Yungtay Engineering Co., Ltd. and Subsidiaries

Consolidated 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
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Yungtay Engineering Co., Ltd.
and Subsidiaries

Contents

REPRESENTATION LETTER

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" as of and for the year ended December 31, 2017 are the same as those required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financials Reporting Standard 10 "Consolidated Financial Statements." Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Consequently, Yungtay Engineering Co., Ltd. and its subsidiaries do not prepare a separate set of consolidated financial statements.

Very truly yours,

Yungtay Engineering Co., Ltd.

Chairman: Hsu, Cho-Li

March 15, 2018

Russell Bedford

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INDEPENDENT AUDITORS' REPORT

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

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with 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) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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 Consolidated 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the consolidated 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(20) to the consolidated financial statements for the details of the information about the sale of goods associated with elevators and related maintenance, which accounts for 95.94% 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.

Evaluation of goodwill

The carrying amount of goodwill was $121,928 thousand as of December 31, 2017, please refer to Note 6(13) to the consolidated financial statements. The Company's goodwill has been tested for impairment at the end of the annual reporting period. For the purpose of impairment testing, goodwill is allocated to each of the Company's cash-generating units. The recoverable amount of a cash-generating unit to which goodwill is allocated relies on the management's judgment, including the forecast of the future sales, profit margin, the growth rate, the movement of other operating cost,

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estimation of future cash flows and annual pretax discount rates which are major assumptions of key assumption factors.

Our key audit procedures performed in respect of the above area included: by way of implementing the subsitative detail test to make sure that the management were doing the right computation with regard to the impairment of a cash-generating unit to which goodwill was allocated, and re-calculating and evaluating the above-mentioned key assumption factors' correctness and reasonableness.

Evaluation of inventories

The carrying amount of inventories was NT$6,535,659 thousand, which accounted for 27% of the total assets in the consolidated balance sheet and could have a material impact on the consolidated financial statements. Inventories tended to be obsolete and caused damaged easily because of rapid development of technology in the production of elevator and uncertainty in the demand market. The estimate of net realizable value of inventories is subject to the management's subjective judgment. Consequently, the evaluation of inventories' measurement at the lower of cost or net realizable value, together with the provision of the allowance for the inventories decline loss, has been identified as a key audit matter.

Our key audit procedures performed in respect of the above area included: understood and tested the design and operating effectiveness of internal controls of inventories; obtained the evaluation data of net realizable value of inventories prepared by management; implemented the computation through the way of sampling to assure the correctness of the provision of the allowance for the inventories decline and verified and compared the contract price of recent actual sales to understood if there was any decline happened to the inventories. Moreover, observed year-end inventory physical count and executed sampling of inventory physical count to assess the adequacy of the methods used by management to identify and monitor if there was any obsolescent inventories.

Other Matter

We have also audited the parent company only financial statements of Yungtay Engineering Co., Ltd. as of and for the years ended December 31, 2017 and 2016 on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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, of 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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 consolidated 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.

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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 consolidated 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 consolidated financial statements are intended only to present the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements shall prevail.

Yungtay Engineering Co., Ltd. and its Subsidiaries
Consolidated Balance Sheets - Asset
(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Account	Note	31-Dec-17 Amount	%	31-Dec-16 Amount	%
11xx	Current assets					
1100	Cash and cash equivalents	6(1)	$ 4,135,644	17	4,361,037	16
1110	Financial asset at fair value through profit or loss	6(2)	211,202	1	406,969	1
1125	Available-for-sale financial assets	6(2)	95,957	-	-	-
1150	Note receivable, net	6(4)	311,188	1	290,769	2
1170	Accounts receivable, net	6(4)	3,334,774	14	4,286,109	15
1200	Other receivables		19,774	-	22,914	-
130x	Inventories	6(5)	6,535,659	27	7,972,356	29
1410	Prepayments	6(6)	406,875	2	488,716	2
1460	Non-current assets held for sale	6(7)	50,272	-	56,523	-
1478	Refundable deposits	6(8)	415,775	2	567,966	2
1470	Other current assets		5,923	-	-	-
11xx	Total current assets		15,523,043	64	18,453,359	67
15xx	Non-current assets					
1543	Non-current financial assets at cost	6(9)	88,932	-	288,932	1
1550	Investments accounted for using equity method	6(10)	381,021	2	421,435	2
1600	Property, plant and equipment	6(11)	5,811,956	25	6,138,314	22
1760	Investment property, net	6(12)	856,203	4	888,614	3
1780	Intangible assets	6(13)	185,577	1	284,841	1
1840	Deferred tax assets	6(23)	737,997	3	975,197	3
1915	Prepayments for equipment	6(11)	17,143	-	86,555	-
1920	Refundable deposits	6(8)	62,886	-	62,832	-
1985	Long-term prepaid rents	6(13)	244,682	1	259,316	1
1990	Advances to employees and official business		13,337	-	17,264	-
1990	Other non-current assets, others	12(1)	6,060	-	19,409	-
15xx	Total non-current assets		8,405,794	36	9,442,709	33
1xxx	Total assets		23,928,837	100	27,896,068	100

