



*Russell
Bedford*

Yungtay Engineering Co., Ltd.

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

建昇財稅聯合會計師事務所

Accounting · Audit · Tax · Consulting · Legal

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**Yungtay Engineering Co., Ltd.
and Subsidiaries**

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Yungtay Engineering Co., Ltd.

Opinion

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

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2017 and 2016, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standard are further described in the section Auditors' Responsibilities for the Audit of the Parent company only Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audits evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recognition of sales

Please refer to Note 6(17) to the parent company only financial statements for the details of the information about the sale of goods associated with elevators and related maintenance, which accounts for 99.44% of the total operating revenue.

The main clients come from construction industry, which have already signed the contract with regard to the sales of elevator and maintenance. The timing for revenue recognition lies in the point when the elevator is installed completely and are examined and qualified by the competent authority, and the maintenance is recognized over time followed by the designated service time in accordance with the contract. Since the timing for revenue recognition and correct attribution of revenue is subject to the significant judgment and decision from the management, it has been identified a key audit matter.

Our key audit procedures performed in respect of the above area included: review the material contracts in order to evaluate the sales of elevators, maintenance and related products and services to be recognized in the right time and to be reasonable.

Responsibilities of Management and Those Charged with Governance for the Parent company only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.



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

Those charged with governance (including supervisors) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent company only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence on the financial information of components constituting the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with statements that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 2017 parent company



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only financial statements and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chen, Jen-Chi and Chen, Xiu-li.

A member of Russell Bedford International

Taipei, Taiwan (Republic of China)

March 15, 2018

Notice to Readers

The accompanying parent company only financial statements are intended only to present the parent company only financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such parent company only financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying parent company only financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and parent company only financial statements shall prevail.

Yungtay Engineering Co., Ltd.
Parent Company Only Balance Sheets - Asset
(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Account	Note	31-Dec-17		31-Dec-16	
			Amount	%	Amount	%
11xx	Current assets					
1100	Cash and cash equivalents	6(1)	\$ 823,662	5	1,353,550	8
1110	Financial asset at fair value through profit or loss	6(2)	211,202	1	406,969	2
1125	Available-for-sale financial assets	6(2)	95,957	1	-	-
1150	Note receivable, net	6(3)	205,249	1	212,497	2
1170	Accounts receivable, net	6(3)	1,035,155	7	1,001,654	6
1200	Other receivables		3,324	-	12,090	-
130x	Inventories	6(4)	1,194,172	8	1,081,088	7
1410	Prepayments	6(5)	14,180	-	11,000	-
1460	Non-current assets held for sale	6(6)	-	-	-	-
1470	Other current assets		686	-	-	-
11xx	Total current assets		<u>3,583,587</u>	<u>23</u>	<u>4,078,848</u>	<u>25</u>
15xx	Non-current assets					
1543	Non-current financial assets at cost	6(8)	86,557	1	286,557	2
1550	Investments accounted for using equity method	6(9)	9,087,814	60	9,381,336	57
1600	Property, plant and equipment	6(10)	1,386,582	9	1,302,883	8
1760	Investment property, net	6(11)	940,807	6	986,156	6
1780	Intangible assets	6(12)	7,806	-	8,226	-
1840	Deferred income tax assets	6(20)	147,788	1	307,290	2
1915	Prepayments for equipment	6(10)	17,023	-	23,375	-
1920	Refundable deposits	6(7)	49,880	-	41,618	-
1990	Advances to employees and official business		4,413	-	7,710	-
1990	Other non-current assets, others	12(1)	5,520	-	11,040	-
15xx	Total non-current assets		<u>11,734,190</u>	<u>77</u>	<u>12,356,191</u>	<u>75</u>
1xxx	Total assets		<u>\$ 15,317,777</u>	<u>100</u>	<u>16,435,039</u>	<u>100</u>

(Continued)

(Notes attached are part of the parent company only financial statements)

Yungtay Engineering Co., Ltd.
Parent Company Only Balance Sheets – Liabilities and Equity
(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Account	Note	31-Dec-17		31-Dec-16	
			Amount	%	Amount	%
21xx	Current liabilities					
2120	Financial liabilities at fair value through profit or loss	6(2)	\$ 686	-	-	-
2150	Notes payable		286,593	2	296,924	2
2170	Accounts payable		447,072	3	407,998	2
2200	Other payables	6(13)	227,461	1	252,482	2
2230	Current income tax liabilities	6(20)	2,247	-	196,824	1
2310	Advances received	6(14)	1,917,793	12	1,922,289	12
2313	Deferred revenue	6(17)	89,387	1	95,602	1
2335	Receipts under custody		1,237	-	1,193	-
	Total current liabilities		<u>2,972,476</u>	<u>19</u>	<u>3,173,312</u>	<u>20</u>
25xx	Non-current liabilities					
2570	Deferred income tax liabilities	6(20)	6,868	-	7,967	-
2630	Long-term deferred revenue	6(17)	33,024	-	35,922	-
2640	Net defined benefit liabilities-non-current	6(15)	716,714	5	1,480,836	9
2645	Deposit received		5,277	-	5,277	-
25xx	Total non-current liabilities		<u>761,883</u>	<u>5</u>	<u>1,530,002</u>	<u>9</u>
2xxx	Total liabilities		<u>3,734,359</u>	<u>24</u>	<u>4,703,314</u>	<u>29</u>
31xx	Equity					
3100	Capital stock	6(16)	4,108,200	26	4,108,200	24
3200	Capital surplus	6(16)	264,835	2	256,332	2
3300	Retained earnings	6(16), 6(20)				
3310	Legal reserve		2,896,805	19	2,741,305	17
3350	Unappropriated earnings		4,236,232	28	4,331,773	26
3400	Other equity	6(16)	146,757	1	363,526	2
3500	Treasury stock	6(16)	(69,411)	-	(69,411)	-
3xxx	Total equity		<u>11,583,418</u>	<u>76</u>	<u>11,731,725</u>	<u>71</u>
3x2x	Total liabilities and equity		<u>\$ 15,317,777</u>	<u>100</u>	<u>16,435,039</u>	<u>100</u>

(Notes attached are part of the parent company only financial statements)

Yungtay Engineering Co., Ltd.
Parent Company Only Statements of Comprehensive Income
(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Account	Note	2017		2016	
			Amount	%	Amount	%
4000	Operating revenue	6(17)	\$ 5,465,334	100	5,489,385	100
5000	Operating costs	6(4)	(3,702,387)	(68)	(3,606,337)	(66)
5900	Gross profits from operations		1,762,947	32	1,883,048	34
5910	Unrealized profit from sales		(705)	-	(948)	-
5920	Realized profit from sales		948	-	904	-
5950	Gross profits from operations, net		1,763,190	32	1,883,004	34
6000	Operating expenses					
6100	Selling expenses		(57,396)	(1)	(53,085)	(1)
6200	Administrative expenses		(386,723)	(7)	(405,811)	(7)
6300	Research and development expenses		(169,835)	(3)	(149,243)	(3)
	Total operating expenses		(613,954)	(11)	(608,139)	(11)
6900	Net operating income		1,149,236	21	1,274,865	23
7000	Non-operating income and expenses					
7010	Other income	6(18)	12,975	-	20,110	-
7020	Other gains and losses	6(18)	(6,555)	-	(12,845)	-
7050	Finance costs	6(18)	(98)	-	(62)	-
7070	Share of profit of subsidiaries and associates accounted for using equity method	6(9)	279,896	5	584,753	11
	Non-operating income and expenses		286,218	5	591,956	11
7900	Income before income tax		1,435,454	26	1,866,821	34
7950	Income tax expenses					
7951	Current income tax expenses	6(20)	(132,636)	(2)	(297,809)	(6)
7952	Deferred income tax expenses	6(20)	(174,932)	(3)	(14,017)	-
8000	Current income from continuing operations		1,127,886	21	1,554,995	28
8100	Gains and losses from discontinuing operation, net		-	-	-	-
8200	Net income for the year		1,127,886	21	1,554,995	28
8300	Other comprehensive income (loss), net					
8310	Items that will not be reclassified subsequently to profit of loss:					
8311	Re-measurement on defined benefits obligation	6(15)	(97,225)	(2)	(21,089)	-
8321	Re-measurement on defined benefits obligation of associates accounted for using equity method		(1,263)	-	414	-
8349	Income tax benefit related to items that will not be reclassified subsequently	6(20)	16,529	-	3,585	-
	Total items not reclassified into gains and losses		(81,959)	(2)	(17,090)	-
8360	Items that may be reclassified subsequently to profit of loss:					
8362	Unrealized gains (losses) from available-for-sale financial assets	6(16)	(7,743)	-	697	-
8380	Share of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method	6(16)	(209,026)	(4)	(740,028)	(13)
	Total items to be reclassified into gains and losses		(216,769)	(4)	(739,331)	(13)
8500	Total comprehensive income for the year		\$ 829,158	15	798,574	15
	Earnings per share (in NT dollar)	6(21)				
9750	Basic earnings per share (in NT dollar)		\$ 2.76		3.80	

(Notes attached are part of the parent company only financial statements)

Yungtay Engineering Co., Ltd.
Parent Company Only Statements of Changes in Equity
(Amounts Expressed in Thousands of New Taiwan Dollars)

Account	Retained earnings			Other equity			Total equity	
	Capital stock	Capital surplus	Legal reserve	Unappropriated earnings	Exchange differences arising on translation of foreign	Unrealized gains (losses) from available-for-sale financial assets		Treasury stock
Balance as of January 1, 2016	\$ 4,108,200	250,581	2,556,338	4,088,177	1,104,651	(1,794)	(69,411)	12,036,742
Appropriation & distribution of earnings in 2015								
Legal reserve			184,967	(184,967)				-
Cash dividends				(1,109,214)				(1,109,214)
Adjustments of capital surplus for company's cash dividends received by subsidiaries								
Net income in 2016 (Note 1)		5,751		1,554,995				5,751
Other comprehensive income (loss) in 2016				(17,090)	(739,504)	173		1,554,995
Total comprehensive income (loss) in 2016				1,537,905	(739,504)	173		(756,421)
Changes on disposal of shares of investee				(128)				798,574
Balance as of December 31, 2016	\$ 4,108,200	256,332	2,741,305	1,537,777	365,147	(1,621)	(69,411)	11,731,725
Balance as of January 1, 2017	\$ 4,108,200	256,332	2,741,305	4,331,773	365,147	(1,621)	(69,411)	11,731,725
Appropriation & distribution of earnings in 2016								
Legal reserve			155,500	(155,500)				-
Cash dividends				(985,968)				(985,968)
Adjustments of capital surplus for parent's cash dividends received by subsidiaries								
Overdue dividends unaccrued		5,112						5,112
Adjustments to share of changes in equities of associates		3,319						3,319
Net income in 2017 (Note 2)		72		1,127,886				72
Other comprehensive income (loss) in 2017				(81,959)	(209,671)	(7,098)		1,127,886
Total comprehensive income (loss) in 2017				1,045,927	(209,671)	(7,098)		(298,728)
Balance as of December 31, 2017	\$ 4,108,200	264,835	2,896,805	4,236,232	155,476	(8,719)	(69,411)	829,158
								11,583,418

Note 1: The employee's bonus and the remuneration of directors and supervisors in 2016 are NT\$ 48,424,000 and NT\$5,380,000 respectively, which have been deducted from the parent company only statement of comprehensive income.

Note 2: The employee's bonus and the remuneration of directors and supervisors in 2017 are NT\$39,596,000 and NT\$4,400,000 respectively, which have been deducted from the parent company only statement of comprehensive income.

