracts	162		
- Cross-currency swap contracts	3,299		
Stocks	17,162		
Total	$ 33,556		

	June 30, 2018 (Note)	December 31, 2017	June 30, 2017
Held for trading:			
Derivative instruments not designated in a hedging relationship			
- Forward foreign exchange contracts		$ 214	$ -
- Cross-currency swap contracts		572	-
Non-derivative financial assets - Stocks		16,677	18,358
Total		$ 17,463	$ 18,358

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

	June 30, 2018	December 31, 2017	June 30, 2017
Notes receivable, net	$ 1,650,642	$ 2,027,778	$ 1,583,719

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 loss allowance and Note 12 for information concerning credit risk.

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

(4) Accounts receivable, net

	June 30, 2018	December 31, 2017	June 30, 2017
Accounts receivable	$ 3,451,250	$ 2,965,128	$ 3,122,721
Less: loss allowance	(177,245)	(216,495)	(210,453)
Net	$ 3,274,005	$ 2,748,633	$ 2,912,268

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 six months ended June 30, 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 six months ended June 30, 2017 were as follows (please refer to Note 12 for credit risk disclosure):

	June 30, 2017
Beginning balance	$ 211,697
Reversal for the period	(1,277)
Effect of exchange rate changes	33
Ending balance	$ 210,453

B. Ageing analysis of net accounts receivable:

	December 31, 2017	June 30, 2017
Neither past due nor impaired	$ 2,053,205	$ 2,495,058
Past due but not impaired		
≤ 120 days	462,019	416,447
121 to 180 days	201,612	763
≥ 181 days	31,797	-
Total	$ 2,748,633	$ 2,912,268

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:

June 30, 2018

Amount of accounts receivable	Amount of factoring	Condition	Unreceived amount (Recorded as other receivables)
US$2,134 thousand	US$2,134 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)

June 30, 2017			
Amount of accounts receivable	Amount of factoring	Condition	Unreceived amount (Recorded as other receivables)
US$25,935 thousand	US$25,935 thousand	Without recourse	-

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

(5) Inventories, net

	June 30, 2018	December 31, 2017	June 30, 2017
Raw materials	$ 683,882	$ 585,584	$ 264,727
Inventories in transit	90,976	171,759	48,317
Supplies	10,235	4,966	5,272
Work in process	150,287	52,701	108,650
Finished goods	688,050	619,307	598,261
Merchandise	390,242	191,969	230,008
Total	$ 2,013,672	$ 1,626,286	$ 1,255,235

Expenses or income recognized were as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
Cost of inventories sold	$ 1,857,025	$ 2,301,019	$ 3,465,263	$ 4,154,199
Gain on inventory value recovery	(2,979)	(515)	(23,571)	(5)
Loss on inventory write-off	8,109	940	30,403	2,106
Revenue from sale of scraps	(6,662)	(4,715)	(11,215)	(10,309)
Cost of revenue	$ 1,855,493	$ 2,296,729	$ 3,460,880	$ 4,145,991

The aforementioned inventories were not pledged.

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$2,979 thousand and NT$515 thousand for the three months ended June 30, 2018 and 2017, respectively; and NT$23,571 thousand and NT$5 thousand for the six months ended June 30, 2018 and 2017, respectively.

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

	June 30, 2018	December 31, 2017 (Note)	June 30, 2017 (Note)
Equity instrument investments at fair value through other comprehensive income – non-current:			
Non-publicly traded stocks	$ –		

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	June 30, 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

	June 30, 2018		December 31, 2017		June 30, 2017	
Investees	Amount	Percentage of ownership	Amount	Percentage of ownership	Amount	Percentage of ownership
Investments in associates:						
Innovision FlexTech Corp.	$ 49,154	15.07%	$ 31,518	15.67%	$ 31,518	16.72%
Less: accumulated impairment - Innovision FlexTech Corp.	—		(31,518)		(31,518)	
Net	$ 49,154		$ —		$ —	

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 were NT$7,257 thousand and NT$0 thousand for the three months ended June 30, 2018 and 2017, respectively; and NT$17,378 thousand and NT$0 thousand for the six months ended June 30, 2018 and 2017, respectively.

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 was accounted for using the equity method.

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

	June 30, 2018	December 31, 2017	June 30, 2017
Total assets	$ 436,198	$ 331,496	$ 324,679
Total liabilities	$ 110,026	$ 73,767	$ 114,615

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

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
Revenue	$ 97,683	$ 49,714	$ 167,695	$ 76,439
Net income	$ 26,998	$ 6,236	$ 56,917	$ 211

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 six months ended June 30, 2018 based on the assessment of future recoverable amount.

E. The aforementioned recoverable amount was measured at fair value less costs of disposal and the fair value was 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 was a level 3 fair value measurement.