(Continued)

(Notes attached are part of the consolidated financial statements)

Yungtay Engineering Co., Ltd. and its Subsidiaries

Consolidated Balance Sheets – Liabilities and Equity

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Account	Note	31-Dec-17 Amount	%	31-Dec-16 Amount	%
21xx	Current liabilities					
2120	Financial liabilities at fair value through profit or loss	6(2)	$ 5,529	-	-	-
2125	Derivative financial liabilities for hedging	6(3)	-	-	8,369	-
2150	Notes payable		355,411	1	384,756	1
2170	Accounts payable		2,002,065	8	2,538,511	9
2200	Other payables	6(15)	1,007,579	4	1,292,947	5
2230	Current income tax liabilities	6(23)	67,039	-	236,857	1
2310	Advances received	6(16)	7,438,298	31	9,367,096	34
2313	Deferred revenue	6(20)	322,221	1	370,621	1
2399	Other current liabilities		1,772	-	1,608	-
21xx	Total current liabilities		11,199,914	45	14,200,765	51
25xx	Non-current liabilities					
2570	Deferred income tax liabilities	6(23)	6,868	-	7,985	-
2630	Long-term deferred revenue	6(20)	125,680	1	148,973	-
2640	Net defined benefit liabilities-non-current	6(18)	716,714	4	1,480,836	5
2645	Deposit received	6(17)	114,725	-	146,557	1
2670	Other non-current liabilities			-	447	-
25xx	Total non-current liabilities		963,987	5	1,784,798	6
2xxx	Total liabilities		12,163,901	50	15,985,563	57
31xx	Total equity attributable to owners of parent					
3100	Capital stock	6(19)	4,108,200	17	4,108,200	14
3200	Capital surplus	6(19)	264,835	1	256,332	1
3300	Retained earnings	6(19)				
3310	Legal reserve		2,896,805	12	2,741,305	10
3350	Unappropriated earnings		4,236,232	18	4,331,773	16
3400	Other equity	6(19)	146,757	1	363,526	1
3500	Treasury stock	6(19)	(69,411)	-	(69,411)	-
31xx	Equity attributable to owners of parent		11,583,418	49	11,731,725	42
36xx	Non-controlling interest		181,518	1	178,780	1
3xxx	Total equity		11,764,936	50	11,910,505	43
3x2x	Total liabilities and equity		23,928,837	100	27,896,068	100

(Notes attached are part of the consolidated financial statements)

Yungtay Engineering Co., Ltd. and its Subsidiaries
Consolidated Statements of Comprehensive Income
(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Account	Note	2017 Amount	2017 %	2016 Amount	2016 %
4000	Operating revenue	6(20)	$ 16,752,217	100	19,581,652	100
5000	Operating costs	6(5)	(12,297,354)	(73)	(13,934,011)	(71)
5900	Gross profits from operations		4,454,863	27	5,647,641	29
6000	Operating expenses					
6100	Selling expenses		(1,050,712)	(6)	(1,343,435)	(7)
6200	Administrative expenses		(1,442,280)	(9)	(1,568,328)	(8)
6300	Research and development expenses		(482,948)	(3)	(597,909)	(3)
	Total operating expenses		(2,975,940)	(18)	(3,509,672)	(18)
6900	Net operating income		1,478,923	9	2,137,969	11
7000	Non-operating income and expenses					
7010	Other income	6(21)	33,729	-	41,975	-
7020	Government grants	6(21)	43,452	-	23,938	-
7020	Other gains and losses	6(21)	4,571	-	(66,431)	-
7050	Finance costs	6(21)	(89)	-	(51)	-
7060	method	6(10)	(11,683)	-	47,751	-
	Total non-operating income and expenses		69,980	-	47,182	-
7900	Income before income tax		1,548,903	9	2,185,151	11
7950	Income tax expenses					
7951	Current income tax expenses	6(23)	(152,092)	(1)	(269,929)	(1)
7952	Deferred income tax expenses	6(23)	(239,642)	(1)	(330,733)	(2)
8000	Current income from continuing operations		1,157,169	7	1,584,489	8
8100	Gains and losses from discontinuing operation, net		-	-	-	-
8200	Net income for the year		1,157,169	7	1,584,489	8
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(18)	(97,225)	-	(21,089)	-
8320	Share of other comprehensive gains and losses of associates accounted for using equity method		(1,263)	-	414	-
8349	Income tax benefit related to items that will not be reclassified subsequently	6(23)	16,529	-	3,585	-
	Total items not reclassified into gains and losses		(81,959)	-	(17,090)	-
8360	Items that may be reclassified subsequently to profit of loss:					
8361	Exchange differences on translation of foreign financial statements	6(19)	(205,088)	(1)	(713,674)	(4)
8362	Unrealized gains (losses) from available-for-sale financial assets	6(19)	(7,743)	-	697	-
8370	Share of other comprehensive gains and losses of associates accounted for using equity method	6(19)	(3,938)	-	(26,354)	-
	Total items to be reclassified into gains and losses		(216,769)	(1)	(739,331)	(4)
8500	Total comprehensive income for the year		858,441	6	$828,068	4
8600	Profit attributable to					
8610	Profit attributable to owners of parent		1,127,886	7	1,554,995	8
8620	Profit attributable to non-controlling interests		29,283	-	29,494	-
			1,157,169	7	1,584,489	8
8700	Comprehensive income attributable to					
8710	Comprehensive income attributable to owners of parent		829,158	7	798,574	8
8720	Comprehensive income attributable to non-controlling interests		29,283	-	29,494	-
			$ 858,441	7	828,068	8
	Earnings per share (in NT dollar)	6(24)				
9750	Basic earnings per share (in NT dollar)		$ 2.76		3.80	