(Notes attached are part of the parent company only financial statements)

Yungtay Engineering Co., Ltd.
Parent Company Only Statements of Cash flows
(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Account	2,017	2,016
AAAA	Cash flows from operating activities:		
A10000	Income before income tax	\$ 1,435,454	1,866,821
A20000	Adjustments:		
A20010	Adjustments to reconcile profit (loss) that would not affect the cash flows		
A20100	Depreciation expense	52,216	48,392
A20200	Amortization expense	6,521	4,883
A20400	Financial asset at fair value through profit or loss	879	1,138
A20900	Interest expense	98	62
A21200	Interest income	(6,498)	(9,466)
A21300	Dividend income	(6,477)	(10,644)
A23900	Gross (gain) loss from sale, net	(243)	44
A22400	Share of (profit) of subsidiaries and associates accounted for using equity method	(279,896)	(584,753)
A22500	Loss (gain) on disposal of property, plant and equipment,	(1,029)	127
A22500	Loss on obsolescence of property, plant and equipment	31	54
A22500	Gain on disposal of other non-current assets	(3,780)	-
A22700	Loss on disposal of Investment property	-	71
A23100	Loss on disposal of investments	-	445
A23700	Allowance for inventory valuation	16,316	(5,492)
A24100	Unrealized foreign exchange loss	31,608	18,705
A20010	Total adjustments to reconcile profit (loss)	<u>(190,254)</u>	<u>(536,434)</u>
A30000	Change in operating assets and liabilities		
A31000	Change in operating assets		
A31110	Increase (decrease) in financial assets held for sale	291,188	(104,804)
A31130	Increase (decrease) in notes receivable, net	7,248	46,671
A31150	Increase (decrease) in accounts receivable, net	(33,501)	(7,201)
A31180	Increase (decrease) in other receivables	9,973	32
A31200	Decrease (increase) in inventory	(130,313)	3,648
A31230	Decrease in prepayments	(7,196)	878
A31000	Total change in operating assets	<u>137,399</u>	<u>(60,776)</u>
A32000	Change in operating liabilities		
A32130	Increase (decrease) in notes payable	(10,331)	(6,322)
A32150	Increase (decrease) in accounts payable	39,074	(41,459)
A32180	Increase (decrease) in other payables	(25,021)	8,827
A32210	Increase (decrease) in unearned revenue	(4,496)	(23,442)
A32230	Increase (decrease) in other current liabilities	44	7
A32240	Increase (decrease) in defined benefit liabilities, net	(861,347)	(76,303)
A23990	Increase in deferred revenue	(9,113)	(3,108)
A32000	Total change in operating liabilities	<u>(871,190)</u>	<u>(141,800)</u>
A30000	Total change in operating assets and liabilities	<u>(733,791)</u>	<u>(202,576)</u>

(Continued)

Yungtay Engineering Co., Ltd.
Parent Company Only Statements of Cash flows
(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Account	2017	2016
A20000	Total adjustments	(924,045)	(739,010)
A33000	Cash inflow (outflow) generated from operations	511,409	1,127,811
A33100	Interest received	6,787	9,794
A33200	Dividends received	280,033	385,591
A33300	Interest paid	(98)	(62)
A33350	Income tax paid	(327,213)	(231,711)
AAAA	Net cash generated from operating activities	470,918	1,291,423
BBBB	Cash flow from investing activities		
B00400	Disposal of financial assets available-for sale-non-current	-	5,188
B01400	Proceeds from decrease of capital of financial assets carried at cost	-	1,503
B02400	Proceeds from decrease of capital of investees accounted	95,000	66,575
B02700	Acquisition of property, plant and equipment (Note 6(22))	(63,901)	(64,661)
B02800	Proceeds from disposal of property, plant and equipment	1,141	29
B02800	Proceeds from disposal of other assets-golf certificate	9,300	-
B03700	Increase in refundable deposits	(8,262)	-
B03800	Decrease in refundable deposits	-	1,089
B04500	Acquisition of intangible assets	(6,101)	(6,407)
B05500	Disposal of investment property	-	8
B06700	Decrease (increase) in other non-current assets	3,297	(3,821)
B07100	Increase in prepayments on equipment	(17,023)	(23,375)
BBBB	Net cash flows from investing activities	13,451	(23,872)
CCCC	Cash flows from financing activities		
C03000	Increase in deposits received	-	99
C04500	Cash dividends	(985,968)	(1,109,214)
C09900	Other-overdue dividends unaccalimed	3,319	-
CCCC	Net cash flows from financing activities	(982,649)	(1,109,115)
DDDD	Impact of change in exchange rate on cash and cash equivalents	(31,608)	(18,705)
EEEE	Net increase (decrease) in cash and cash equivalents	(529,888)	139,731
E00100	Cash and cash equivalents at the beginning of year	1,353,550	1,213,819
E00200	Cash and cash equivalents at the end of year	\$ 823,662	1,353,550

(Notes attached are part of the parent company only financial statements)

Yungtay Engineering Co., Ltd.

Notes to Parent Company Only Financial Statements

For the years ended December 31, 2017 and 2016

(Amounts in Thousands of New Taiwan Dollars, unless specified otherwise)

1. GENERAL

Yungtay Engineering Co., Ltd. ("YTEC" or the "Company"), a Republic of China (R.O.C.) corporation, was incorporated on July 9, 1966. YTEC is engaged mainly in manufacturing and selling all kinds of elevators, escalators and related spare parts and components for providing installation and maintenance. The Principal operating items of YTEC's subsidiaries are described in Note 4(3). The address of its registered office and principal place of business is 11F, No.99, Fu-Hsin N. Rd., Taipei, Taiwan, R.O.C.. YTEC's shares were listed on the Taiwan Stock Exchange (TWSE) in November, 1989.

The number of employees of the Company was 1,737 and 1,634 as of December 31, 2017 and 2016, respectively.

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying parent company only financial statements were approved and authorized for issue by the Board of Directors on March 15, 2018.

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

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

The initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have a significant effect on the Company's accounting policies.

(2) The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2018

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendments to IFRS 15 “Clarifications to IFRS15 Revenue from Contracts with Customers”	January 1, 2018
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of investment property”	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

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

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

a. IFRS 9 “Financial Instruments” and related amendments

Classification, measurement and impairment of financial assets

All recognized financial assets currently in the scope of IAS 39, “Financial Instruments: Recognition and Measurement,” are subsequently measured at amortized cost or the fair value. The classification and measurement requirements in IFRS 9 are stated as follows:

For the debt instruments invested by the Company that have the contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, the classification and measurement requirements are stated as follows:

- (a) If the objective of the Company's business model is to hold the financial asset to collect the contractual cash flows, such assets are measured at the amortized cost. Interest revenue should be recognized in profit or loss by using the effective interest method, continuously assessed for impairment and the impairment loss or reversal of impairment loss should be recognized in profit and loss.
- (b) If the objective of the Company's business model is to hold the financial asset both to collect the contractual cash flows and to sell the financial assets, such assets are measured at fair value through other comprehensive income(FVTOCI) and are continuously assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method. A gain or loss on a financial asset measured at fair value through other comprehensive income should be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When such financial asset is derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

The other financial assets which do not meet the aforementioned criteria should be measured at the fair value through profit or loss. However, the Company may irrevocably designate an investment in equity instruments that is not held for trading as measured at FVTOCI. All relevant gains and losses shall be recognized in other comprehensive income, except for dividends which are recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The Company analyzed the facts and circumstances of its financial assets that exist at December 31, 2017 and performed an assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9:

- Listed shares classified as available-for-sale will be classified as FVTOCI because the contractual cash flows are not solely payments of principal and interest on the principal outstanding;
- Unlisted shares measured at cost will be measured at fair value instead under IFRS 9.

IFRS 9 requires impairment loss on financial assets recognized by using the "Expected Credit Losses Model". The loss allowance is required for financial assets measured at amortized cost, and contract assets arising from IFRS 15 "Revenue from Contracts with Customers". A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

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

The Company has performed an assessment that the Company will apply the simplified approach (including Provision Matrix) to recognize lifetime expected credit losses for trade receivables and contract assets. In general, the Company anticipates that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for financial assets.

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

As listed shares, with carrying amount of NT\$95,957 thousand, that were previously classified as available-for-sale financial assets under IAS 39 are not held for trading, the Company elects to designate all of these investments as at FVTOCI under IFRS 9. Unlisted shares, with carrying amount of NT\$88,932 thousand, that were previously measured at cost under IAS 39 are remeasured at FVTOCI.

Consequently, both shares, in spite of listed or unlisted, are classified as FVTOCI. All relevant gains and loss shall be recognized in other comprehensive income, except for dividends which are recognized in profit or

loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to retained earnings when FVTOCI under IFRS 9 is disposed. The Company predicts that the above-mentioned changes would not result in any material effect.

Hedge accounting

The main changes in hedge accounting under IFRS 9 amended the application requirements for hedge accounting to better reflect the entity's risk management activities. Compared with IAS 39, the main changes include: (1) enhancing types of transactions eligible for hedge accounting, specifically broadening the risks eligible for hedge accounting of non-financial items; (2) changing the way the hedging cost of derivative instruments are accounted for to reduce profit or loss volatility; and (3) replacing retrospective effectiveness assessment with the principle of economic relationship between the hedging instrument and the hedged item.

A preliminary assessment of the Company's current hedging relationships indicates that they will qualify as continuing hedging relationships under IFRS 9. The Company will prospectively apply the requirements for hedge accounting upon initial application of IFRS 9.

b. IFRS 15 "Revenue from Contracts with Customers" and related amendments

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

When applying IFRS 15, the Company shall recognize revenue by applying the following steps:

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

The Company elects only to retrospectively apply IFRS 15 to contracts that were not completed on January 1, 2018 and elects not to restate prior reporting period with the cumulative effect of the initial application recognized at the date of initial application.

The Company recognized revenue that applies to all contracts with customers includes the sales of goods and providing services. The impact of revenue recognition to the Company under IFRS 15 are stated as follows:

(a) After the goods-elevator is examined and qualified by the competent authority, the Company recognizes the revenue when the elevator is delivered to the customer, i.e. the Company satisfies the performance obligation. As a result, the revenue recognition of the sales of goods under IFRS 15 has no material influence to the Company except for the consideration received in advance, previously classified under advance received and now reclassified under contract liabilities, with carrying amount of NT\$7,084,434 thousand.

(b) The services provided by the Company, including repair, maintenance and rental, are recognized revenue over time when the Company complete the contract to some extent in accordance with the contract with the customers. i.e. when the Company transfers the promised services to the customer and satisfies the performance obligation, the Company can recognize the revenue. As a result, the revenue recognition over time in respect of services rendered by the Company under IFRS 15 has no material influence to the Company, except for the consideration received, previously classified under advance received and now reclassified under contract liabilities, with carrying amount of NT\$353,864 thousand.

c. IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration.

The Company will apply IFRIC 22 prospectively to all assets, expenses and income recognized on or after January 1, 2018 within the scope of the Interpretation.

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

(3) The IFRSs issued by IASB but not yet endorsed and issued into effect by FSC

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

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

Note 2: The FSC permits the election for early adoption of the amendments starting from January 1, 2018.

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

a. IFRS 16 "Leases"

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

Under IFRS 16, if the Company is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the parent company only balance sheets except for low-value and short-term leases. The Company may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the parent company

only statements of comprehensive income, the Company should present the depreciation expense charged on the right-of-use asset and the interest expense accrued on the lease liability that is computed by using effective interest method. On the parent company only statements of cash flows, cash payments for the principal of the lease liability and interest expense should present within financing activities.

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

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

b. IFRIC 23 “Uncertainty Over Income Tax Treatments

IFRS 23 clarified that when income tax treatments exist uncertainty, the Company has to make assumption that tax authority will get relevant data to proceed inspection in case that tax treatment is judged probably to be accepted by tax authority, the decision made by the Company with regard to taxable income, tax base, unused taxable loss, unused tax credits and tax rate must comply with income tax treatments while filing the income tax to tax authority.

The Company may elect to apply IFRIC 23 either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this standard recognized at the date of initial application.

Except for the aforementioned impact, as of the date the accompanying parent company only financial statements were authorized for issue, the Company continues in evaluating the impact on its financial position and financial performance as a result of the initial adoption of the other standards or interpretations. The related impact will be disclosed when the Company completes the evaluation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies are summarized as follows:

(1) Statement of Compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial

Reports by Securities Issuers and IFRSs as endorsed by the FSC with effective dates.

(2) Basis of Preparation

The parent company only financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

(3) Foreign Currencies

The financial statements of each individual parent company only entity were expressed in the currency, which reflected its primary economic environment (functional currency). The functional currency of the Company and presentation currency of the parent company only financial statements are both New Taiwan Dollars (NT\$). In preparing the parent company only financial statement, the operating results and financial positions of each parent company only entity are translated into NT\$.

In preparing the financial statements of each individual parent company only entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Such exchange differences are recognized in profit or loss in the period in which they arise. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of presenting parent company only financial statements, the assets and liabilities of the Company's foreign operations are translated into NT\$ using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity.

(4) Classification of Current and Noncurrent Assets and Liabilities

Current assets include:

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

Current liabilities include:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities due to be settled within twelve months after the reporting period; and
- c. Liabilities for which the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

(5) Cash Equivalents

Cash equivalents, for the purpose of meeting short-term cash commitments, consist of highly liquid time deposits and investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(6) Financial Instruments

Financial assets and liabilities shall be recognized when the Company becomes a party to the contractual provisions of the instruments.

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

a. Financial Assets

Financial assets are classified as available-for-sale financial assets and loans and receivables. Thus are depended at the time of initial recognition's characteristic and purpose. Convention trading of financial assets are recognized and derecognized on a settlement date basis. Convention trading purchases or sales of financial assets require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity financial assets or (c) financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Interest income from available-for-sale monetary financial assets and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss

previously recognized in other comprehensive income is reclassified to profit or loss.