(9) Property, plant and equipment

	June 30, 2018	December 31, 2017	June 30, 2017
Land	$ 100,843	$ 100,843	$ 100,843
Buildings	1,138,841	966,217	971,501
Machinery and equipment	849,562	896,022	923,057
Hydropower equipment	171,928	118,143	123,271
Testing equipment	150,168	128,173	118,134
Miscellaneous equipment	91,453	82,032	84,155
Construction in progress and equipment awaiting inspection	314,132	585,028	473,883
Net	$ 2,816,927	$ 2,876,458	$ 2,794,844

	As of January 1, 2018	Additions	Disposals	Reclassification	Impairment loss	Effect of exchange rate changes	As of June 30, 2018
Cost							
Land	$ 100,843	$ –	$ –	$ –	$ –	$ –	$ 100,843
Buildings	1,438,659	1,450	(213)	241,394	–	2,632	1,683,922
Machinery and equipment	2,552,155	23,071	(13,961)	49,126	–	2,198	2,612,589
Hydropower equipment	398,778	4,717	–	58,919	–	746	463,160
Testing equipment	251,175	6,423	–	27,874	–	120	285,592
Miscellaneous equipment	363,839	5,645	(4,276)	14,188	–	429	379,825
Total	$ 5,105,449	$ 41,306	$ (18,450)	$ 391,501	$ –	$ 6,125	$5,525,931

(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 June 30, 2018
Accumulated depreciation and impairment							
Buildings	$ 472,442	$ 35,139	$ (213)	$ —	$ 37,376	$ 337	$ 545,081
Machinery and equipment	1,656,133	74,434	(13,961)	—	45,494	927	1,763,027
Hydropower equipment	280,635	10,194	—	—	—	403	291,232
Testing equipment	123,002	12,350	—	—	—	72	135,424
Miscellaneous equipment	281,807	10,348	(3,246)	—	(814)	277	288,372
Total	$2,814,019	$ 142,465	$ (17,420)	$ —	$ 82,056	$ 2,016	$3,023,136
Construction in progress and equipment awaiting inspection	585,028	120,368	—	(391,501)	—	237	314,132
Net	$2,876,458						$ 2,816,927

(Concluded)

	As of January 1, 2017	Additions	Disposals	Reclassification	Impairment loss	Effect of exchange rate changes	As of June 30, 2017
Cost							
Land	$ 100,843	$ —	$ —	$ —	$ —	$ —	$ 100,843
Buildings	1,415,480	1,128	—	6,878	—	(14,328)	1,409,158
Machinery and equipment	2,488,501	11,637	(13,599)	26,917	—	(11,851)	2,501,605
Hydropower equipment	370,939	6,823	—	18,900	—	(3,839)	392,823
Testing equipment	223,526	7,198	(101)	4,101	—	(684)	234,040
Miscellaneous equipment	334,840	3,786	(3,801)	23,624	—	(2,172)	356,277
Total	$ 4,934,129	$ 30,572	$(17,501)	$ 80,420	$ —	$(32,874)	$4,994,746
Accumulated depreciation and impairment							
Buildings	$ 410,029	$ 31,280	$ —	$ —	$ —	$ (3,652)	$ 437,657
Machinery and equipment	1,519,451	79,818	(13,599)	—	—	(7,122)	1,578,548
Hydropower equipment	262,438	9,203	—	—	—	(2,089)	269,552
Testing equipment	108,104	8,341	(91)	—	—	(448)	115,906

(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 June 30, 2017
Miscellaneous equipment	$ 267,413	$ 9,989	$ (3,775)	$ －	$ －	$ (1,505)	$ 272,122
Total	$ 2,567,435	$ 138,631	$(17,465)	$ －	$ －	$(14,816)	$2,673,785
Construction in progress and equipment awaiting inspection	422,826	131,625	－	(80,463)	－	(105)	473,883
Net	$ 2,789,520						$ 2,794,844

(Concluded)

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

(10) Intangible assets

	June 30, 2018	December 31, 2017	June 30, 2017
Trademarks	$ 355	$ 414	$ 414
Patents	6,847	7,780	6,457
Software cost	40,562	43,403	34,122
Goodwill	69,781	69,781	69,781
Total	$ 117,545	$ 121,378	$ 110,774

	As of January 1, 2018	Additions	Reclassification	Effect of exchange rate changes	As of June 30, 2018
Cost					
Trademarks	$ 672	$ －	$ －	$ －	$ 672
Patents	44,247	775	－	－	45,022
Software cost	128,557	4,778	(43)	75	133,367
Goodwill	69,781	－	－	－	69,781
Total	$ 243,257	$ 5,553	$ (43)	$ 75	$ 248,842
Accumulated amortization and impairment					
Trademarks	$ 258	$ 59	$ －	$ －	$ 317
Patents	36,467	1,708	－	－	38,175
Software cost	85,154	7,611	－	40	92,805
Total	121,879	$ 9,378	$ －	$ 40	131,297
Net	$ 121,378				$ 117,545

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

	As of January 1, 2017	Additions	Reclassification	Effect of exchange rate changes	As of June 30, 2017
Cost					
Trademarks	$ 583	$ 89	$ —	$ —	$ 672
Patents	42,202	692	—	—	42,894
Software cost	108,294	4,511	—	(414)	112,391
Goodwill	69,781	—	—	—	69,781
Total	$ 220,860	$ 5,292	$ —	$ (414)	$ 225,738
Accumulated amortization and impairment					
Trademarks	$ 198	$ 60	$ —	$ —	$ 258
Patents	34,855	1,582	—	—	36,437
Software cost	72,209	6,287	—	(227)	78,269
Total	107,262	$ 7,929	$ —	$ (227)	114,964
Net	$ 113,598				$ 110,774

(11) Other non-current assets

	June 30, 2018	December 31, 2017	June 30, 2017
Long-term prepaid rent (Land use rights)	$ 20,045	$ 20,218	$ 20,115
Refundable deposits	16,934	24,100	21,955
Other non-current assets - other	22,621	27,708	29,764
Total	$ 59,600	$ 72,026	$ 71,834

(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 of 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

	June 30, 2018	December 31, 2017	June 30, 2017
Unsecured bank loans	$ 1,245,277	$ 656,596	$ 1,564,873

The interest rates of loans were 0.76% to 4.79%, 1.69% to 4.57% and 1.48% to 4.79% as of June 30, 2018, December 31, 2017 and June 30, 2017, respectively.