(Notes attached are part of the consolidated financial statements)

Yungtay Engineering Co., Ltd. and its Subsidiaries
Consolidated Statements of Changes in Equity
(Amounts Expressed in Thousands of New Taiwan Dollars)

Account	Equity attributable to owners of parent								Non-controlling interests	Total equity
			Retained earnings		Other equity					
	Capital share	Capital surplus	Legal reserve	Unappropriated earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets available-for-sale	Treasury share	Total		
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	172,548	12,209,290
Appropriation & distribution of earnings in 2015										
Legal reserve			184,967	(184,967)				-	-	-
Cash dividends				(1,109,214)				(1,109,214)	-	(1,109,214)
Adjustments of capital surplus for company's cash dividends received by subsidiaries		5,751						5,751	-	5,751
Net income in 2016 (Note 1)				1,554,995				1,554,995	29,494	1,584,489
Other comprehensive income (loss) in 2016				(17,090)	(739,504)	173		(756,421)	-	(756,421)
Total comprehensive income (loss) in 2016	-	-	-	1,537,905	(739,504)	173	-	798,574	29,494	828,068
Non-controlling interests from cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	(23,123)	(23,123)
Cash dividends distributed from subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	(139)	(139)
Disposal of shares of subsidiary attributed to non-conttrolling interesrs	-	-	-	(128)	-	-	-	(128)	-	(128)
Balance as of December 31, 2016	$4,108,200	256,332	2,741,305	4,331,773	365,147	(1,621)	(69,411)	11,731,725	178,780	11,910,505
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	178,780	11,910,505
Appropriation & distribution of earnings in 2016										
Legal reserve			155,500	(155,500)				-	-	-
Cash dividends				(985,968)				(985,968)	-	(985,968)
Adjustments of capital surplus for company's cash dividends received by subsidiaries		5,112						5,112	-	5,112
Overdue dividends unaccalimed		3,319						3,319	-	3,319
Adjustments to share of changes in equities of associates		72						72	-	72
Net income in 2017				1,127,886				1,127,886	29,283	1,157,169
Other comprehensive income (loss) in 2017				(81,959)	(209,671)	(7,098)		(298,728)	-	(298,728)
Total comprehensive income (loss) in 2017	-	-	-	1,045,927	(209,671)	(7,098)	-	829,158	29,283	858,441
Non-controlling interests from cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	(26,545)	(26,545)
Balance as of December 31, 2017	4,108,200	264,835	2,896,805	4,236,232	155,476	(8,719)	(69,411)	11,583,418	181,518	11,764,936

(Notes attached are part of the consolidated financial statements)