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

Available-for-sale equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period. Such equity instruments are subsequently remeasured at fair value when their fair value can be reliably measured, and the difference between the carrying amount and fair value is recognized in profit or loss or other comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables including cash and cash equivalents, notes and accounts receivable and other receivables are measured at amortized cost using the effective interest method, less any impairment, except for those loans and receivables with immaterial discounted effect.

Impairment of financial assets

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

For financial assets carried at amortized cost, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. The Company assesses the collectability of receivables by performing the account aging analysis and examining current trends in the credit quality of its customers.

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

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

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

In respect of available-for-sale equity instruments, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to the recognition of an impairment loss is recognized in other comprehensive income and accumulated under the heading of unrealized gains or losses from available-for-sale financial assets.

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

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

Derecognition of financial assets

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

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

b. Financial Liabilities and Equity Instruments

Classification as debt or equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are subsequently measured either at amortized cost using effective interest method or at FVTPL.

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

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

Financial liabilities other than those held for trading purposes and designated as at FVTPL are subsequently measured at amortized cost at the end of each reporting period.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when the Group has the legally enforceable rights to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

c. Derivative financial instruments and hedge accounting

The Company holds derivative financial instruments to hedge its forward foreign currency exposures. Derivatives are recognized initially at fair value, and attributable transaction costs are recognized in profit or loss as incurred.

Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss and presented under non-operating income and expenses. When a derivative is designated as a hedging instrument, its timing of recognition in profit or loss is determined based on the nature of the hedging relationship. When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

When a derivative is designated as a cash flow hedge, the changes in the fair value of the derivative that is determined to be effective is recognized in other comprehensive income. Any ineffective portion of changes in the fair value of the derivative is recognized in profit or loss and presented under non-operating income and expenses.

When the hedged item is recognized in profit or loss, amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the same period or periods during which the hedged item affects profit or loss, and it is presented in the same accounting caption with the hedged item recognized in the statements of comprehensive income. When a cash flow hedge is expected to recognize as a non-financial asset or liability, amounts previously recognized in other comprehensive income and accumulated in other components of equity are reclassified as the initial cost of the non-financial asset or liability.

(7) Measurement of Fair Value

IFRS 13 defines fair value as 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 (an exit price). When measuring fair value, an entity uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. As a result, an entity's intention to hold an asset or to settle or otherwise fulfil a liability is not relevant when measuring fair value.

For the aforementioned fair value hedge, hedge accounting is discontinued prospectively when the Company revokes the designated hedging relationship, or when the hedging instruments expire or are sold, terminated, or exercised, or no longer meet the criteria for hedge accounting.

(8) Inventories

Inventories are stated at the lower of cost or net realizable value. Inventories are recorded at standard cost and adjusted to approximate weighted-average cost at the end of the reporting period. Net realizable value represents the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale.

(9) Non-current Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition.

To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Recognition of depreciation of those assets would cease.

(10) Investments Accounted for Using Equity Method

Investments accounted for using the equity method include investments in subsidiaries and associates.

Investment in subsidiaries

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

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

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amount of the subsidiary and the fair value of the consideration paid or received is recognized directly in equity.

When the Company loses control of a subsidiary, any retained investment of the former subsidiary is measured at the fair value at that date. A gain or loss is recognized in profit or loss and calculated as the difference between (a) the aggregate of the fair value of consideration received and the fair value of any retained interest at the date when control is lost; and (b) the previous carrying amount of the investments in such subsidiary. In addition, the Company shall account for all amounts previously recognized in other comprehensive income in relation to the subsidiary on the same basis as would be required if the subsidiary had directly disposed of the related assets and liabilities.

When the Company transacts with its subsidiaries, profits and losses resulting from the transactions with the subsidiaries are recognized in the Company's parent company only financial statements only to the extent of interests in the subsidiaries that are not owned by the Company.

Investment in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The operating results and assets and liabilities of associates are incorporated in these parent company only financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized in the parent company only statement of financial position at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the associate as well as the distribution received. The Company also recognizes its share in the changes in the equities of associates.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date when the Company ceases to have significant influence over an associate. When the Company retains an interest in the former associate, the Company measures the retained interest at fair value at that date. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Company shall account for all amounts recognized in other comprehensive income in relation to that associate on the same basis as would be required if the associate had directly disposed of the related assets or liabilities. If the Company's ownership interest in an associate is reduced as a result of disposal, but the investment continues to be an associate, the Company should reclassify to profit or loss only a proportionate amount of the gain or loss previously recognized in other comprehensive income.

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

When a parent company only entity transacts with an associate, profits and losses resulting from the transactions with the associate are recognized in the Company's parent company only financial statements only to the extent of interests in the associate that are not owned by the Company.

(11) Property, Plant and Equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment. Costs include any incremental costs that are directly attributable to the construction or acquisition of the item of property, plant and equipment.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost of the assets less their residual values over their useful lives, and it is computed using the straight-line method over the following estimated useful lives:

Categories of assets	Years
Building	
Main Building	10~55
Decoration Works	2~25
Electrical and Mechanical Engineering	5~15
Machinery and Equipment	5~15
Telecommunications Equipment	2~10
Transportation Equipment	2~10
Furniture and Fixtures	2~10
Research Equipment	2~10
Tools and Sundry Equipment	2~10

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis. Land is not depreciated.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

(12) Investment Properties

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

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the straight-line method over the following estimated useful lives:

Categories of assets	Years
Building	
Main Building	10~55
Decoration Works	3~10
Electrical and Mechanical Engineering	3~15

The Company decides to transfer into or from investment properties in accordance with the actual purpose of asset.

(13) Leases

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

The Company as lessor

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

The Company as lessee

Assets held under finance lease are initially recognized as assets of the Company at the fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is recognized as an obligation under finance lease.

Lease payments are apportioned between finance expense and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

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

(14) Intangible Assets

Separately acquired intangible assets with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized using the straight-line method over the following estimated useful lives: computer software – 1~10 years. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

(15) Impairment of Tangible and Intangible Assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Company of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted

to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset or a cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(16) Provision

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(17) Treasury Stock

The Company's own equity instruments repurchased are recognized at repurchase cost (including attributable cost) and deducted from equity.

Any difference between the carrying amount and the consideration is recognized in equity.

The parent company's shares held by the subsidiary are accounted for treasury stock, and the cash dividends, distributed from the parent company to the subsidiary, are classified under the capital surplus-transaction of treasury stock.

(18) Employee Benefits

Short-term employee benefits

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

Retirement benefits

For defined contribution retirement benefit plans, payments to the benefit plan are recognized as an expense when the employees have rendered service entitling them to the contribution. For defined benefit retirement benefit plans, the cost of providing benefit is recognized based on actuarial calculations.

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

Net defined benefit liability represents the actual deficit in the Company's defined benefit plan.

(19) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

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

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the

goods sold;

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Due to the short term nature of the receivables from sale of goods with the immaterial discounted effect, the Company measures them at the original invoice amounts without discounting.

Services, dividend and interest income

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract.

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

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

(20) Taxation

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

Current tax

Income tax on unappropriated earnings of the Company is expensed in the year the shareholders approved the appropriation of earnings which is the year subsequent to the year the earnings are generated.

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

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the parent company only financial statements and the corresponding tax bases used in the computation of

taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, net operating loss carryforwards and tax credits for research and development expenses to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. The deferred tax assets which originally not recognized is also reviewed at the end of each reporting period and recognized to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

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

Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly

in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

(21) Earnings per share

Basic earnings per share is computed by dividing profit or loss attributable to the shareholders of the Company by the weighted-average number of common shares outstanding during the period. In computing diluted earnings per share, profit or loss attributable to the shareholders of the Company and the weighted-average number of common shares outstanding during the period are adjusted for the effects of dilutive potential common stock, assuming dilutive share equivalents had been issued.

The weighted-average outstanding shares are retroactively adjusted for the effects of stock dividends transferred from retained earnings and capital surplus to common stock.

(22) Information of the segment reporting

The Company has disclosed the segment reporting in the consolidated financial statements, there is no necessity to disclose the information of the segment reporting in the parent company only financial statements accordingly.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

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

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

(1) Impairment of Tangible and Intangible Assets Other than Goodwill

In the process of evaluating the potential impairment of tangible and intangible assets other than goodwill, the Company is required to make subjective judgments in determining the independent cash flows, useful lives, expected future revenue and expenses related to the specific asset Companies with the consideration of the nature of semiconductor industry. Any changes in these estimates based on changed economic conditions or business strategies could result in significant impairment charges or reversal in future years.

(2) Impairment Assessment on Investment Using Equity Method

The Company assesses the impairment of investments accounted for using the equity method whenever triggering events or changes in circumstances indicate that an investment may be impaired and carrying value may not be recoverable. The Company measures the impairment based on a projected future cash flow of the investees, including the underlying assumptions of sales growth rate and capacity utilization rate formulated by such investees' internal management team. The Company also takes into account market conditions and the relevant industry trends to ensure the reasonableness of such assumptions.

(3) Realization of Deferred Income Tax Assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilized. Assessment of the realization of the deferred tax assets requires the Company's subjective judgment and estimate, including the future revenue growth and profitability, tax holidays, the amount of tax credits can be utilized and feasible tax planning strategies. Any changes in the global economic environment, the industry trends and relevant laws and regulations could result in significant adjustments to the deferred tax assets.

(4) Valuation of Inventory

Inventories are stated at the lower of cost or net realizable value, and the Company uses judgment and estimate to determine the net realizable value of inventory at the end of each reporting period.

Due to the rapid technological changes, the Company estimates the net realizable value of inventory for obsolescence and unmarketable items at the

end of reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon.

6. Description of Major Accounting Items

(1) Cash and cash equivalents

	December 31 2017	December 31 2016
Cash on hand	\$ 5,171	5,123
Deposits in banks		
Checking accounts	80,825	78,459
Demand deposits (including foreign currency deposits)	425,846	524,648
Cash equivalents		
Time deposits (including foreign currency deposits)	311,820	745,320
Total	\$ 823,662	1,353,550

a. The currency risk and sensitivity analysis of the Company's financial assets and liabilities was disclosed in the Note 12(1).4.

b. No cash and cash equivalents of the Company were pledged as collateral.

(2) Financial instruments-assets (liabilities)

	December 31 2017	December 31 2016
Financial assets at FVTPL-current		
Mutual funds and	\$ 211,202	406,969
Forward exchange contracts	(686)	-
Available-for-sale financial assets-current		
Publicly traded stocks	95,957	-
Total	\$ 306,473	406,969
	December 31 2017	December 31 2016
Current	\$ 306,473	406,969
Non-current	-	-
Total	\$ 306,473	406,969

- a. The Company entered into derivative contracts to manage exposures due to fluctuations of foreign exchange rates. These derivative contracts did not meet the criteria for hedge accounting. Therefore, the Company did not apply hedge accounting treatment for these derivative contracts in 2017.
- b. Outstanding forward exchange contracts consisted of the following:

	Currency	Maturity Date	Contract Amount (In Thousands)
Dec. 31, 2017	JPY/NT\$	Jan. 10, 2018 ~May. 4, 2018	JPY190,000
Dec. 31, 2016	-	-	-

- c. The Company disclosed the exposures of credit, currency and interest which were related with financial instruments in the Note 12.
- d. The Company's financial assets were not pledged as collateral, please refer to Note 8.

(3) Notes and Accounts Receivable, net

	December 31 2017	December 31 2016
Notes receivable	\$ 207,322	214,643
Accounts receivable	1,073,920	1,043,554
Less: allowance for doubtful accounts	(40,838)	(44,046)
Notes and accounts receivable, net	\$ 1,240,404	1,214,151

Movement in the allowance for doubtful accounts was as follows:

	Years Ended December 31	
	2017	2016
Balance, beginning of the year	\$ 44,822	44,910
Impairment loss recognized for the year	-	-
Amounts written off during the year as uncollectable	(1,923)	(88)
Balance, end of the year (including notes, accounts and overdue receivable)	\$ 42,899	44,822

- a. The Company collects the amount of sales by individual contract in accordance with the customer's credit rating, during which period the Company collect 90% of total sales within the normal collection of payment before delivering vehicle, and the rest balance is collected by issuing the

invoice after completing the procedures of check. Normally, the rest balance is paid within 3 months. The provision of the allowance for doubtful accounts is based on the customer's credit rating and past history of default.

b. The Company did not hold any collateral, nor pledged or discounting.