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

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

	June 30, 2018	December 31, 2017	June 30, 2017
Held for trading:			
Derivative instruments not designated in a hedging relationship			
- Forward foreign exchange contracts	$ 1,570	$ 13,058	$ 7,180
- Foreign exchange swap contracts	-	224	701
- Cross-currency swap contracts	-	69	-
Total	$ 1,570	$ 13,351	$ 7,881

(15) Lease payable

Some equipment of the Group was 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:

	June 30, 2018	December 31, 2017	June 30, 2017
Total minimum lease payments			
Less than 1 year	$ 986	$ 981	$ —
1 to 5 years (excluding)	1,779	2,750	—
	2,765	3,731	—
Less: Future finance expense	(408)	(593)	—
Present value of minimum lease payments	$ 2,357	$ 3,138	$ —
Present value of minimum lease payments			
Less than 1 year	$ 708	$ 639	$ —
1 to 5 years (excluding)	1,649	2,499	—
Total	$ 2,357	$ 3,138	$ —

(16) Long-term loans

	June 30, 2018	December 31, 2017	June 30, 2017
Secured loans	$ 54,495	$ 62,011	$ 69,482
Revolving loans	264,323	193,685	272,356
Syndicated loans	-	-	-
Total	318,818	255,696	341,838
Less: current portion	(18,667)	(44,825)	(27,581)
Less: unamortized syndicated loan fee	-	-	-
Net	$ 300,151	$ 210,871	$ 314,257

	2018.1.1～2018.6.30	2017.1.1～2017.12.31	2017.1.1～2017.6.30
Interest rate range	0.78%~1.97%	0.85%~2.47%	0.99%~2.11%

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

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

B. 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 were NT$6,457 thousand and NT$6,076 thousand for the three months ended June 30, 2018 and 2017, respectively; and NT$12,842 thousand and NT$11,811 thousand for the six months ended June 30, 2018 and 2017, respectively.

B. Defined benefit plan

Expenses under the defined benefit plan were NT$2,490 thousand and NT$5,125 thousand for the three months ended June 30, 2018 and 2017, respectively; and NT$7,697 thousand and NT$7,650 thousand for the six months ended June 30, 2018 and 2017, 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 June 30, 2018, December 31, 2017 and June 30, 2017.

(b) The Company’s issued capital was NT$2,091,197 thousand, NT$2,087,802 thousand and NT$2,084,452 thousand, each at a par value of NT$10, divided into 209,120 thousand shares, 208,780 thousand shares and 208,445 thousand shares as of June 30, 2018, December 31, 2017 and June 30, 2017, respectively.

B. Capital surplus

	June 30, 2018	December 31, 2017	June 30, 2017
Additional paid-in capital	$ 1,042,894	$ 1,036,041	$ 1,025,966
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	111,972	113,548	113,548
Total	$ 1,446,616	$ 1,441,339	$ 1,410,921

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.

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

C. Treasury stocks

As of June 30, 2018, December 31, 2017 and June 30, 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 six months ended June 30, 2018 and 2017 were as follows:

Reasons of Repurchase	As of January 1	Increase	Decrease	As of June 30
2018.1.1 – 2018.6.30				
To be transferred to employees	–	–	–	–
2017.1.1 – 2017.6.30				
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.

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

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 June 30, 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 six months ended June 30, 2018 and 2017 as a result of use, disposal or reclassification of related assets.

Information about the appropriations of 2017 and 2016 earnings approved in the shareholders' meetings on May 29, 2018 and May 26, 2017, respectively, was as follows:

	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.

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

E. Non-controlling interests (NCI)

	Six Months Ended June 30	
	2018	2017
Beginning balance	$ 112,212	$ 100,310
Net income attributable to NCI	4,428	248
Other comprehensive income attributable to NCI:		
Exchange differences arising on translation of foreign operations	49	(210)
Ending balance	$ 116,689	$ 100,348

(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 six months ended June 30, 2018 was NT$ 0 thousand.

There have been no cancellations or modifications to any of the employee stock option plans by June 30, 2018.

	Six Months Ended June 30			
	2018		2017	
Stock options	Quantity	Weighted average exercise price per share (NT$)	Quantity	Weighted average exercise price per share (NT$)
Outstanding at beginning of period	273	$ 35.10	952	$ 36.80
Granted	—	—	—	—
Forfeited	—	—	—	—
Exercised	(273)	35.10	(125)	36.80
Expired	—	—	—	—
Outstanding at end of period	—	—	827	36.80
Exercisable at end of period	—	—	827	36.80

Information on the aforementioned employee stock options outstanding as of June 30, 2018 and 2017 was as follows:

	Weighted Average Remaining Contractual Years	
Date of Grant	June 30, 2018	June 30, 2017
April 30, 2010	-	0.83

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

(20) Revenue

	Three Months Ended June 30		Six Months Ended June 30	
	2018 (Note)	2017	2018 (Note)	2017
Sale of goods	$ 2,385,567	$ 2,776,813	$ 4,385,153	$ 5,089,470

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 six months ended June 30, 2018 was as follows:

Contract liabilities - current

	Beginning Balance	Ending Balance	Difference
Sale of goods	$ 2,571	$ 203	$ (2,368)

During the six months ended June 30, 2018, the significant decrease in the balance of contract liabilities was mostly due to the satisfaction of performance obligations. NT$2,368 thousand from the beginning balance was recognized as revenue during this period.