Yengtay Engineering Co., Ltd. and its Subsidiaries
Consolidated Statements of Cash flows
(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Account		2017	2016
AAAA	Cash flows from operating activities:			
A10000	Income before income tax	$	1,548,903	2,185,151
A20000	Adjustments:			
A20010	Adjustments to reconcile profit (loss) that would not affect the cash flows			
A20100	Depreciation expense		393,667	370,018
A20200	Amortization expense		17,105	15,945
A20300	Provision for bad debt expense		78,508	31,600
A20400	Financial asset at fair value through profit or loss		879	1,138
A20900	Interest expense		89	51
A29900	Expenses recognized from long-term prepaid rents		9,431	6,439
A21200	Interest income		(27,175)	(31,230)
A21300	Dividend income		(6,554)	(10,745)
A22300	Share of loss (gain) of associates accounted for using equity method		11,683	(47,751)
A22500	Loss (gain) on disposal of property, plant and equipment, net		(3,603)	(880)
A22500	Loss on obsolescence of property, plant and equipment		18,168	17,045
A22500	Gain on disposal of other non-current assets		(3,780)	-
A22700	Loss on disposal of Investment property		96	71
A22800	Loss on disposal of Intangible assets		-	(3,053)
A23000	Gain on disposal of non-current assets available-for-sale		464	(2,669)
A23100	Loss (gain) on disposal of investments		-	445
A23700	Allowance for inventory valuation		16,316	(5,492)
A23700	Impairment loss of goodwill		74,292	64,975
A23800	property		-	(159)
A23800	Gain on reversal of impairment losses on non-current assets available-for-sale		5,478	(1,814)
A24100	Unrealized foreign exchange loss		28,380	17,597
A20010	Total adjustments to reconcile profit (loss)		613,444	421,531
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		(20,419)	116,392
A31150	Increase (decrease) in accounts receivable, net		887,553	686,903
A31180	Increase (decrease) in other receivables		3,698	(8,155)
A31200	Decrease (increase) in inventory		1,481,159	1,365,724
A31230	Decrease in prepayments		77,825	(15,998)
A31240	Decrease in other current assets		(465)	52
A31000	Total change in operating assets		2,720,539	2,040,114
A32000	Change in operating liabilities			
A32130	Increase (decrease) in notes payable		(29,345)	(115,943)
A32150	Increase (decrease) in accounts payable		(536,446)	(239,450)
A32180	Increase (decrease) in other payables		(255,683)	(106,571)
A32210	Increase (decrease) in unearned revenue		(1,928,798)	(1,573,411)
A32230	Increase (decrease) in other current liabilities		164	(199)
A32240	Increase (decrease) in defined benefit liabilities, net		(861,347)	(76,302)
A23990	Increase in deferred revenue		(71,693)	(48,200)
A32000	Total change in operating liabilities		(3,683,148)	(2,160,076)
A30000	Total change in operating assets and liabilities		(962,609)	(119,962)

(Continued)

Yengtay Engineering Co., Ltd. and its Subsidiaries
Consolidated Statements of Cash flows
(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Account	2017	2016
A20000	Total adjustments	(349,165)	301,569
A33000	Cash inflow (outflow) generated from operations	1,199,738	2,486,720
A33100	Interest received	28,037	30,594
A33200	Dividends received	30,156	13,325
A33300	Interest paid	(89)	(51)
A333500	Income tax paid	(320,869)	(401,098)
AAAA	Net cash generated from operating activities	936,973	2,129,490
BBBB	Cash flow from investing activities		
B00400	Disposal of financial assets available-for sale-non-current value	-	5,188
B01400	Proceeds from decrease of capital of financial assets carried at cost	-	1,503
B02600	Disposal of non-current assets available-for-sale	4,887	22,302
B02700	Acquisition of property, plant and equipment (Note 6(25))	(194,050)	(818,545)
B02800	Proceeds from disposal of property, plant and equipment	25,797	27,324
B02800	Proceeds from disposal of other assets-golf certificate	9,300	-
B03800	Decrease in refundable deposits	152,137	44,258
B04500	Acquisition of intangible assets	(6,607)	(11,680)
B04600	Disposal of Intangible assets available-for-sale	-	4,465
B05500	Disposal of nvestment property available-for-sale	3,513	9
B06700	Increase in other non-current assets	3,387	8,124
B07100	Increase in prepayments on equipment	(16,394)	(65,679)
BBBB	Net cash flows in investing activities	(18,030)	(782,731)
CCCC	Cash flows from financing activities		
C03100	Decrease in deposits received	(31,832)	(48,989)
C04300	Increase in other non-current liabilities	(447)	(687)
C04500	Cash dividends paid	(1,007,401)	(1,126,586)
C05800	Change in non-controlling equity	-	(139)
C09900	Other-overdue dividends unaccalimed	3,319	-
CCCC	Net cash flows from financing activities	(1,036,361)	(1,176,401)
DDDD	Impact of change in exchange rate on cash and cash equivalents	(107,975)	(240,834)
EEEE	Net increase (decrease) in cash and cash equivalents	(225,393)	(70,476)
E00100	Cash and cash equivalents at the beginning of year	4,361,037	4,431,513
E00200	Cash and cash equivalents at the end of year	$ 4,135,644	4,361,037

(Notes attached ar(Notes attached are part of the consolidated financial statements)

Yungtay Engineering Co., Ltd.
Notes to Consolidated 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 and its subsidiaries(collectively referred herein as the "Group") was 5,149 and 5,878 as of December 31, 2017 and 2016, respectively.