(4) Inventories

	December 31 2017	December 31 2016
Raw materials	\$ 258,821	251,214
Work in process	883,433	796,729
Construction in process	80,675	57,379
In-transit inventory	15,977	4,184
Subtotal	1,238,906	1,109,506
Less: allowance for inventory decline loss	(44,734)	(28,418)
Total	\$ 1,194,172	1,081,088

Operating costs (excluding rental cost) which were related with inventories in 2017 and 2016, respectively, were as follows:

	Years Ended December 31	
	2017	2016
Operating costs transferred from inventories	\$ 3,685,340	3,609,066
Inventories decline loss (gain from price recovery of inventory)	16,316	(5,492)
Revenue from sale of scraps	(7,090)	(5,242)
(Gain) loss on physical inventory	67	(147)
Underapplied overhead	1,731	1,731
Total	\$ 3,696,364	3,599,916

(5) Prepayments

	December 31 2017	December 31 2016
Prepayment for purchases		
Domestic purchases	\$ 579	1,010
Foreign purchases	6,086	3,129
Others	7,515	6,861
Total	\$ 14,180	11,000

(6) Non-current assets held for sale

The movement of cost and impairment loss with regard to the Company's non-current assets was as follows:

Cost

Balance at January 1, 2017	\$	-
Additions		-
Transfer in		-
Balance at December 31, 2017	\$	-

Balance at January 1, 2016	\$	53,310
Additions		-
Transfer in		(53,310)
Balance at December 31, 2016	\$	-

Impairment Loss

Balance at January 1, 2017	\$	-
Reversal of impairment loss		-
Effect of exchange rate changes		-
Balance at December 31, 2017	\$	-

Balance at January 1, 2016	\$	(19,627)
Reversal of impairment loss		-
Effect of exchange rate changes		19,627
Balance at December 31, 2016	\$	-

Carrying amount

Balance at December 31, 2017	\$	-
Balance at December 31, 2016	\$	-

(7) Refundable deposits

	December 31 2017	December 31 2016
Bid bond for construction, contract security deposit	\$ 23,196	14,913
Admission deposit for golf club	25,100	24,000

Rental deposit	473	-
Depository court deposit	2,039	2,321
Others	872	2,184
Subtotal	51,680	43,418
Less: accumulated impairment loss	(1,800)	(1,800)
Total	\$ 49,880	41,618
	December 31 2017	December 31 2016
Current	\$ -	-
Non-current	49,880	41,618
Total	\$ 49,880	41,618

- a. The Company provided bank savings to be collateral of contract security deposit and bank acceptance bill please refer to related disclosure in Note 8.
- b. Accumulated impairment loss refers to the impairment loss of the golf card owned by the Company.

(8) Non-current financial assets at cost

	December 31 2017	December 31 2016
Non-publicly traded stocks	\$ 86,557	286,557

- a. Since there is a wide range of estimated fair values of the Company's investments in non-publicly traded stocks, the Company concludes that the fair value cannot be reliably measured and therefore should be measured at the cost less any impairment.
- b. The stocks of O-Bank were approved to list in May 2017. Accordingly, the Company reclassified 10,000,000 shares from financial assets carried at cost to financial assets at fair value through profit or loss, and the rest 10,769,539 shares, with amount of NT\$95,957 thousand, were reclassified to available-for-sale financial assets. The aforementioned investment of 10,000,000 shares were disposed 6,985,000 shares, there still had 3,015,000 shares as at December 31, 2017.

(9) Investments accounted for using equity method

a. Investments accounted for using the equity method consisted of the following:

<u>Associates-carrying amount</u>	<u>December 31 2017</u>	<u>December 31 2016</u>
Subsidiaries	\$ 8,706,793	8,959,901
Associates	381,021	421,435
Total	<u>\$ 9,087,814</u>	<u>9,381,336</u>

b. Investment in subsidiaries

<u>Subsidiaries-carrying amount</u>	<u>December 31 2017</u>	<u>December 31 2016</u>
Yingtay Engineering Co. (H.K.)	\$ 6,592,532	6,653,416
Yungjiun Investment Co., Ltd.	12,584	102,629
Yungtay-Hitachi Construction Machinery Co., Ltd.	188,926	186,077
Better Win Investment Co. (SAMOA)	1,912,751	2,017,779
Total	<u>\$ 8,706,793</u>	<u>8,959,901</u>

Subsidiaries-% of Ownership and Voting
Rights Held by the Comapny

Yingtay Engineering Co. (H.K.)	78.72%	78.72%
Yungjiun Investment Co., Ltd.	100.00%	100.00%
Yungtay-Hitachi Construction Machinery Co., Ltd.	51.00%	51.00%
Better Win Investment Co. (SAMOA)	100.00%	100.00%

c. Investment in associates

(a) Material associates: None.

(b) Summarized information of individually immaterial associates:

<u>Associates-carrying amount</u>	<u>December 31 2017</u>	<u>December 31 2016</u>
Taiwan Calsonic Co., Ltd. (TWNCAL)	\$ 279,059	305,563
Evest Corporation	101,962	115,872
	<u>\$ 381,021</u>	<u>421,435</u>

Associates-shareholding ratio

Taiwan Calsonic Co., Ltd. (TWNCAL)	20.16%	20.16%
Evest Corporation	41.22%	41.22%

The market prices of the investments accounted for using the equity method in publicly traded stocks calculated by the closing price at the end of the reporting period are summarized as follows:

The closing price represents the quoted price in active markets, the level 1 fair value measurement.

(i) Name of Associate

	December 31 2017	December 31 2016
TWNCAL	\$ 208,335	237,360

(ii) Aggregate information of associates that are not individually material was summarized as follows:

The Company's share of profit (loss) of associates	Years Ended December 31	
	2017	2016
Net income (loss) for the year	\$ (11,683)	47,751
Other comprehensive loss	\$ (5,201)	(25,940)
Total comprehensive income (loss)	\$ (16,884)	21,811

d. No investments accounted for using equity method were pledged as collateral.

e. The Company's share of profit/(loss) of its subsidiaries and associates accounted for using equity method amounted to NT\$279,896 thousand and NT\$584,753 thousand, for the years ended December 31, 2017 and 2016, respectively.

f. The related financial information of the Company's re-investment and Mainland investment refers to Table 3 of Note 13(2) and Table 4 of Note 13(3), respectively.

(10) Property, plant and equipment

	Land	Buildings	Machinery and Equipment	Other Equipment	Total
<u>Cost</u>					
Balance at Jan. 1, 2017	\$ 917,119	915,485	548,304	350,936	2,731,844
Additions	-	1,083	58,902	3,916	63,901
Disposals	(1,558)	-	(53,614)	(3,707)	(58,879)
Transfers	27,242	24,629	21,902	4,818	78,591
Balance at Dec. 31, 2017	\$ 942,803	941,197	575,494	355,963	2,815,457

Balance at Jan. 1, 2016	\$	917,119	869,920	548,526	337,557	2,673,122
Additions		-	45,164	2,348	16,239	63,751
Disposals		-	(788)	(2,226)	(4,994)	(8,008)
Transfers		-	1,189	(344)	2,134	2,979
Balance at Dec. 31, 2016	\$	917,119	915,485	548,304	350,936	2,731,844

Accumulated depreciation and impairment

Balance at Jan. 1, 2017	\$	(649,611)	(467,617)	(311,733)	(1,428,961)
Additions		(16,841)	(19,437)	(9,915)	(46,193)
Disposals		-	53,564	3,676	57,240
Transfers		(10,159)	-	(802)	(10,961)
Balance at Dec. 31, 2017	\$	(676,611)	(433,490)	(318,774)	(1,428,875)

Balance at Jan. 1, 2016	\$	(635,903)	(452,459)	(306,426)	(1,394,788)
Additions		(14,337)	(18,594)	(9,040)	(41,971)
Disposals		629	2,226	4,943	7,798
Transfers		-	1,210	(1,210)	-
Balance at Dec. 31, 2016	\$	(649,611)	(467,617)	(311,733)	(1,428,961)

Carrying amounts

Dec. 31, 2017	\$	942,803	264,586	142,004	37,189	1,386,582
Dec. 31, 2016	\$	917,119	265,874	80,687	39,203	1,302,883

- The aforementioned assets were mortgaged to banks as collaterals, please refer to Note 8.
- The capitalization of interests of the aforementioned assets were NT\$0 in 2017 and 2016.
- The significant part of the aforementioned property, plant and equipment is depreciated using the straight-line method over their estimated useful lives, please refer to Note 4(11).

(11) Investment properties, net

		<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Cost or Deemed Cost</u>				
Balance at Jan. 1, 2017	\$	778,722	471,023	1,249,745
Disposals		-	-	-
Transfers		(27,242)	(23,045)	(50,287)
Balance at Dec. 31, 2017	\$	751,480	447,978	1,199,458

Balance at Jan. 1, 2016	\$ 745,629	451,177	1,196,806
Disposals	-	(371)	(371)
Transfers	33,093	20,217	53,310
Balance at Dec. 31, 2016	\$ 778,722	471,023	1,249,745

Accumulated depreciation and impairment

Balance at Jan. 1, 2017	\$ (818)	(262,771)	(263,589)
Depreciation expense	-	(6,023)	(6,023)
Disposals	-	-	-
Transfers of impairment loss	-	10,961	10,961
Balance at Dec. 31, 2017	\$ (818)	(257,833)	(258,651)

Balance at Jan. 1, 2016	\$ (818)	(237,015)	(237,833)
Depreciation expense	-	(6,421)	(6,421)
Disposals	-	292	292
Transfers of impairment loss	-	(19,627)	(19,627)
Balance at Dec. 31, 2016	\$ (818)	(262,771)	(263,589)

Carrying amounts

Dec. 31, 2017	\$ 750,662	190,145	940,807
Dec. 31, 2016	\$ 777,904	208,252	986,156

		2017	2016
The rental income from investment properties	\$	30,300	29,695
Less: Direct operating expenses arising from the investment property that generated rental income during the period		(2,156)	(1,882)
Direct operating expenses arising from the investment property that did not generate rental income during the period		(87)	(116)
Total	\$	28,057	27,697

a. The aforementioned assets were mortgaged to banks as collaterals, please refer to Note 8.

b. There is no Significant part of the aforesaid investment properties, and the related depreciation is calculated using the estimated useful lives, please

refer to Note 4(12).

c. The fair value of the investment properties refers to the actual registered selling prices of the nearby real estates provided by local agents in Taiwan, R.O.C.. The market price of the aforesaid investment properties is NT\$2,073,703 thousand and NT\$2,255,440 thousand as at December 31, 2017 and 2016, respectively.

(12) Intangible assets

	<u>Computer Software</u>
<u>Cost</u>	
Balance at Jan. 1, 2017	\$ 21,943
Additions	6,101
Decrease	(7,076)
Balance at Dec. 31, 2017	<u>\$ 20,968</u>
Balance at Jan. 1, 2016	\$ 17,352
Additions	6,407
Disposals	(1,816)
Balance at Dec. 31, 2016	<u>\$ 21,943</u>
<u>Accumulated amortization and impairment</u>	
Balance at Jan. 1, 2017	\$ (13,717)
Amortization	(6,521)
Decrease	7,076
Balance at Dec. 31, 2017	<u>\$ (13,162)</u>
Balance at Jan. 1, 2016	\$ (10,650)
Amortization	(4,883)
Decrease	1,816
Balance at Dec. 31, 2016	<u>\$ (13,717)</u>
<u>Carrying amounts</u>	
Dec. 31, 2017	<u>\$ 7,806</u>
Dec. 31, 2016	<u>\$ 8,226</u>

(13) Other payables

	December 31 2017	December 31 2016
Accrued bonus, wages and employee benefit \$ fee	66,536	69,981
Accrued VAT payable	24,683	25,571
Compensation payable to employees, directors and supervisors	43,996	53,804
Other payables-other	92,246	103,126
Total	\$ 227,461	252,482

(14) Advances received

	December 31 2017	December 31 2016
Elevator	\$ 1,916,197	1,920,682
Rental	1,596	1,607
Total	\$ 1,917,793	1,922,289

(15) Employees' retirement benefit plans

a. Defined benefit plans

The amounts arising from the defined benefit obligation of the Company were as follows:

	December 31 2017	December 31 2016
Present value of defined benefit obligation	\$ (1,695,108)	(1,708,901)
Fair value of plan assets	978,394	228,065
Net defined benefit liability	\$ (716,714)	(1,480,836)

The Company has defined benefit plans under the R.O.C. Labor Standards Law that provide benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement. The Company contributes an amount equal to 15% of salaries paid each month to their respective pension funds (the Funds) in 2017 and 2016, which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee's name in the Bank of Taiwan. Before the end of each year, the Company assesses the balance in the Funds. If the amount of the balance in the Funds is inadequate to pay

retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in once or several times appropriation. The Funds are operated and managed by the government's designated authorities; as such, the Company does not have any right to intervene in the investments of the Funds.