(21) Impairment gains on expected credit loss

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017 (Note)	2018	2017 (Note)
Operating expenses – Impairment gain on expected credit loss				
Accounts receivable	$ (9,734)		$ (38,986)	

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 measured the loss allowance at an amount equal to lifetime expected credit losses. The assessment on the loss allowance as of June 30, 2018 was as follows:

Receivables were grouped by considering 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:

		Past Due			
	Not Past Due (Note)	Within 90 Days	91-180 Days	Over 181 Days	Total
Gross carrying amount	$ 4,300,879	$ 356,229	$ 417,732	$ 27,052	$ 5,101,892
Loss ratio	0%~1%	3%~20%	20%~50%	50%~100%	
Lifetime expected credit losses	16,235	43,878	101,824	15,308	177,245
Sub-total	$ 4,284,644	$ 312,351	$ 315,908	$ 11,744	$ 4,924,647

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

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

The movement in the loss allowance for receivables in the six months ended June 30, 2018 was as follows:

	Receivables
Beginning balance	$ 216,495
Reversal in the current period	(38,986)
Write off	(750)
Effect of exchange rate changes	486
Ending balance	$ 177,245

(22) Operating leases

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

Total future minimum lease payments were as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Less than 1 year	$ 22,644	$ 21,634	$ 26,583
More than 1 year but less than 5 years	41,481	39,185	46,625
More than 5 years	21,542	13,796	15,974
Total	$ 85,667	$ 74,615	$ 89,182

Expenses recognized under operating leases were as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
Minimum lease payments	$10,266	$12,505	$19,111	$21,660

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

Function / Nature	Three Months Ended June 30					
	2018			2017		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	119,705	131,126	250,831	103,255	92,679	195,934
Labor and health insurance	10,846	6,524	17,370	9,989	6,717	16,706
Pension	5,183	3,764	8,947	6,168	5,033	11,201
Other employee benefits expense	12,500	7,388	19,888	12,339	6,980	19,319
Depreciation	68,379	3,480	71,859	65,903	4,153	70,056
Amortization	2,923	3,685	6,608	3,468	3,115	6,583

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

Function / Nature	Six Months Ended June 30					
	2018			2017		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	223,595	216,927	440,522	204,583	177,930	382,513
Labor and health insurance	23,107	13,645	36,752	20,197	13,968	34,165
Pension	11,532	9,007	20,539	10,843	8,618	19,461
Other employee benefits expense	23,801	15,103	38,904	23,780	13,189	36,969
Depreciation	134,835	7,630	142,465	130,205	8,426	138,631
Amortization	6,016	8,919	14,935	7,210	7,817	15,027

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 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 six months ended June 30, 2018 and 2017 were as follows:

	Six Months Ended June 30	
	2018	2017
Compensation to employees	$ 26,885	$ 22,973
Remuneration to directors	7,025	6,892

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 reported in the shareholders' meeting on May 29, 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:

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

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

The above-mentioned 2017 and 2016 compensation to employees and remuneration to directors reported in the shareholders' meetings were consistent with the amounts resolved in the Board of Directors' meetings held on January 17, 2018 and January 19, 2017, respectively; and the amounts recognized as expenses in the financial statements.

(24) Non-operating income and expenses

A. Other income

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
Interest income	$ 5,073	$ 5,339	$ 8,604	$ 9,140
Other income	5,044	809	10,639	4,548
Total	$ 10,117	$ 6,148	$ 19,243	$ 13,688

B. Other gains and losses

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
Loss on disposal of property, plant and equipment	$ (51)	$ –	$ (379)	$ (36)
Foreign exchange gain (loss), net	(40,252)	54,806	42,996	(32,026)
Gain on reversal of impairment loss of non-financial assets	–	–	32,332	–
Gain (loss) of financial assets (liabilities) at fair value through profit or loss, net	20,986	(15,054)	(14,404)	(5,780)
Disaster loss (Note 10)	(9,266)	–	(120,745)	–
Other losses	(493)	(478)	(1,901)	(935)
Total	$ (29,076)	$ 39,274	$ (62,101)	$ (38,777)

C. Finance costs

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
Interest on borrowings from banks	$ (16,073)	$ (15,096)	$ (30,410)	$ (34,034)
Interest on finance lease	(91)	–	(189)	–
Total	$ (16,164)	$ (15,096)	$ (30,599)	$ (34,034)

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

D. Components of other comprehensive income

For the three months ended June 30, 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	$ (25,531)	$ –	$ (25,531)	$ 5,106	$ (20,425)

For the three months ended June 30, 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	$ 33,533	$ –	$ 33,533	$ (5,700)	$ 27,833

For the six months ended June 30, 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	$ 11,607	$ –	$ 11,607	$ (169)	$ 11,438

For the six months ended June 30, 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	$ (56,440)	$ –	$ (56,440)	$ 9,595	$ (46,845)

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

(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 changed from 17% to 20%. The tax rate applicable to undistributed earnings was 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 June 30		Six Months Ended June 30	
	2018	2017	2018	2017
Current income tax expense:				
Current income tax expense	$ 61,496	$ 37,162	$ 110,946	$ 69,107
Income tax adjustments on prior years	4,606	21,702	4,765	21,855
Effect of exchange rate changes	151	(514)	48	(99)
Deferred income tax expense (benefit):				
Income tax expense (benefit) relating to origination and reversal of temporary differences	(11,045)	6,654	(22,021)	15,640
Deferred income tax relating to changes in tax rates	—	—	14,565	—
Total income tax expense	$ 55,208	$ 65,004	$ 108,303	$ 106,503