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying consolidated 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 Group'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 Group 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 Group'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 Group'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 Group 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 Group 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 Group 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 Group has performed an assessment that the Group will apply the simplified approach (including Provision Matrix) to recognize lifetime expected credit losses for trade receivables and contract assets. In general, the Group 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 Group 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 Group electes 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 earning when FVTOCI under IFRS 9 is disposed. The Group predicts that the above-mentioned changes would not result in any material effect.

Hedge accounting

The main changes in hedge accounting under IFRS 9amended 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 Group's current hedging relationships indicates that they will qualify as continuing hedging relationships under IFRS 9. The Group 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 Group 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 Group 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 Group recognized revenue that applies to all contracts with customers includes the sales of goods and providing services. The impact of revenue recognition to the Group under IFRS 15 are stated as follows:

(a) After the goods-elevator is examined and qualified by the competent authority, the Group recognizes the revenue when the elevator is delivered to the customer, i.e. the Group satisfies the performance obligation. As a result, the revenue recognition of the sales of goods under IFRS 15 has no material influence to the Group 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 Group, including repair, maintenance and rental, are recognized revenue over time when the Group complete the contract to some extent in accordance with the contract with the customers. i.e. when the Group transfers the promised services to the customer and satisfies the performance obligation , the Group can recognize the revenue. As a result, the revenue recognition over time in respect of services rendered by the Group under IFRS 15 has no material influence to the Group, 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 Group 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 consolidated 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 DateAnnounced 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 Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group 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 consolidated 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 consolidated 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 Group as lessor.

When IFRS 16 becomes effective, the Group 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 tat when income tax treatments exist uncertainty, the Group 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 Group 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 Group 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 consolidated financial statements were authorized for issue, the Group 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 Group completes the evaluation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies are summarized as follows:

(1) Statement of Compliance

The consolidated 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 consolidated 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) **Basis of Consolidation**

a. Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the shareholders of the parent and to the noncontrolling interests even if this results in the noncontrolling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

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. The carrying amounts of the Company's interests and the noncontrolling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to shareholders of the parent.

When the Company loses control of a subsidiary, a gain or loss is recognized in profit or loss and is 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 assets (including goodwill), and liabilities of the subsidiary and any noncontrolling interest.

The Company shall account for all amounts recognized in other comprehensive income in relation to the subsidiary on the same basis as would be required if the Company had directly disposed of the related assets and liabilities.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the cost on initial recognition of an investment in an associate.

b. The subsidiaries in the consolidated financial statements

The detail information of the subsidiaries at the end of reporting period was as follows:

Name of Investor	Name of Investee	Main Businesses and Products	Percentage of Ownership (%) December 31 2017	Percentage of Ownership (%) December 31 2016	Remark
YTEC	Yungtay Engineering Co. (HK)	Holding Co.	78.72	78.72	
Better Win Investment Co. (SAMOA)	Yungtay Engineering Co. (HK)	Holding Co.	21.28	21.28	(Note 1)
Yungtay Engineering Co. (HK)	Yungtay Elevator Equipment Co. (China)	Manufacturing & maintenance of elevator	100.00	100.00	
Yungtay Elevator Equipment Co. (China)	Yungtay Elevator Installation & Maintenance Co. (ShangHai, China)	Installation & maintenance of elevator	100.00	100.00	
Yungtay Elevator Equipment Co. (China)	Jiyi Electric Co. (Shanghai, China)	Manufacturing & maintenance of Component of elevator	-	100.00	(Note 2)
Yungtay Elevator Equipment Co. (China)	Yungtay Elevator Limited Liability Co. (Vietnam)	Sale & Maintenance of elevator	100.00	100.00	
Yungtay Elevator Equipment Co. (China)	Yungtay Elevator Equipment Co. (Sichuan, China)	Manufacturing & maintenance of elevator	100.00	100.00	
Yungtay Elevator Equipment Co. (China)	Yungtay Elevator Equipment Co. (Tianjin, China)	Manufacturing & maintenance of elevator	100.00	100.00	
Yungtay Elevator Equipment Co. (Tianjin, China)	Yungtay Elevator Installation & Maintenance Co. (Tianjin, China)	Installation & maintenance of elevator	100.00	100.00	
YTEC	Better Win Investment Co. (SAMOA)	Holding Co.	100.00	100.00	
YTEC	Yungjiun Construction Machinery Co., Ltd.	Investment business	100.00	100.00	(Note 3)