(a) Movements in the present value of the defined benefit obligation were as follows:

	Years Ended December 31	
	2017	2016
Balance, beginning of year	\$ 1,708,901	1,764,707
Current service cost and interest expense	47,456	49,814
Remeasurement losses (gains):		
Actuarial loss arising from experience adjustments	59,285	20,143
Actuarial loss (gain) arising from changes in financial assumptions	-	12
Actuarial loss arising from changes in demographic assumptions	39,884	-
	(151,597)	(125,775)
Benefits paid from plan assets	(8,821)	-
Balance, end of year	\$ 1,695,108	1,708,901

(b) Movements in the fair value of the plan assets were as follows:

	Years Ended December 31	
	2017	2016
Balance, beginning of year	\$ 228,065	228,657
Interest income	3,276	2,739
Remeasurement losses:		
Return on plan assets (excluding amounts included in net interest expense)	1,944	(933)
Contributions from employer	890,267	120,290
Benefits paid from plan assets	(145,158)	(122,688)
Balance, end of year	\$ 978,394	228,065

(c) The pension costs of the aforementioned defined benefit plans were recognized in profit or loss by the following categories:

	Years Ended December 31	
	2017	2016
Cost of revenue	\$ 26,946	28,109
Administrative expenses	14,167	22,002
Research and development expenses	2,488	2,488
Pension costs	\$ 43,601	52,599

(d) The Company expects to make contributions of NT\$230,000 thousand to the defined benefit plans in the next year starting from December 31, 2017. The weighted average duration of the defined benefit obligation is 9 years.

b. Defined contribution plans

The plan under the R.O.C. Labor Pension Act (the "Act") is deemed a defined contribution plan. Pursuant to the Act, the Company has made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts. Furthermore, the subsidiaries in the territory of Mainland China also make monthly contributions at certain percentages of the basic salary of their employees. Accordingly, the Company recognized expenses of NT\$351,100 thousand and NT\$379,345 thousand for the years ended December 31, 2017 and 2016, respectively.

c. Short-term paid leave payable

The Company recognized short-term paid leave payable of NT\$47,106 thousand and NT\$50,482 thousand as of December 31, 2017 and 2016, respectively.

(16) Equity

a. Capital stock

	December 31 2017	December 31 2016
(a) Authorized shares (in thousands)	460,000	460,000
Authorized capital	\$ 4,600,000	4,600,000
Issued and paid shares (in thousands)	410,820	410,820
Issued capital	\$ 4,108,200	4,108,200

(b) The Company has 408,690,200 shares outstanding at the beginning and the ending of year (excluding the treasury stocks of 2,129,800), for the years ended December 31, 2017 and 2016.

b. Capital surplus

Under the Company Law, the capital surplus generated from the excess of the issuance price over the par value of capital stock (including the stock issued for new capital and mergers) and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be appropriated as stock dividends, which are limited to not more than 10% of the Company's paid-in capital.

c. Retained earnings and dividend policy

The Company's Articles of Incorporation provide that, when allocating the net profits for each fiscal year, the Company shall first offset its losses in previous years and then set aside the following items accordingly:

- (a) Legal reserve at 10% of the remaining profit;
- (b) Special reserve in accordance with the resolution in the shareholders' meeting;
- (c) Any balance remaining shall be allocated according to the resolution in the shareholders' meeting.

The Company's profit distribution, at least 50% of which should be dividends and the proportion of cash dividends shall be at least 50% of the total dividends, depending on future expansion plans and cash needs.

The appropriation for legal reserve shall be made until the reserve equals the Company's paid-in capital. The reserve may be used to offset a deficit, or be distributed as dividends and bonuses to the extent that the portion exceeds 25% of the paid-in capital if the Company incurs no loss.

A special reserve equivalent to the net debit balance of other components of shareholders' equity such as exchange differences on the translation of foreign operations, shall be made from unappropriated earnings. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses.

The appropriations of earnings for 2016 and 2015 were approved in the Company shareholders' meetings held on June 6, 2017 and June 6, 2016, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For Fiscal Year 2016	For Fiscal Year 2015	For Fiscal Year 2016	For Fiscal Year 2015
Legal reserve	\$ 155,500	184,967	-	-
Cash dividends to shareholders	\$ 985,968	1,109,214	2.4	2.7

The Company's appropriations of earnings for 2017 was approved in the Board of Directors meeting held on March 15, 2018. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
	For Fiscal Year 2017	For Fiscal Year 2016
Legal reserve	\$ 112,789	
Special reserve	-	
Cash dividends to shareholders	821,640	2.0
Total	\$ 934,429	

The appropriations of earnings for 2017 are to be resolved in the Company shareholders' meeting which is expected to be held on June 14, 2018.

d. Employees' compensation and remuneration to directors and supervisors

The Company shall allocate employees' compensation and remuneration to directors and supervisors of no less than 1% and no more than 1% of net income before tax which is not deducted from employees' compensation and remuneration to directors, respectively. The Company shall first offset its losses in previous years then allocate employees' compensation and remuneration to directors.

For 2017 and 2016, the Company accrued employees' compensation and remuneration to directors had been approved in the Board of Directors meeting held on March 15, 2018 and March 16, 2017, respectively, and were based on a certain percentage of net income before tax without deduction of the employees' compensation and remuneration to directors and supervisors. The accrued amounts were as follows:

	Years Ended December 31	
	2017	2016
Employees' compensation	\$ 42,608	48,400
Remuneration to directors and supervisors	\$ 4,734	5,378

The aforementioned amount is the same as the amount which had been charged against expenses of 2017 and 2016, respectively.

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

The information about appropriations of the Company's employees' compensation and remuneration to directors and supervisors is available on the Market Observation Post System website.

e. Other equity

	Year Ended December 31, 2017		
	Foreign Currency Translation Reserve	Unrealized Gain/Loss from Available-for- -sale Financial Assets	Total
Balance, beginning of year	\$ 365,147	(1,621)	363,526
Exchange differences arising on translation of foreign operations	(205,088)	-	(205,088)
Share of other comprehensive income (loss) of associates	(4,583)	645	(3,938)
Changes in fair value of available-for-sale financial assets	-	(7,743)	(7,743)
Balance, end of year	\$ 155,476	(8,719)	146,757

	Year Ended December 31, 2016		
	Foreign Currency Translation Reserve	Unrealized Gain/Loss from Available-for- -sale Financial Assets	Total
Balance, beginning of year	\$ 1,104,651	(1,794)	1,102,857
Exchange differences arising on translation of foreign operations	(713,674)	-	(713,674)
Share of other comprehensive income (loss) of associates	(25,830)	(524)	(26,354)
Changes in fair value of available-for-sale financial assets	-	252	252
Cumulative (gain)/loss reclassified to profit or loss upon disposal of available-for-sale financial assets	-	445	445
Balance, end of year	\$ 365,147	(1,621)	363,526

f. Treasury stock

The purpose of the Company's shares held by the subsidiary "YungJiun" is to reduce the outstanding shares of the Company and accordingly to raise the earning per share and return on equity. The relevant information in respect of the Company's share held by the subsidiary "YungJiun" was as follows:

	Holding Shares	Initial Cost	Market Price
December 31, 2017	2,129,800	\$ 69,411	102,337
December 31, 2016	2,129,800	\$ 69,411	95,522

(17) Operating revenue

	Years Ended December 31	
	2017	2016
Net revenue from sales of goods	\$ 2,909,357	3,043,451
Net revenue from services		
Maintenance and repair	2,525,574	2,416,078
Rental	30,403	29,856
Total	\$ 5,465,334	5,489,385

a. The Company's main revenues come from the sales of elevator, installation revenue and subsequent maintenance and repair (including maintenance of free-charge, repair and term-contract maintenance). The revenue of sale of elevator is recognized while the installation of elevator is completed and qualified after examination by the competent authority and the maintenance and repair would be deferred based on the specific term contract of free-charge with customer and is recognized as current revenue when the service is rendered, where as the maintenance and repair would be still deferred as the service is undue. The deferred revenue is classified as current and non-current in accordance with the length of service as follows:

	December 31 2017	December 31 2016
Current	\$ 89,387	95,602
Non-current	\$ 33,024	35,922

b. The rental revenue refers to the revenue for leasing the investment property and ORACLE host computer, and the revenue is recognized according to the lives of service of contract.

(18) Non-operating income and expenses

	Years Ended December 31	
	2017	2016
<u>a. Other income</u>		
Interest income-bank deposit	\$ 6,498	9,466
Dividend income	6,477	10,644
Total	\$ 12,975	20,110
<u>b. Other gains and losses</u>		
Net (loss) on financial instruments at FVTPL	\$ (879)	(1,138)
Net gain (loss) on disposal of property, plant and equipment	1,029	(127)
(Loss) on disposal of investment properties	-	(71)
Gain on disposal of other assets (golf card)	3,780	-
Net (loss) on scrapping of property, plant and equipment	(31)	(54)
(Loss) on disposal of available-for-sale financial assets	-	(445)
Foreign exchange (loss), net	(12,881)	(17,941)
Other loss	(133)	-
Other gains (including technical service revenue, unclaimed dividend over due 5 years and reversal of advances received)	2,560	6,931
Total	\$ (6,555)	(12,845)
<u>c. Finance costs</u>		
Interest expense-bank loans	\$ (98)	(62)
<u>d. Shares of profit of subsidiaries and associates accounted for using equity method</u>		
	\$ 279,896	584,753

(19) Summary of employee benefits, depreciation and amortization by function:

	2017			2016		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits expenses						
Salaries	1,132,291	370,841	1,502,932	1,057,599	393,649	1,451,248
Labor and health insurance	92,108	26,010	118,118	84,435	24,443	108,878
Pension cost	63,423	32,030	95,453	69,807	20,676	90,483
Other benefits expenses	112,318	16,704	129,022	106,275	19,352	125,627
Depreciation expenses	39,764	12,452	52,216	37,961	10,431	48,392
Amortization expenses	-	6,521	6,521	-	4,883	4,883

As of December 31, 2017 and 2016, the Company had employees of 1,737 and 1,634, respectively, and the computing basis was consistent with that of employee benefits expenses.

(20) Income tax

a. Income tax expense consisted of the following:

	Years Ended December 31	
	2017	2016
Current income tax expense		
Current tax expense recognized in the current year	\$ 91,947	252,030
Income tax on unappropriated earnings	39,631	47,551
Investment tax credit	(3,000)	(3,000)
Income tax adjustments on prior years	4,058	1,228
	<u>132,636</u>	<u>297,809</u>
Deferred income tax expense (benefit)		
Temporary differences	174,932	14,017
Income tax expense recognized in profit or loss	\$ 307,568	311,826

b. Income tax expense recognized in other comprehensive income

	Years Ended December 31	
	2017	2016
Deferred income tax benefit (expense)		
Related to remeasurement of defined benefit obligation	\$ (16,529)	(3,585)

c. A reconciliation of income before income tax and income tax expense recognized in profit or loss was as follows:

	Years Ended December 31	
	2017	2016
Income before tax	\$ 1,435,454	1,886,821
Income tax expense at the statutory rate	\$ 244,027	317,360
Tax effect of adjusting items:		
Deductible items in determining taxable income	(5,650)	(52,359)
Supplementary pension cost according to Labor Law	(146,429)	(12,971)

Additional income tax on unappropriated earnings	39,631	47,551
Tax effect of investment tax credits	(3,000)	(3,000)
The origination and reversal of temporary differences	174,932	14,017
Income tax adjustments on prior years	4,057	1,228
Income tax expense recognized in profit or loss	\$ 307,568	311,826

For the years ended December 31, 2017 and 2016, the Company applied a tax rate of 17% for entities subject to the R.O.C. Income Tax Law.

On February 7, 2018, the Income Tax Law in the R.O.C. was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the tax rate applicable to unappropriated earnings will be reduced from 10% to 5%.

d. The analysis of deferred income tax assets and liabilities in the parent company only balance sheets was as follows:

	Years Ended December 31	
	2017	2016
Deferred income tax assets		
Differences of time of recognized revenue	\$ 45,892	43,992
Short-term employees' benefits	5,902	6,440
Unrealized sales profit among parent and subsidiaries	120	161
Differences of depreciation expenses	156	195
Unrealized foreign exchange loss	5,373	3,177
Unrealized investment loss of investee Co.	1,552	1,802
Temporary credits overdue 2 years	7	31
Difference of pension appropriation	88,786	251,742
Total	\$ 147,788	307,290
Deferred income tax liabilities		
Land incremental tax	\$ (2,702)	(2,702)
Temporary differences of depreciation expense	(4,166)	(5,265)
Total	\$ (6,868)	(7,967)

e. Current income tax assets (liabilities)

	Years Ended December 31	
	2017	2016
Income tax payable	\$ (2,247)	(196,824)

f. Integrated income tax information of the Company was as follows:

	December 31	
	2017	2016
Unappropriated earnings before 1997	\$ 1,191,376	1,191,376
Unappropriated earnings from 1998 to 2009	37,519	37,519
Unappropriated earnings after 2010	3,007,337	3,102,878
Total	\$ 4,236,232	4,331,773
Balance of the Imputation Credit Account	\$ 354,229	344,242

The estimated and actual creditable ratio for distribution of the Company's earnings of 2017 and 2016 were 11.71% and 17.47%, respectively; while the creditable ratio for individual shareholders residing in the R.O.C. is half of the original creditable ratio according to the R.O.C. Income Tax Law. However, effective from January 1, 2018, integrated income tax system were abrogated and imputation credit account is no longer applicable based on amended R.O.C. Income Tax Law in January 2018.

g. Income tax examination

The tax authorities have examined income tax returns of the Company through 2014.