Income tax recognized in other comprehensive income

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
Deferred income tax expense (benefit):				
Exchange differences arising on translation of foreign operations	$ (5,106)	$ 5,700	$ 2,309	$ (9,595)
Deferred income tax relating to changes in tax rates	—	—	(2,140)	—
Income tax relating to components of other comprehensive income	$ (5,106)	$ 5,700	$ 169	$ (9,595)

B. The assessment of income tax returns:

As of June 30, 2018, the assessment on the Group's income tax returns in ROC was as follows:

	Assessment on Income Tax Returns
The Company	Assessed and approved up to 2016
Subsidiary – Koatech Technology Corporation	Assessed and approved up to 2016

(26) Earnings per share

	Three Months Ended June 30, 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	$ 157,675	209,120	$ 0.76
Diluted earnings per share			
Effect of dilutive potential common shares			
Employee compensation – stock	–	468	
Net income available to common shareholders of the Company and effect of potential common shares	$ 157,675	209,588	$ 0.75

	Three Months Ended June 30, 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	$ 193,915	206,129	$ 0.94
Diluted earnings per share			
Effect of dilutive potential common shares			
Employee compensation – stock	–	387	
Net income available to common shareholders of the Company and effect of potential common shares	$ 193,915	206,516	$ 0.94

	Six Months Ended June 30, 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	$ 254,612	209,047	$ 1.22
Diluted earnings per share			
Effect of dilutive potential common shares			
Employee compensation – stock	–	662	
Net income available to common shareholders of the Company and effect of potential common shares	$ 254,612	209,709	$ 1.21

	Six Months Ended June 30, 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	$ 293,237	206,104	$ 1.42
Diluted earnings per share			
Effect of dilutive potential common shares			
Employee compensation – stock	-	616	
Net income available to common shareholders of the Company and effect of potential common shares	$ 293,237	206,720	$ 1.42

7. Related Party Transactions

Compensation to key management of the Group:

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
Short-term employee benefits	$ 11,982	$ 13,826	$ 33,373	$ 33,595
Post-employment benefits	177	271	331	523
Termination benefits	783	—	783	—
Total	$ 12,942	$ 14,097	$ 34,487	$ 34,118

8. Pledged Assets

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

	Carrying Amount			
	June 30, 2018	December 31, 2017	June 30, 2017	Purpose of Pledge
Time deposits (Note)	$ 20,354	$ 20,354	$ 20,295	Customs guarantee
Land	100,843	100,843	100,843	Collateral for long-term loans
Buildings	101,668	104,185	104,107	Collateral for letter of credit, short-term credit facilities and long-term loans
Machinery and equipment	13,338	14,163	14,988	Collateral for long-term loans
Total	$ 236,203	$ 239,545	$ 240,233	

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 June 30, 2018 were as follows:

	L/C Amount
NTD	NT$ 12,080 thousand
JPY	JPY 90,000 thousand
USD	US$ 8,077 thousand

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

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 were still underway. Those assets were covered by fire insurance policies. As of June 30, 2018, the insurance claim was still being processed by the insurance company.

11. Significant Subsequent Events

None.

12. Others

(1) Categories of financial instruments

Financial assets

	June 30, 2018	December 31, 2017	June 30, 2017
Financial assets at fair value through profit or loss:			
Held for trading	(Note 1)	$ 17,463	$ 18,358
Mandatorily at fair value through profit or loss	$ 33,556	(Note 1)	(Note 1)
Financial assets at amortized cost:			
Cash and cash equivalents (excluding cash on hand)	1,594,945	(Note 1)	(Note 1)
Receivables	4,972,790	(Note 1)	(Note 1)
Other financial assets - current	20,354	(Note 1)	(Note 1)
Loans and receivables (Note 2)	(Note 1)	6,786,254	7,276,200

Financial liabilities

	June 30, 2018	December 31, 2017	June 30, 2017
Financial liabilities at fair value through profit or loss:			
Held for trading	$ 1,570	$ 13,351	$ 7,881
Financial liabilities at amortized cost:			
Short-term loans	1,245,277	656,596	1,564,873
Payables	2,934,873	3,083,571	2,822,588
Long-term loans (including current portion)	318,818	255,696	341,838

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 risks.

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.

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

A 5% increase/decrease 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 six months ended June 30, 2018 and 2017 to increase/decrease by NT$858 thousand and NT$918 thousand, respectively.

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

For the six months ended June 30, 2018

Key risk	Variation	Sensitivity of profit or loss
Foreign currency risk	NTD/USD Foreign exchange ＋/－ 1%	－/＋ 2,181 thousand
	NTD/CNY Foreign exchange ＋/－ 1%	－/＋ 1,719 thousand
Interest rate risk	Market rate ＋/－ 10 basis points	＋/－ 32 thousand

For the six months ended June 30, 2017

Key risk	Variation	Sensitivity of profit or loss
Foreign currency risk	NTD/USD Foreign exchange ＋/－ 1%	－/＋ NT$ 1,594 thousand
	NTD/CNY Foreign exchange ＋/－ 1%	－/＋ NT$ 5,700 thousand
Interest rate risk	Market rate ＋/－ 10 basis points	＋/－ NT$ 821 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 considering 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.