Name of Investor	Name of Investee	Main Businesses and Products	Percentage of Ownership (%) December 31 2017	2016	Remark
YTEC	Yungtay Hitachi Construction Machinery Co., Ltd.	Sale & Maintenance of Construction Machinery	51.00	51.00	
YTEC	GIO Automation Technology Co., Ltd.	Automatic Control Engineering	-	-	(Note 4)
Yungjiun Investment Co. Ltd.	GIO Automation Technology Co., Ltd.	Automatic Control Engineering	-	-	(Note 5)

Note 1: The Company holds 21.28% ownership of Yungtay Engineering Co. (HK) through Better Win Investment Co. (SAMOA). The Company originally held 78.72% ownership of Yungtay Engineering Co. (HK). Due to comprehensive holdings 100% ownership of Yungtay Engineering Co. (HK) the 21.28% ownership of Yungtay Engineering Co. (HK) is consolidated.

Note 2: On October 16, 2017, the board of directors of Yungtay Elevator Equipment Co. (China) resolved that Yungtay Elevator Equipment Co. (China) absorbed by merger Jiyi Electric Co. (Shanghai, China), with Yungtay Elevator Equipment Co. (China) being the surviving company and Jiyi Electric Co. (Shanghai, China) being the dissolving company, effective from December 31, 2017.

Note 3: YungJiun Investment Co., Ltd. decreased capital amounted to NT$95,000 thousand, and completed the procedures of decreasing capital in the second quarter of 2017. The Company still holds 100% ownership of YungJiun Investment Co., Ltd.

Note 4: GIO Automation Technology Co., Ltd. decreased capital to cover the deficit amounted to NT$60,000 thousand and decreased capital by returning cash amounted to NT$70,000 thousand, and completed all the related procedures of decreasing capital in the first quarter of 2016. The Company still holds 95.11% ownership in spite of decreasing shares of 12,363,930. On October 12, 2016, the resolution of dissolution was made by the provisional shareholders' meeting and completed the liquidation procedures on January 3, 2017.

Note 5: The Company holds 4.875% ownership of GIO Automation Technology Co., Ltd. through Yungjiun Investment Co., Ltd.. The Company originally held 95.11% ownership of GIO Automation Technology Co., Ltd. Due to comprehensive holdings 99.985% ownership of GIO Automation Technology Co., Ltd., the 4.875% ownership of GIO Automation is consolidated. As stated in Note 4, GIO Automation Technology Co., Ltd. was resolved to dissolve by the provisional shareholders' meeting on October 12, 2016 and completed the liquidation procedures on January 3, 2017.

c. The subsidiaries not consolidated in the consolidated financial statements

GIO Automation Technology Co., Ltd. completed the liquidation procedures on January 3, 2017.

d. Material restriction: Nil.

e. The subsidiaries with non-controlling interests to the Group: Nil.

(4) Foreign Currencies

The financial statements of each individual consolidated 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 consolidated financial statements are both New Taiwan Dollars (NT$). In preparing the consolidated financial statement, the operating results and financial positions of each consolidated entity are translated into NT$.

In preparing the financial statements of each individual consolidated 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 consolidated financial statements, the assets and liabilities of the Group'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.

(5) 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 Group 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.

(6) 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.

(7) 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 Group'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 Group 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 Group 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 Group 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 Group 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 Group 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. <u>Derivative financial instruments and hedge accounting</u>

The Group 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 consolidated 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.

(8) <u>Measurement of Fair Value</u>

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 make 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 hot relevant when measuring fair value.

For the aforementioned fair value hedge, hedge accounting is discontinued prospectively when the Group 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.

(9) 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.

(10) 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.

(11) Investments Accounted for Using Equity Method

Investments accounted for using the equity method are investments in associates.

An associate is an entity over which the Group 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 consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of profit or loss and other comprehensive income of the associate as well as the distribution received. The Group also recognizes its share in the changes in the equities of associates.

Any excess of the cost of acquisition over the Group'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 Group'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 Group discontinues the use of the equity method from the date when the Group ceases to have significant influence over an associate. When the Group retains an interest in the former associate, the Group 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 Group 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 Group's ownership interest in an associate is reduced as a result of disposal, but the investment continues to be an associate, the Group should reclassify to profit or loss only a proportionate amount of the gain or loss previously recognized in other comprehensive income.