(21) Earnings per share

The Company is said to have a simple capital structure, accordingly, there is no necessity to compute the diluted earnings per share. The information of computing the basic earnings per share and the weighted-average number of common stocks outstanding (excluding treasury stocks) was as follows:

	Years Ended December 31	
	2017	2016
Net income available to common shareholders of the parent	1,127,886	1,554,995
The weighted-average number of shares outstanding in computing the basic earnings per share	408,690,200	408,690,200
Basic earnings per share (NT\$)	2.76	3.80

(22) Non-cash transactions in the Statements of Cash Flows

Only partial cash paid in investing activities:

	Years Ended December 31	
	2017	2016
Acquisition of property, plant and equipment	\$ 63,901	63,751
Plus: payables on equipment at beginning of year	-	910
Less: payables on equipment at beginning of year	-	-
Cash paid in the year	\$ 63,901	64,661

7. RELATED PARTY TRANSACTIONS

The significant transactions between the Company and its related parties, other than those disclosed in other notes, are summarized as follows:

(1) Related party name and categories

<u>Related Party Name</u>	<u>Related Party Categories</u>
Taiwan Calsonic Co., Ltd. ("TWNCAL")	Associates
Yungtay Hitachi Construction Machinery Co., Ltd. ("YHCCM")	Subsidiaries
Gio Automation Technology Co., Ltd. ("GIO")	Subsidiaries (dissolved on Oct.12, 2016)
Yungjiun Investment Co., Ltd. ("YJIC")	Subsidiaries
Evest Corporation (Evest)	Associates
Yungtay Elevator Equipment (China) Co. ("YEEC-China")	Indirect Subsidiaries
Jiyi Electric Co. (Shanghai, China) ("JEC-Shanghai")	Indirect Subsidiaries
Yunttay Social Welfare Foundation ("YSW Foundation")	Main Donee of the Company
Yungtay Education and Culture Foundation ("YEC Foundation")	Main Donee of the Company
Key management personnel (including all directors and supervisors)	

(2) Significant transactions with related parties:

a. Net revenue

Related Party Name	Years Ended December 31	
	2017	2016
YEEC-China	\$ 1,935	8,097
JEC-Shanghai	430	308
Total	\$ 2,365	8,405

The Company sells the components of elevators such as speed governor, hoist machine, printed circuit board and motor case to YEEC-China and JEC-Shanghai, with the price of almost mark-up 20% of cost and collection terms from 1 month to months, not materially different from those with third parties. The downstream transactions, which the Company sold the aforementioned components to the indirect subsidiaries, resulted in unrealized profit of NT\$705 thousand and NT\$948 thousand for the years ended December 31, 2017 and 2016, respectively.

The Company purchases materials from YEEC-China, which is processed to finished product then sold back to YEEC-China. Due to the transaction being the nature of processing, this kind of transaction is not accounted for revenue. The same amount of NT\$4,908 thousand and NT\$11,528 thousand was deducted from operating revenue and cost for the years ended December 31, 2017 and 2016, respectively.

b. Repair and maintenance revenue

Related Party Name	Years Ended December 31	
	2017	2016
Evest	\$ 109	90
YHCMC	34	34
Total	\$ 143	124

c. Rental income

Related Party Name	Years Ended December 31	
	2017	2016
YHCMC	\$ 5,449	5,368
Evest	6,691	6,592
YJIC	17	17
Total	\$ 12,157	11,977

d. Purchases

Related Party Name	Years Ended December 31	
	2017	2016
TWNCAL	\$ 1,191	141
YEEC-China	86,825	99,065
JEC-Shanghai	129,812	100,058
Total	\$ 217,828	199,264

The Company purchases the rail bracket, escalator, counter weight and electrical parts from YEEC-China, JEC-Shanghai and TWNCAL, respectively. Due to the afore mentioned purchases of the same type and specifications only from the aforesaid direct and indirect subsidiaries, the purchase price and payment terms to related parties can not compare to non-related vendors accordingly. The upstream transactions resulted in unrealized profit of NT\$8,835 thousand and NT\$10,703 thousand for the years ended December 31, 2017 and 2016, respectively.

The payment term, from 1 month to 3 months, for TWNCAL is not significantly different from those of purchases to third parties. But for YEEC-China and JEC-Shanghai, the payment terms are from 2 months to 3 months after the aforesaid goods are delivered.

e. Notes and accounts receivable, other receivables, accounts payable, other payables and deposit received

Related Party Name	Years Ended December 31	
	2017	2016
<u>Notes receivable</u>		
Evest	\$ 1,309	1,071
YHCMC	26	-
Total	\$ 1,335	1,071
<u>Accounts receivable</u>		
YHCMC	\$ -	3
Evest	647	655
YEEC-China	349	531
JEC-Shanghai	-	100
Total	\$ 996	1,289

Other receivables

YHCMC	\$	50	48
Evest		186	191
Total	\$	236	239

Accounts payable

TWNCAL	\$	689	1,398
YEEC-China		24,453	4,525
JEC-Shanghai		-	13,242
Total	\$	25,142	19,165

Other payables

YHCMC	\$	-	6
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Deposit received

YHCMC	\$	894	894
Evest		577	577
Total	\$	1,471	1,471

f. Manufacturing overhead, Repair and Maintenance cost and Administrative expenses

Related Party Name	Item	Years Ended December 31	
		2017	2016
<u>Manufacturing overhead</u>			
TWNCAL	Repair expense	\$ 69	11
<u>Repair and maintenance cost</u>			
TWNCAL	Material	\$ 475	126
TWNCAL	Outsourcing project	320	1,765
YHCMC	Rental expense	69	69
Total		\$ 864	1,960

Administrative expenses

TWNCAL	Repair expense	\$	10	257
TWNCAL			19	-
YSW Foundation			2,100	1,400
YEC Foundation			6,300	7,000
Total		\$	8,429	8,657

g. Other income

Related Party Name	Item	Years Ended December 31	
		2017	2016
TWNCAL	Stock processing income	\$ 528	528
YHCMC	Information service income	25	11
Evest	Information service income	53	75
Total		\$ 606	614

h. Property transactions

(a) The Company sold property, plant and equipment to related party in 2017 and 2016, respectively: Nil.

(b) The Company purchased property, plant and equipment from related party in 2017 and 2016, respectively, as follows:

Related Party Categories	Item	December 31, 2017	December 31, 2016
Associates	Machinery and equipment	\$ 956	-

i. Compensation of directors, supervisors and key management personnel

Related Party Categories	Years Ended December 31	
	2017	2016
Short-term employee benefits	\$ 47,417	53,232
Post-employment benefits	326	335
Other long-term employee benefits	49	141
Total	\$ 47,792	53,708

8. Pledged (Mortgaged) assets

The Company provided the following assets as collaterals:

Item	Purpose	December 31, 2017	December 31, 2016
Property, plant and equipment and investment properties -Land	Collateral for long-term bank loans (net yet revoked)	\$ 988,051	988,051
Property, plant and equipment and investment properties -Buildings	Collateral for long-term bank loans (net yet revoked)	224,535	238,481
Property, plant and equipment and investment properties -Machinery	Collateral for long-term bank loans (net yet revoked)	-	36,558
Total		\$ 1,212,586	1,263,090

9. Significant contingent liabilities and unrecognized contract commitments

(1) Lessee's lease arrangements

The future lease payment under the non-cancellable operating lease are as follows:

	Years Ended December 31	
	2017	2016
Not later than 1 year	\$ 2,976	6,845
Later than 1 year and not later than 5 years	4,300	1,647
Later than 5 years	-	-
Total	\$ 7,276	8,492

The above operating leases classified under profit or loss amounted to NT\$13,794 thousand and NT\$12,642 thousand in 2017 and 2016, respectively.

(2) Lessor's lease arrangements

The Company leased its investment properties by the way of operating lease, please refer to Note 6(11). The future minimum lease receivable under the non-cancellable leasing period are as follows:

	Years Ended December 31	
	2017	2016
Not later than 1 year	\$ 10,635	17,032
Later than 1 year and not later than 5 years	3,848	13,112
Later than 5 years	-	-
Total	\$ 14,483	30,144

(3) The amount of unused letters of credit: Nil.

(4) The Company and received the downpayments and issued the secured promissory notes amounting to NT\$234,150 thousand and NT\$233,619 thousand as of December 31, 2017 and 2016, respectively.

(5) The Company appointed bank to contract the performance bond as follows:

	December 31 2017	December 31 2016
Chang Hwa Commercial Bank -Chengtung Branch	\$ 59,673	86,996

(6) In order to improve the production technology and enhance the quality of production, the Company has signed the following contracts with Hitachi, Ltd.:

Contract period	Technical cooperation products	Technical compensation fee
Sep. 30, 2014 ~Sep. 29, 2019	Providing the installation, adjustment, check, maintenance and related techniques	Pays US\$50 per elevator, and royalty be paid once a year.
June 1, 2015 ~May 31, 2020	High-speed inverter control lift	Pay US\$300 on disposal of each elevator, and royalty be paid once a year.
May 22, 2017 ~May 21, 2022	Machine-roomless elevator	Pay US\$300 on disposal of each elevator, and royalty be paid once a year.
May 22, 2017 ~May 21, 2022	Large freight elevator	Pay US\$300 on disposal of each elevator, and royalty be paid once a year.
Nov. 1, 2016 ~Oct. 31, 2021	Gearless high-speed elevator	Pay US\$300 on disposal of each elevator, and royalty be paid once a year.

10. Significant loss from disaster: Nil.

11. Significant subsequent events: Nil.

12. Others

(1) Financial instruments

a. Categories of financial instruments

	December 31 2017	December 31 2016
Financial assets		
FVTPL-current	\$ 211,202	406,969
Available-for-sale financial assets-current (Note)	182,514	286,557
Cash and cash equivalents	823,662	1,353,550
Notes and accounts receivable (including related party)	1,240,404	1,214,151
Other receivables	3,324	12,090
Refundable deposits	49,880	41,618
Other non-current assets-others (preferred stock-golf certificate)	5,520	11,040
Financial liabilities		
FVTPL-current	686	-
Notes and accounts payable (including related party)	733,665	704,922
Other payables	227,461	252,482
Current income tax liabilities	2,247	196,824
Net defined benefit liabilities-non-current	716,714	1,480,836
Deposits received	5,277	5,277

Note: Including financial assets carried at cost.

b. Credit risk

(a) Exposure of credit risk

The Company's main operating revenue comes from the sale of elevator. The majority of costumers belong to constructions. As at December 31, 2017 and 2016, the accounts receivable of selling elevators accounted for 99.86% and 96.58% of all accounts receivable, respectively.

(b) Evaluation of impairment loss

The allowance for bad debts of the accounts receivable of the Company was based economic environment, past behavior of collection and credit rating of all level of clients. There was no significant impairment loss of collectability of the Company's receivables as of December 31, 2017.

c. Liquidity risk

Liquidity risk is the risk that the Company has no sufficient working capital and unused credit facilities to meet its obligations associated with matured financial liabilities, that may resulting from an economic downturn or uneven demand and supply in the market and cause a significant decrease in product selling prices and market demands.

Liquidity risk of the Company is monitored through its corporate treasury department which tracks the development of the actual cash flow position for the Company and uses input from a number of sources in order to forecast the overall liquidity position both on a short and long term basis. Corporate treasury invests surplus cash in money market deposits with appropriate maturities to ensure sufficient liquidity is available to meet liabilities when due, without incurring unacceptable losses or risking damage to the Company's reputation. As at December 31, 2017, the Company's working capital together with existing unused credit facilities under its existing loan agreements will be sufficient to fulfill all of its contractual obligations. Therefore, management believes that there is no liquidity risk resulting from incapable of financing to fulfill the contractual obligations.