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

Non-derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
June 30, 2018					
Borrowings	$ 1,267,256	$ 260,000	$ 40,151	$ –	$ 1,567,407
Payables	2,934,873	–	–	–	2,934,873
December 31, 2017					
Borrowings	$ 703,908	$ 165,291	$ 45,580	$ –	$ 914,779
Payables	3,083,571	–	–	–	3,083,571
June 30, 2017					
Borrowings	$ 1,595,669	$ 263,314	$ –	$ 50,943	$ 1,909,926
Payables	2,822,588	–	–	–	2,822,588

Derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
June 30, 2018					
Inflows	$ –	$ –	$ –	$ –	$ –
Outflows	–	–	–	–	–
Net	$ –	$ –	$ –	$ –	$ –
December 31, 2017					
Inflows	$ 1,058,336	$ –	$ –	$ –	$ 1,058,336
Outflows	1,079,765	–	–	–	1,079,765
Net	$ (21,429)	$ –	$ –	$ –	$ (21,429)
June 30, 2017					
Inflows	$ 607,678	$ –	$ –	$ –	$ 607,678
Outflows	620,552	–	–	–	620,552
Net	$ (12,874)	$ –	$ –	$ –	$ (12,874)

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 six months ended June 30, 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	588,681	63,122	(970)	650,833
Non-cash movement	–	–	189	189
As of June 30, 2018	$ 1,245,277	$ 318,818	$ 2,357	$ 1,566,452

Reconciliation of liabilities for the six months ended June 30, 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 June 30, 2018, December 31, 2017 and June 30, 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)
June 30, 2018		
Sell CNY/Buy USD	2017.07～2018.12	CNY 61,193/US$ 9,500
Sell CNY/Buy NTD	2018.04～2018.10	CNY 90,000/NT$ 414,340
December 31, 2017		
Sell CNY/Buy USD	2017.05～2018.04	CNY 82,813/US$ 12,342
Sell CNY/Buy NTD	2017.09～2018.04	CNY 126,000/NT$ 566,937
June 30, 2017		
Sell CNY/Buy USD	2017.02～2018.04	CNY 60,238/US$ 8,684
Sell CNY/Buy NTD	2017.04～2017.09	CNY 78,000/NT$ 343,363

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)
June 30, 2018		
Sell CNY/Buy NTD	2018.04～2018.09	CNY 4,200/NT$ 19,348
December 31, 2017		
Sell CNY/Buy NTD	2017.09～2018.04	CNY 4,200/NT$ 18,822
June 30, 2017		
Sell CNY/Buy NTD	2017.04～2017.09	CNY 4,200/NT$ 17,963

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
June 30, 2018				
Sell CNY/Buy USD	2017.09~2019.01	CNY 48,901/ US$ 7,500	2.82%~4.10%	1.70%~2.81%
December 31, 2017				
Sell CNY/Buy 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.

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

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
June 30, 2018				
Financial assets:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	$ －	$ 12,933	$ －	$ 12,933
Foreign exchange swap contracts	－	162	－	162
Cross-currency swap contracts	－	3,299	－	3,299
Stocks	17,162	－	－	17,162
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	－	1,570	－	1,570
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
Foreign exchange swap contracts	－	224	－	224
Cross-currency swap contracts	－	69	－	69
June 30, 2017				
Financial assets:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	$ －	$ －	$ －	$ －
Cross-currency swap contracts	18,358	－	－	18,358
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	－	7,180	－	7,180
Foreign exchange swap contracts	－	701	－	701

For the six months ended June 30, 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:

	June 30, 2018			December 31, 2017		
	Foreign Currencies (in thousands)	Exchange Rate	NTD	Foreign Currencies (in thousands)	Exchange Rate	NTD
Financial assets						
Monetary items						
USD	$ 72,286	30.4950	$ 2,204,362	$ 83,788	29.8300	$ 2,499,396
CNY	41,474	4.5990	190,739	38,906	4.5745	177,975
Financial liabilities						
Monetary items						
USD	$ 65,133	30.4950	$ 1,986,231	$ 66,607	29.8300	$ 1,986,887
JPY	149,669	0.2755	41,234	224,995	0.2648	59,579

	June 30, 2017		
	Foreign Currencies (in thousands)	Exchange Rate	NTD
Financial assets			
Monetary items			
USD	$ 72,002	30.4360	$ 2,191,453
CNY	18,329	4.4890	82,278
HKD	31,145	3.8990	121,433
Financial liabilities			
Monetary items			
USD	$ 66,759	30.4360	$ 2,031,877
CNY	1,099	4.4890	4,933
JPY	147,931	0.2716	40,178

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. The Group’s foreign exchange gain (loss) amounted to NT$(40,252) thousand and NT$54,806 thousand for the three months ended June 30, 2018 and 2017, respectively; and NT$42,996 thousand and NT$(32,026) thousand for the six months ended June 30, 2018 and 2017, 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 June 30, 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 six months ended June 30, 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 six months ended June 30, 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 six months ended June 30, 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 six months ended June 30, 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 June 30, 2018: Please refer to Table 5.

I. Direct or indirect significant influence or control over the investees for the six months ended June 30, 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 six months ended June 30, 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. The two reportable operating segments are 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.

Operating segments have not been aggregated to form the above reportable operating segments.

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

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.

(1) Segment income (loss)

For the three months ended June 30, 2018

	General Management	Overseas	Adjustment and Elimination (Note)	Consolidated
Revenue				
External customer	$ 1,257,254	$ 1,128,313	$ –	$ 2,385,567
Inter-segment	716,537	33,660	(750,197)	–
Total revenue	$ 1,973,791	$ 1,161,973	$ (750,197)	$ 2,385,567
Segment income (loss) (Income before income tax)	$ 225,441	$ (101,687)	$ 92,246	$ 216,000

Note: Inter-segment revenues were eliminated upon consolidation.