When the Group 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 Group's proportionate interest in the net assets of the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Group'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 consolidated entity transacts with an associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not owned by the Group.

(12) 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	3~10
Electrical and Mechanical Engineering	3~15

Categories of assets	Years
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.

(13) 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 Group decides to transfer into or from investment properties in accordance with the actual purpose of asset.

(14) 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 Group as lessor

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

The Group as lessee

Assets held under finance lease are initially recognized as assets of the Group 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.

(15) Intangible Assets

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

Other intangible assets

Other 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; membership qualification of golf club acquired in Mainland China – 35 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.

(16) Impairment of Tangible and Intangible Assets

Goodwill

Goodwill is not amortized and instead is tested for impairment annually, or more frequently when there is an indication that the cash generating unit may be impaired. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination. If the recoverable amount of a cash-generating unit is less than its carrying amount, the difference is allocated first to reduce the carrying amount of any goodwill allocated to such cash generating unit and then to the other assets of the cash generating unit pro rata based on the carrying amount of each asset in the cash generating unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Other tangible and intangible assets

At the end of each reporting period, the Group 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 Group 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 group 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.

(17) <u>Provision</u>

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 Group 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.

(18) <u>Treasury Stock</u>

The Group'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.

(19) <u>Employee Benefits</u>

<u>Short-term employee benefits</u>

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 the 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 Group's defined benefit plan.

(20) 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 Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group 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 Group; 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 Group 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 Group 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 Group 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.

(21) Taxation

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

Current tax

Income tax on unappropriated earnings (Including earnings from the Company and domestic subsidiaries) 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 consolidated 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 associates, except where the Group 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 Group 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.

(22) Government Grants

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

Government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets (mainly including land use right and depreciable assets) are recognized as a deduction from the carrying amount of the related assets and recognized as a reduced depreciation or amortization charge in profit or loss over the contract period or useful lives of the related assets.

(23) 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.

(24) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results are reviewed regularly by the Group's chief operating decision maker ("CODM") to make decisions pertaining to the allocation of resources to the segment and to assess its performance. Meanwhile, discrete financial information for operating results is available.

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

In the application of the aforementioned Group's accounting policies, the Group 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 Group is required to make subjective judgments in determining the independent cash flows, useful lives, expected future revenue and expenses related to the specific asset groups 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 of Goodwill**

The assessment of impairment of goodwill requires the Group to make subjective judgment to determine the identified cash-generating units, allocate the goodwill to relevant cash-generating units and estimate the recoverable amount of relevant cash-generating units.

(3) **Impairment Assessment on Investment Using Equity Method**

The Group 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 Group 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.

(4) **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 Group'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.

(5) Valuation of Inventory

Inventories are stated at the lower of cost or net realizable value, and the Group 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 Group 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	$	7,437	7,937
Deposits in banks			
Checking accounts		148,280	120,920
Demand deposits (including foreign currency deposits)		2,818,122	1,864,033
Cash equivalents			
Time deposits (including foreign currency deposits)		1,161,805	2,368,147
Total	$	4,135,644	4,361,037

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

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

(2) Financial instruments-assets (liabilities)

		December 31 2017	December 31 2016
Financial assets at FVTPL-current			
Mutual funds and publicly traded stocks	$	211,202	406,969
Forward exchange contracts		(5,529)	-
Available-for-sale financial assets-current			
Publicly traded stocks		95,957	-
Total	$	301,630	406,969

		December 31 2017	December 31 2016
Current	$	301,630	406,969
Non-current		-	-
Total	$	301,630	406,969

a. The Group 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 Group did not apply hedge accounting treatment for these derivative contracts.

b. Outstanding forward exchange contracts consisted of the following:

	Currency	Maturity Date	Contract Amount (In Thousands)
Dec. 31, 2017	JPY/NT$	Jan. 25, 2018 ~Mar. 26, 2019	1,194,680
Dec. 31, 2016	-	-	-

c. The Group disclosed the exposures of credit, currency and interest which were related with financial instrments in the Note 12.

d. The Group's financial assets were not pledged as collateral.