December 31, 2017	Carrying Amount	Contractual Cash Flows	Less Than 1 Year	1~2 Years	2~Years
Non-derivative financial liabilities					
Notes payable	\$ 286,593	286,593	286,593	-	-
Accounts payable	447,072	447,072	447,072	-	-
Other payables	227,461	227,461	227,461	-	-
Current income tax liabilities	2,247	2,247	2,247	-	-
Net defined benefit liabilities-non current	716,714	716,714	-	-	716,714
Deposits received	5,277	5,277	-	-	5,277
December 31, 2016	Carrying Amount	Contract Cash Flows	Less Than 1 Year	1~2 Years	2~Years
Non-derivative financial liabilities					
Notes payable	\$ 296,924	296,924	296,924	-	-
Accounts payable	407,998	407,998	407,998	-	-
Other payables	252,482	252,482	252,482	-	-
Current income tax liabilities	196,824	196,824	196,824	-	-
Net defined benefit liabilities-non current	1,480,836	1,480,836	-	-	1,480,836
Deposits received	5,277	5,277	-	-	5,277

d. Exchange rate risk

- The following information was summarized according to the foreign currencies other than the functional currency of the Company. The exchange rates disclosed were used to translate the foreign currencies into the functional currency. The significant financial assets and liabilities denominated in foreign currencies were as follows:

	<u>Foreign Currencies (In Thousands)</u>	<u>Exchange Rate</u>	<u>Carrying Amount (In Thousands)</u>
<u>December 31, 2017</u>			
<u>Financial asset</u>			
<u>Monetary items</u>			
USD	1,676	29.71	49,794
JPY	2,874	0.2622	754
RMB	185	4.54	840
<u>Non-Monetary items</u>			
USD	286,598	29.71	8,505,283

	<u>Foreign Currencies (In Thousands)</u>	<u>Exchange Rate</u>	<u>Carrying Amount (In Thousands)</u>
<u>December 31, 2016</u>			
<u>Financial asset</u>			
<u>Monetary items</u>			
USD	5,030	32.20	161,963
JPY	46	0.2736	12
RMB	11,035	4.592	50,630
EUR	351	33.7	11,812
<u>Non-Monetary items</u>			
USD	269,295	32.20	8,671,195

• Sensitivity analysis

	<u>Years Ended December 31</u>	
	<u>2017</u>	<u>2016</u>
(Loss)/profit of 1% change		
USD	\$ 85,551	88,332
JPY	8	-
RMB	8	506
EUR	-	118

e. The Company has loan limit from bank, but there is no any loan as of December 31, 2017. Consequently, no exposure of interest rate risk exists.

f. Fair value of financial instruments

(a) Fair value measurements recognized in the parent company only balance sheets.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(b) Fair value of financial instruments that are measured at fair value on a recurring basis

Fair value hierarchy

The following table presents the Company's financial assets and liabilities measured at fair value on a recurring basis:

	December 31, 2017			
	Level 1	Level 2	Level 3	Level 4
<u>Financial assets at FVTPL</u>				
Fund investments	\$ 211,202	-	-	211,202
Forward exchange contracts	-	(686)	-	(686)
<u>Available-for-sale financial assets</u>				
Publicly traded stocks	95,957	-	-	95,957
Total	\$ 307,159	(686)	-	306,473

	December 31, 2017			
	Level 1	Level 2	Level 3	Level 4
<u>Financial assets at FVTPL</u>				
Fund investments	\$ 406,969	-	-	406,969

(2) Financial risk management objectives

The Company seeks to ensure sufficient cost-efficient funding readily available when needed. The Company manages its exposure to foreign currency risk, interest rate risk, equity price risk, credit risk and liquidity risk with the objective to reduce the potentially adverse effects the market uncertainties may have on its financial performance.

The plans for material financial activities are reviewed by Board of Directors in accordance with procedures required by relevant regulations or internal controls. During the implementation of such plans, Corporate financial function must comply with certain financial procedures that provide guiding principles for overall financial risk management and segregation of duties.

(3) Capital management

The rate of return on capital (excluding interest expense) of the Company was 27.46% and 37.85% in 2017 and 2016, respectively. The ratio of total liabilities to equities leverage ratio on the reporting day in 2017 and 2016 was as follows:

	December 31 2017	December 31 2016
Total liabilities	\$ 3,734,359	4,703,314
Less: cash and cash equivalents	(823,662)	(1,343,550)
Net liabilities	\$ 2,910,697	3,349,764
Total equity	\$ 11,583,418	11,731,725
Ratio of net liabilities divided by total equity (Leverage ratio)	25.13%	28.55%

The way of the Company's capital management has not changed as of December 31, 2017.

13. Additional disclosures

(1) Significant transaction and (2) Related information of reinvestment:

- a. Financings provided: None;
- b. Endorsement/guarantee provided: None;
- c. Marketable securities held (excluding investments in subsidiaries and associates): Please see Table 1 attached;

- d. Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None;
- e. Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: None;
- f. Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None;
- g. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Please see Table 2 attached;
- h. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None;
- i. Information about the derivative financial instruments transaction: Please see Notes 6(2);
- j. Names, locations, and related information of investees over which the Company exercises significant influence (excluding information on investment in Mainland China): Please see Table 3 attached;

(3) Information on investment in Mainland China

- a. The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits/losses of investee, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table 4 attached.
- b. Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: Please see Table 7(2) attached.

TABLE 1

MARKETABLE SECURITIES HELD
 DECEMBER 31, 2017
 (Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2017			
				Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value
The Company	Listed stock-O Commercial Bank	Non-related party	Financial assets at FVTPL-current	3,015,000	26,864	0.12%	26,864
	Beneficiary certificate-ETF, CFA 50	"	"	30,000	636	-	636
	Beneficiary certificate-(open type) Shin Kong Global Tech. Fund	"	"	479,386	5,153	-	5,153
	Beneficiary certificate-(open type) Franklin Templeton SinoAM New World Fund	"	"	390,320	5,788	-	5,788
	Beneficiary certificate-(open type) UPAMC Global Innovative Tech. Fund	"	"	250,000	3,543	-	3,543
	Beneficiary certificate-(open type) Prudential Currency Market Fund	"	"	3,184,308	50,066	-	50,066
	Beneficiary certificate-(open type) UPAMC Great China Fund	"	"	197,006	5,045	-	5,045
	Beneficiary certificate-(open type) Shin Kong China Growth Fund	"	"	401,929	5,217	-	5,217
	Beneficiary certificate-(open type) Union Money Market Fund	"	"	3,810,104	50,022	-	50,022
	Beneficiary certificate-(open type) RSIT Enhanced Money Market Fund	"	"	4,201,398	50,005	-	50,005
	Beneficiary certificate-(open type) UPAMC Dyna Strategy Global multi-Asset Fund	"	"	30,052	8,863	-	8,863
	Listed stock-O Commercial Bank	"	"	10,769,539	95,957	0.45%	95,957
	Unlisted stock-Addn Technology Co. Ltd.	"	"	148,000	2,265	18.50%	2,265
	Unlisted stock-Asia Hitachi Elevator	"	"	6,760	78,169	10.00%	78,169
	Unlisted stock-King's World Investment Co., Ltd.	"	"	21,090	900	0.03%	900
Unlisted stock-TwNat Joint Venture Investment Co., Ltd.	"	"	923,515	5,223	6.82%	5,223	
Unlisted stock-Ultralife Taiwan Inc.	"	"	11,361,946	-	5.85%	-	
Yungjiun Investment co., Ltd	Listed stock-The Company	Parent company	Available-for-sale financial assets-current	2,129,800	102,337	0.52%	102,337
	Unlisted stock-Digitimes Inc.	Non-related party	Financial assets carried at cost	112,500	2,375	0.42%	2,375
	Unlisted stock-Ultralife Taiwan Inc.	"	"	900,000	-	0.46%	-

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2017
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

TABLE 2

Company Name	Related Party	Nature of Relationships	Transaction Details				Transaction with different trading condition		Notes/Accounts Payable or Receivable		Note
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Company	Jiyi Electric Engineering Co. (Shanghai)	Indirect Subsidiary	Purchases	129,812	7.74%	2~3 months after the goods were delivered	Goods only purchased from related party, accordingly can't be compared to any other vendor.	2~3 months after the goods were delivered	-	-	-

TABLE 3

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
(EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2017
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2017		Net Income (Losses) of the Investee (Foreign Currencies in Thousands)	Share of Profits/Losses of Investee (Foreign Currencies in Thousands)	Note	
				December 31, 2017 (Foreign Currencies in Thousands)	December 31, 2016 (Foreign Currencies in Thousands)	Shares	Percentage of Ownership				Carrying Value (Foreign Currencies in Thousands)
The Company	Yungtay Engineering Co. (HK)	54F, Hopewell centre, 183 queen's road east, Hong Kong	In directly investing in Yungtay Elevator Equipment (China) Co.	US\$ 11,100 NT\$ 296,939	US\$ 11,100 NT\$ 296,939	11,183,510	78.72%	US\$ 10,779 NT\$ 333,667	US\$ 8,545 NT\$ 264,532	Subsidiary	
	Better Win Investment Co. (SAMOA)	Level 2, Lotemau Centre Vaea Street, Apia Samoa	Holding Company; Indirectly investing in Yungtay Elevator (China) through Yungtay Engineering (HK)	US\$ 33,500 NT\$ 1,045,647	US\$ 33,500 NT\$ 1,045,647	33,500,000	100.00%	US\$ (106) NT\$ (3,275)	US\$ (106) NT\$ (3,274)	Subsidiary, impairment loss of us\$2,000 thousand has been deducted	
	Taiwan Calsonic Co., Ltd.	9F, No.99 Fu-Hsin N. Rd. Taipei	Car cooler sales, installation and after-Service and etc.	156,943	156,943	12,900,000	20.16%	(119,474)	(19,096)	Associate	
	Yungjiun Investment Co., Ltd.	11F, No.99 Fu-Hsin N. Rd. Taipei	Investment	85,000	180,000	8,500,000	100.00%	4,955	(157)	Subsidiary. The Company's share acquired by subsidiary is accounted for under treasury stock.	
	Hitachi Construction Machinery Co., Ltd.	10F, No.99 Fu-Hsin N. Rd. Taipei	Agent for the trading of domestic and foreign construction machinery	65,280	65,280	6,528,000	51.00%	59,762	30,478	Subsidiary	
	Evest Corporation	10F, No.99 Fu-Hsin N. Rd. Taipei	SMT/LED/IC Packaging MEMS Packaging/Touch precision process equipment	614,666	614,666	7,007,172	41.22%	17,987	7,413	Associate	
	Better Win Investment Co.	54F, Hopewell centre, 183 queen's road east, Hong Kong	Indirectly investing in Yungtay Elevator Equipment (China)	US\$ 33,297	US\$ 33,297	3,022,570	21.28%	US\$ 10,779 NT\$ 333,667	US\$ 2,294 NT\$ 71,004	Subsidiary	

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR YEAR ENDED DECEMBER 31, 2017
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

TABLE 4

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from January 1, 2017	Investment Flows		Accumulated Outflow of Investment from December 31, 2017 (US\$ in Thousands)	Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profits/Losses
					Outflow	Inflow				
Yungtay Elevator Equipment (China) Co.	Manufacturing, Sale of elevator and escalator and related accessories	US\$ 56,000 thousand (NT\$1,566,971 thousand)	Note 1	US\$ 5,702 thousand (NT\$121,979 thousand)	-	-	US\$ 5,702 thousand (NT\$121,979 thousand)	RMB 72,242 thousand (NT\$332,003 thousand)	100.00%	332,003 thousand
Yungtay Elevator Equipment (Tianjin) Co.	"	RMB 200,000 thousand (NT\$907,680 thousand)	Note 2	-	-	-	-	-	100.00%	-
Yungtay Elevator Installation Maintenance (Tianjin) Co.	"	RMB 3,500 thousand (NT\$15,505 thousand)	Note 2	-	-	-	-	-	100.00%	-
Yungtay Elevator Installation Maintenance (Shanghai) Co.	"	RMB 20,000 thousand (NT\$95,197 thousand)	Note 2	-	-	-	-	-	100.00%	-
Yungtay Elevator Equipment (Sichuan) Co.	"	RMB 152,000 thousand (NT\$736,573 thousand)	Note 2	-	-	-	-	-	100.00%	-
Jiji Electric Engine (Shanghai) Co.	Manufacturing and maintenance of components of elevator	RMB 109,000 thousand (NT\$523,370 thousand)	Note 2	-	-	-	-	-	100.00%	-

Investee Company	Carrying Amount as of December 31, 2017	Accumulated Inward Remittance of Earnings as of December 31, 2017	Accumulated Investment in Mainland China as of December 31, 2017 (US\$ in Thousands)	Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousands)	Upper Limit on Investment	
					Investee Co. invested directly by Yungtay (HK)	Investee Co. invested directly by Yungtay (China) with its own capital
Yungtay Elevator Equipment (China) Co.	8,280,622 thousand	US\$5,398 thousand and RMB220,000 thousand (NT\$1,243,713 thousand)	121,979 thousand	293,208 thousand	Investee Co. invested directly by Yungtay (HK)	
Yungtay Elevator Equipment (Tianjin) Co.	-	-	-	-	Investee Co. invested directly by Yungtay (China) with its own capital	
Yungtay Elevator Installation Maintenance (Tianjin) Co.	-	-	-	-	Investee Co. invested directly by Yungtay (Tianjin) with its own capital	6,950,050 thousand
Yungtay Elevator Installation Maintenance (Shanghai) Co.	-	-	-	-	Investee Co. invested directly by Yungtay (China) with its own capital	
Yungtay Elevator Equipment (Sichuan) Co.	-	-	-	-	"	
Jiyi Electric Engine (Shanghai) Co.	-	RMB19,621 thousand (NT\$94,214 thousand)	-	-	"	

Note 1: Re-invested in company in Mainland China through a company incorporated.