For the three months ended June 30, 2017

	General Management	Overseas	Adjustment and Elimination (Note)	Consolidated
Revenue				
External customer	$ 1,097,972	$ 1,678,841	$ –	$ 2,776,813
Inter-segment	526,518	75,865	(602,383)	–
Total revenue	$ 1,624,490	$ 1,754,706	$ (602,383)	$ 2,776,813
Segment income (loss) (Income before income tax)	$ 242,712	$ 100,663	$ (83,514)	$ 259,861

Note: Inter-segment revenues were eliminated upon consolidation.

For the six months ended June 30, 2018

	General Management	Overseas	Adjustment and Elimination (Note)	Consolidated
Revenue				
External customer	$ 2,285,603	$ 2,099,550	$ –	$ 4,385,153
Inter-segment	1,295,551	54,404	(1,349,955)	–
Total revenue	$ 3,581,154	$ 2,153,954	$ (1,349,955)	$ 4,385,153
Segment income (loss) (Income before income tax)	$ 366,374	$ (140,956)	$ 141,925	$ 367,343

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

Note: Inter-segment revenues were eliminated upon consolidation.

For the six months ended June 30, 2017

	General Management	Overseas	Adjustment and Elimination (Note)	Consolidated
Revenue				
External customer	$ 2,099,076	$ 2,990,394	$ －	$ 5,089,470
Inter-segment	1,069,519	135,426	(1,204,945)	－
Total revenue	$ 3,168,595	$ 3,125,820	$ (1,204,945)	$ 5,089,470
Segment income (loss) (Income before income tax)	$ 367,932	$ 152,645	$ (120,589)	$ 399,988

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)	Loss Allowance	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	$ 426,930	$ 426,930	$ 274,455	1.20%~7.00%	2	–	Operating capital	–	–	–	$ 1,375,612	$ 2,751,224	(Note 7)
0	Taiflex Scientific Co., Ltd.	Taiflex Scientific (Kunshan) Co., Ltd.	Other receivables - related parties	Y	1,219,800	1,219,800	762,378	1.20%~7.00%	2	–	Operating capital	–	–	–	1,375,612	2,751,224	(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 six months ended June 30, 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 the nature of financing is business transaction, the amount of transaction shall be disclosed. The amount of transaction refers to the business transaction amount 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 rights 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 rights, 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 (Note 7)	Endorsement Provided by Subsidiaries to Parent Company (Note 7)	Endorsement Provided to Subsidiaries in China (Note 7)
		Name	Nature of Relationship (Note 2)										
0	Taiflex Scientific Co., Ltd.	Taistar Co., Ltd.	2	$ 3,439,030	$ 121,980	$ 121,980	$ –	–	1.77%	$ 3,439,030	Y	N	N
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	3	3,439,030	1,276,308	1,217,677	148,227	–	17.70%		Y	N	Y
0	Taiflex Scientific Co., Ltd.	Taiflex Scientific (Kunshan) Co., Ltd.	3	3,439,030	1,088,519	901,405	350,652	–	13.11%		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 seven types. Please specify the type.
(1) A company that has business transactions with Taiflex.
(2) A company in which Taiflex directly or indirectly holds over 50% of the voting rights.
(3) A company that directly or indirectly holds over 50% of Taiflex’s voting rights.
(4) Endorsements/guarantees between companies in which Taiflex directly or indirectly holds over 90% of the voting rights.
(5) Mutual endorsements/guarantees between companies in the same industry or between joint builders which are provided in accordance with contractual terms for construction projects.
(6) Endorsements/guarantees provided by each shareholder for their jointly invested company in proportion to their shareholding percentages.
(7) Joint and several securities between companies in the same industry for performance guarantees of pre-construction homes under the Consumer Protection Act.

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 a single entity shall not exceed 20% of the net worth in the most recent financial statements. However, the restriction does not apply to guarantees/endorsements to companies whose voting rights are 100% held, directly or indirectly, by the Company.

Note 4: The maximum endorsement/guarantee balance for the six months ended June 30, 2018.

Note 5: This refers amounts approved by the Board of Directors. However, for matters delegated by the Board to the Chairperson in accordance with Subparagraph 8, Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, this would be the amounts approved by the Chairperson.

Note 6: This is the ending balance after evaluation.

Note 7: Fill in “Y” for endorsements/guarantees provided by listed parent companies to subsidiaries and vice versa, and for ones provided to subsidiaries in Mainland China.

TABLE 3: MARKETABLE SECURITIES HELD AS OF JUNE 30, 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	June 30, 2018				Note
					Shares (In Thousands)	Carrying Amount	Percentage of Ownership	Fair Value	
Taiflex Scientific Co., Ltd.	Non-listed (OTC) stocks	Exploit Technology Co., Ltd.	—	Financial assets at fair value through other comprehensive income, non-current	25	—	0.30%	—	—
	Non-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	$ 17,162	0.03%	$ 17,162	—

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.