Note 2: Directly invested in company in Mainland China through a company incorporated in Mainland China.

14. Operating segments information

Please see Note 14 to the consolidated financial statements for the year ended December 31, 2017.

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Yungtay Engineering Co., Ltd.

STATEMENT OF CASH AND CASH EQUIVALENTS

DECEMBER 31, 2017

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

Item	Description			Amount
Cash on hand				\$ 5,171
Bank deposits				
Demand deposits	including	JPY2,874,384	@0.2622	754
		1672289.35	@29.71	49,684
		RMB166,395.46	@4.54	755
		Others		374,653
	Subtotal			425,846
Checking accounts				80,825
Time deposits	including	US\$2,000,000.00	@29.71	59,420
		Others		252,400
	Subtotal			311,820
	Total bank deposits			818,491
Total				\$ 823,662

STATEMENT 2

Yungtay Engineering Co., Ltd.

**STATEMENT OF FINANCIAL ASSETS AT FVTRF-CURRENT
DECEMBER 31, 2017**

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

Name of Financial Instruments	Type	Shares/ Units	Par Value	Amount By Par Value	Cost	Fair Value	
						Unit Price	Amount
Financial assets held for trading:							
2897 O Bank	Stock	3,015,000	\$ 10	\$ 30,150	\$ 21,105	\$ 8.91	\$ 26864
Cathay FTSE China A50 ETF	Beneficiary Certificate	30,000	10	300	485	21.21	636
UPAMC Global Tech Fund	Beneficiary Certificate	250,000	10	2,500	2,500	14.17	3,543
Shin Kong Global Biomedical Fund	Beneficiary Certificate	479,386	10	4,794	5,000	10.75	5,153
Franklin Templeton Sino Am Fund	Beneficiary Certificate	390,320	10	3,903	5,000	14.83	5,788
Prudential Currency Market Fund	Beneficiary Certificate	3,184,308	10	31,843	50,000	15.7227	50,066
ShinKong China growth Fund	Beneficiary Certificate	401,929	10	4,019	5,000	12.98	5,217
UPAMC Great China Fund	Beneficiary Certificate	197,006	10	1,970	5,000	25.61	5,045
Union Money Market Fund	Beneficiary Certificate	3,810,104	10	38,101	50,000	13.1288	50,022
RSIT Enhanced Money Market Fund	Beneficiary Certificate	4,201,398	10	42,014	50,000	11.9019	50,005
UPAMC Dyhastrategy Global Multi-Assets Fund	Beneficiary Certificate	30,052	10	301	9,063	295	8,863
Total				\$ 159,895	\$ 203,153		\$ 211,202

STATEMENT 3

Yungtay Engineering Co., Ltd.

STATEMENT OF AVAILABLE-FOR-SALE FINANCIAL ASSETS-CURRENT
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

<u>Name of Financial Instruments</u>	<u>Type</u>	<u>Shares/Units</u>	<u>Par Value</u>	<u>Amount by</u>		<u>Fair Value</u>	
				<u>Par Value</u>	<u>Cost</u>	<u>Unit Price</u>	<u>Amount</u>
2897 O Bank	Stock	10,769,539	10	\$ 107,695	\$ 103,700	8.91	\$ 95,957

Yungtay Engineering Co., Ltd.

STATEMENT OF NOTES RECEIVABLE AND NOTES RECEIVABLE FROM RELATED PARTIES
 DECEMBER 31, 2017
 (In Thousands of New Taiwan Dollars)

Client Name	Amount
Related parties:	
Evest Corporation	\$ 1,309
Yungtay Hitachi Construction Machinery Co., Ltd.	26
Subtotal	<u>1,335</u>
Non-related parties:	
Client A	7,016
Client B	6,538
Others (Note)	<u>192,433</u>
Subtotal	205,987
Less: Allowance for doubtful accounts	<u>(2,073)</u>
Total	<u>\$ 205,249</u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.

Yungtay Engineering Co., Ltd.

STATEMENT OF ACCOUNTS RECEIVABLE AND ACCOUNTS RECEIVABLE FROM RELATED PARTIES
 DECEMBER 31, 2017
 (In Thousands of New Taiwan Dollars)

Client Name	Amount
Related parties:	
Yungtay Elevator Equipment (China) Co.	\$ 349
Evest Corporation	647
Subtotal	996
Non-related parties:	
Client C	37,556
Client D	29,047
Client E	22,100
Client F	21,109
Client G	18,418
Others (Note)	944,694
Subtotal	1,072,924
Less: Allowance for doubtful accounts	(38,765)
Total	\$ 1,035,155

Note: The amount of individual client included in others does not exceed 5% of the account balance.

Yungtay Engineering Co., Ltd.

STATEMENT OF INVENTORIES
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Item	Amount	
	Cost	Net Realizable Value
Work in process		
Elevator	\$ 883,433	\$ 1,742,644
Construction in process	80,675	
Raw material		
Elevator	258,821	242,136
Subtotal	1,222,929	\$ 1,984,780
In-transit in Ventry	15,977	
Less: allowance for inventory decline loss	(44,734)	
Total	\$ 1,194,172	

Yungtay Engineering Co., Ltd.STATEMENT OF PREPAYMENTS
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Prepayment for purchases:	
Prepayment for domestic purchases	\$ 6,086
prepayment for foreign purchases	579
Prepaid insurance and rent	<u>7,515</u>
Total	<u>\$ 14,180</u>

Yungtay Engineering Co., Ltd.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2017

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

Investees	Balance, January 1, 2017		Additions in Investment		Decrease in Investment		Balance, December 31, 2017		Unit Price (NT\$)	Total Amount	Collateral
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			
Yuntay Engineering Co. (HK)	11,183,510	\$ 6,653,416	-	\$ -	-	\$ (60,884)	11,183,510	\$ 6,592,532	-	\$ 6,602,072	Nil
Taiwan Calsonic Co., Ltd (TWNICAL)	12,900,000	305,563	-	-	-	(26,504)	12,900,000	279,059	16.15	208,335	Nil
Yungjiun Investment Co., Ltd.	18,000,000	102,629	-	-	(9,500,000)	(90,045)	8,500,000	12,584	-	12,584	Nil
Taiwan Hitachi Construction Machinery Co., Ltd.	6,528,000	186,077	-	30,478	-	(27,629)	6,528,000	188,926	-	188,926	Nil
Evest Corporation	7,007,172	115,872	-	7,112	-	(21,022)	7,007,172	101,962	-	101,962	Nil
Better Win Investment Co. (SAMOA)	33,500,000	2,017,779	-	-	-	(105,028)	33,500,000	1,912,751	-	1,912,751	Nil
Total		\$ 9,381,336		\$ 37,590		\$ (331,112)		\$ 9,087,814		\$ 9,026,629	

Yungtay Engineering Co., Ltd.

STATEMENT OF CHANGES IN FINANCIAL ASSETS CARRIED AT COST
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investees	Balance, January 1, 2017		Additions in Investment		Decrease in Investment		Balance, December 31, 2017		Collateral
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	
Yungguan Electrical Co., Ltd.	148,000	\$ 2,265	-	-	-	-	148,000	\$ 2,265	Nil
Asia Hitachi Elevator Engineering co., Ltd.	6,760	78,169	-	-	-	-	6,760	78,169	Nil
King's Word Investment Co., Ltd.	21,090	900	-	-	-	-	21,090	900	Nil
Lishi Joint Venture Co., Ltd.	923,515	8,231	-	-	-	-	923,515	8,231	Nil
Ultra Life Taiwan Inc.	11,361,946	-	-	-	-	-	11,361,946	-	Nil
Industrial Bank of Taiwan (Note)	20,769,539	200,000	-	-	(20,769,539)	\$ (200,000)	-	-	Nil
Subtotal		289,565		-		(200,000)		89,565	
Less: accumulated impairment loss		(3,008)		-		-		(3,008)	
Total		\$ 286,557		-		\$ (200,000)		\$ 86,557	

Note: Officially changed its name to be O-Bank, which was approved to be listed in the publicly traded market and accounted for under Available-for Sale financial assets and financial assets at FVTPF.

Yungtay Engineering Co., Ltd.

STATEMENT OF NOTES PAYABLE
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Non-related party:	
Others (Note)	\$ 372
Subtotal	372
Other notes payable	286,221
Total	\$ 286,593

Note: The amount of individual client included in others does not exceed 5% of the account balance.

Yungtay Engineering Co., Ltd.

STATEMENT OF ACCOUNTS PAYABLE AND ACCOUNTS PAYABLE TO RELATED PARTIES
 DECEMBER 31, 2017
 (In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Related party:	
Yungtay Elevator Equipment (China) Co.	\$ 24,453
Taiwan Calsonic Co., Ltd. (TWNCAL)	689
Subtotal	25,142
Non-related party	
Other (Note)	421,930
Subtotal	421,930
Total	\$ 447,072

Note: The amount of individual client included in others does not exceed 5% of the account balance.

Yungtay Engineering Co., Ltd.

STATEMENT OF OTHER PAYABLES
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Item	Amount
Bonus, salaries and benefits	\$ 66,536
technical compensation fee	668
Employee retirement plan	7,284
Overtime pay	3,611
Insurance expense	22,434
Value-added tax	24,683
Employees' compensation and remuneration to directors and supervisors	43,996
Short-term employees' benefits	34,717
Others	23,532
Total	\$ 227,461

Yungtay Engineering Co., Ltd.

STATEMENT OF ADVANCES RECEIVED
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Others (Note)	\$ 1,916,197
Subtotal	1,916,197
 Dacheng Construction Co. and etc.	 1,596
Total	<u>\$ 1,917,793</u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.

Yungtay Engineering Co., Ltd.

STATEMENT OF OPERATING REVENUE
 FOR THE YEAR ENDED DECEMBER 31, 2017
 (In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Item	Volume	Amount
Total Operating revenue		
Elevator	2,891	\$ 2,913,396
Less: Sales allowance		<u>(4,039)</u>
Net of operating revenue		<u>2,909,357</u>
Total maintenance and repair revenue		2,529,680
Less: maintenance allowance		<u>(4,106)</u>
Net of maintenance and repair revenue		<u>2,525,574</u>
Rental		<u>30,403</u>
Total		<u>\$ 5,465,334</u>

Yungtay Engineering Co., Ltd.STATEMENT OF OPERATING COST
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Item	Amount
Operating cost	
Elevator	\$ 2,440,619
cost of maintenance and repair	1,255,745
Cost of rental	6,023
Total	<u>\$ 3,702,387</u>

Yungtay Engineering Co., Ltd.

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

Item	Selling Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Salary and wages	\$ 53,020	\$ 207,502	\$ 110,318	\$ 370,840
Pension expense	-	25,814	6,216	32,030
Rental expense	-	1,594	381	1,975
Supplies expense	-	4,428	3,551	7,979
Travelling expense	-	5,523	3,812	9,335
Freight expense	-	169	13	182
Phone/Fax expense	-	3,693	2	3,695
repair and maintenance expense	-	8,016	1,195	9,211
Eentertainment expense	1,677	9,972	76	11,725
Advertising expense	717	404	-	1,121
Utilities expense	-	1,319	-	1,319
Insurance expense	-	18,779	9,252	28,031
Donations	-	8,442	-	8,442
Taxes	-	28,097	-	28,097
Depreciation	-	11,545	909	12,454
Meal expense	-	4,145	2,653	6,798
Employees benefits	-	8,201	-	8,201
Training expense	-	2,210	1,309	3,519
Export expense	1,410	-	-	1,410
Technical compensation fee	572	-	-	572
Overtime pay	-	3,181	6,725	9,906
Mileage expense	-	766	125	891
Fuel expense	-	3,908	810	4,718
Book magazine fee	-	152	39	191
Miscellaneous purchases	-	2,971	1,056	4,027
Professional service fee	-	5,786	-	5,786
Medical fee	-	910	-	910
Service fee	-	-	1,949	1,949
Project development fee	-	-	18,880	18,880
Sundry expenses	-	19,196	564	19,760
Total	\$ 57,396	\$ 386,723	\$ 169,835	\$ 613,954