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	$ 1,178,505	33.96%	150 days end of month	—	—	1,418,255	48.04%	—
Shenzhen Taiflex Electronic Co., Ltd.	Taiflex Scientific Co., Ltd.	The company's ultimate parent company	Purchases	1,178,505	73.56%	150 days end of month	—	—	(1,418,255)	(85.92%)	—

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	Lost Allowance	Note
					Amount	Action Taken			
Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	1,418,255	1.64	$ 238,073	Continue to push for collection	—	—	—

TABLE 6: INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE OR CONTROL 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 June 30, 2018			Net Income (Loss) of Investee	Share of Profit/Loss	Note
				June 30, 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%	$ 1,578,994	($192,541)	($192,073)	(Note 1)
Taiflex Scientific Co., Ltd.	Leadmax Limited	Samoa	Trading of electronic materials	337	337	10	100.00%	14,201	(1,821)	(1,821)	—
Taiflex Scientific Co., Ltd.	Koatech Technology Corporation	Taiwan	Manufacturing and selling of electronic materials and components	294,102	294,102	27,400	53.86%	233,343	9,358	2,321	(Note 2)
Taiflex Scientific Co., Ltd.	Innovision FlexTech Corp.	Taiwan	Manufacturing and selling of electronic materials	102,894	102,894	3,611	15.07%	49,154	56,917	17,378	—
Taiflex Scientific Co., Ltd.	TFS Co., Ltd.	Belize	Investment holding	478,797	478,797	15,520	100.00%	471,209	44,393	44,393	—
Taiflex Scientific Co., Ltd.	Richstar Co., Ltd.	Samoa	Investment holding	204,855	—	7,000	31.10%	235,878	48,903	4,495	—
Taiflex Scientific Co., Ltd.	Taiflex Scientific Japan Co., Ltd.	Japan	Trading of electronic materials and technical support	16,260	16,260	6	100.00%	17,273	75	75	—
Taiflex Scientific Co., Ltd.	Taiflex USA Corporation	U.S.A.	Technical service of electronic materials and marketing	8,821	—	1	100.00%	7,594	(1,506)	(1,506)	—
TFS Co., Ltd.	Richstar Co., Ltd.	Samoa	Investment holding	478,563	478,563	15,510	68.90%	522,638	48,903	44,408	—
Taistar Co., Ltd.	TSC International Ltd.	Cayman Islands	Investment holding	801,604	801,604	25,010	100.00%	1,546,155	(180,344)	(180,344)	—
Koatech Technology Corporation	KTC Global Co., Ltd.	Samoa	Investment holding	28,649	28,649	960	100.00%	17,038	(63)	(63)	—
KTC Global Co., Ltd	KTC PanAsia Co., Ltd.	Samoa	Investment holding	28,500	28,500	955	100.00%	17,356	(595)	(595)	—

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 June 30, 2018	Profit/ Loss of Investee	Percentage of Ownership (Direct or Indirect Investment)	Share of Profit/ Loss	Carrying Amount as of June 30, 2018	Accumulated Inward Remittance of Earnings as of June 30, 2018
					Outflow	Inflow						
Kunshan Taiflex Electronic Material Co., Ltd.	Trading of coating materials for high polymer film and copper foil	$184,126 (US$5,603,350)	Through reinvestment of a company established in the third area	$ 32,536	—	—	$ 32,536	$ 2,065	100.00%	$ 2,065	$ 249,834	$ 128,532
Taiflex Scientific (Kunshan) Co., Ltd.	Manufacturing and selling of coating materials for high polymer film and copper foil	$767,141 (US$24,000,000)	Through reinvestment of a company established in the third area	767,141	—	—	767,141	(182,387)	100.00%	(182,387)	697,014	—
Kunshan Koatech Technology Corporation	Wholesale and act as a commission agent of electronic materials and components	$28,351 (US$950,000)	Through reinvestment of a company established in the third area	28,351	—	—	28,351	(595)	53.86%	(320)	9,341	—
Shenzhen Taiflex Electronic Co., Ltd.	Trading of coating materials for high polymer film and copper foil	$479,160 (US$15,500,000)	Through reinvestment of a company established in the third area	479,160	—	—	479,160	43,696	100.00%	43,696	550,717	—
Rudong Fuzhan Scientific Co., Ltd.	Manufacturing and selling of electronic materials	$204,855 (US$7,000,000)	Through reinvestment of a company established in the third area	204,855	$204,855	—	204,855	5,220	100.00%	5,220	207,613	—

Accumulated Outflow of Investment from Taiwan to Mainland China as of June 30, 2018	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on Investment
$1,512,043	$2,399,726	$4,126,836

Note 1: The methods for investment in Mainland China are categorized 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 of the current period or the financial position, such as services rendered or received: N/A.

TABLE 8: INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS FOR THE SIX MONTHS ENDED JUNE 30, 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	$ 69,757	General trading terms	1.59%
0	Taiflex Scientific Co., Ltd.	Taiflex Scientific (Kunshan) Co., Ltd.	1	Accounts receivable	64,984	General trading terms	0.54%
0	Taiflex Scientific Co., Ltd.	Taiflex Scientific (Kunshan) Co., Ltd.	1	Other receivables	7,798	−	0.06%
0	Taiflex Scientific Co., Ltd.	Taiflex Scientific (Kunshan) Co., Ltd.	1	Other receivables	762,378	Financing	6.34%
0	Taiflex Scientific Co., Ltd.	Taiflex Scientific (Kunshan) Co., Ltd.	1	Cost of revenue	42,351	General trading terms	0.97%
0	Taiflex Scientific Co., Ltd.	Taiflex Scientific (Kunshan) Co., Ltd.	1	Accounts payable	25,899	General trading terms	0.22%
0	Taiflex Scientific Co., Ltd.	Taiflex Scientific (Kunshan) Co., Ltd.	1	Purchase on behalf of others	7,503	−	0.17%
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	1	Sales revenue	1,178,505	General trading terms	26.87%
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	1	Accounts receivable	1,418,255	General trading terms	11.80%

Note 1: Transaction information between the parent company and its subsidiaries shall 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 the consolidated total assets for balance sheet items; and based on the interim accumulated amount to the consolidated net revenue for profit or loss items.

Note 4: This is the ending balance after evaluation.