(3) Hedge Accounting

Item		December 31 2017	December 31 2016
Hedging derivative financial (liabilities) assets-current			
Fair value hedges			
Forward exchange contracts	$	-	(8,369)

Hedged Item	Designated as Hedging Instrument		Contract Amount (In Thousands) December 31 2017	Contract Amount (In Thousands) December 31 2016
Foreign Currency Accounts Payable	Forward exchange contract	$	-	132,500

(4) Notes and Accounts Receivable, net

		December 31 2017	December 31 2016
Notes receivable	$	313,922	293,143
Accounts receivable		3,833,490	4,790,787
Less: unrealized interest income		(118)	-
Less: allowance for doubtful accounts		(501,332)	(507,052)
Notes and accounts receivable, net	$	3,645,962	4,576,878

Movement in the allowance for doubtful accounts was as follows:

		December 31 2017	December 31 2016
Balance, beginning of the year	$	507,958	515,933
Impairment loss recognized for the year		78,508	31,600
Amounts written off during the year as uncollectable		(73,409)	(548)
Effect of foreign currency exchange differences		(9,529)	(39,027)
Balance, end of the year (including long-term note, accounts and overdue receivable	$	503,528	507,958

a. The Group collects the amount of sales by individual contract in accordance with the customer's credit rating, during which period the Group 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 main operation of Yungtay Elevator Co. (China) is engaged in providing specifically passenger elevator for the project of real estate development. According to the convention and custom of real estate in China, 5% of sales amount of elevator has to be the margin of quality guaranty. Until the elevators are delivered to the buyer for one year, the Group is entitled to collect the rest sales amount. The margin of quality guaranty was NT$508,201 thousand and NT$537,550 thousand as of December 31, 2016 and 2015, respectively.

c. The Group did not hold any collateral, nor pledged or discounting.

(5) Inventories

		December 31 2017	December 31 2016
Raw materials	$	615,045	598,591
Work in process		5,270,142	6,451,320
Finished goods (including Merchandise)		37,743	89,027
Construction in process		618,486	834,651
In-transit inventory		78,977	67,185
Subtotal		6,620,393	8,040,774
Less: allowance for inventory decline loss		(84,734)	(68,418)
Total	$	6,535,659	7,972,356

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

		December 31 2017	December 31 2016
Operating costs transferred from inventories	$	12,202,466	13,897,386
Inventories decline loss (gain from price recovery of inventory)		16,316	(5,492)
Revenue from sale of scraps		(20,594)	(18,440)
(Gain) loss on physical inventory		(59)	548
Underapplied overhead		94,942	55,381
Total	$	12,293,071	13,929,383

(6) Prepayments

		December 31 2017	December 31 2016
Prepayments for sales service fee	$	222,939	305,084
Prepaid insurance		6,884	42,198
Prepaid rent		9,493	11,151
Prepayment for purchases			
Domestic purchases		6,211	13,843
Foreign purchases		10,788	3,129
Overpaid value-added tax		142,255	90,823
Others		8,305	22,488
Total	$	406,875	488,716

Prepayments for sales service fee refer to the commission for the sale of elevator, which was paid to agent in accordance with the delivery and the degree to which the elevators were completed, and would be accounted for sales expense until the installation of elevator was completed and verified to be qualified by the competent authority.

(7) Non-current assets held for sale

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

Cost		
Balance at January 1, 2017	$	56,523
Additions		-
Disposals		(5,351)
Transfer in		5,680
Effect of exchange rate changes		(1,160)
Balance at December 31, 2017	$	55,692
Balance at January 1, 2016	$	92,642
Additions		-
Disposals		(19,633)
Transfer in		(11,653)
Effect of exchange rate changes		(4,833)
Balance at December 31, 2016	$	56,523
Impairment Loss		
Balance at January 1, 2017	$	-
Impairment loss		(5,478)
Effect of exchange rate changes		58
Balance at December 31, 2017	$	(5,420)
Balance at January 1, 2016	$	(1,892)
Impairment loss		1,814
Effect of exchange rate changes		78
Balance at December 31, 2016	$	-

Carrying amount

Balance at December 31, 2017	$	50,272
Balance at December 31, 2017	$	56,523

b. Net transfer in 2017 and 2016, respectively, were listed as follows:

		Years Ended December 31	
		2017	2016
Property, plant and equipment from no-current assets held for sale	$	(9,798)	(1,699)
Non-current assets held for sale from property, plant and equipment		37,186	33,377
Investment property from non-current assets held for sale		(21,708)	(43,331)
Total	$	5,680	(11,653)

(8) Refundable deposits

		December 31 2017	December 31 2016
Bid bond for construction, contract security deposit	$	440,580	585,955
Admission deposit for golf club		26,700	25,600
Rental deposit		11,786	18,809
Depository court deposit		473	-
Others		922	2,234
Subtotle		480,461	632,598
Less: accumulated impairment loss		(1,800)	(1,800)
Total	$	478,661	630,798

		December 31 2017	December 31 2016
Current	$	415,775	567,966
Non-current		62,886	62,832
Total	$	478,661	630,798

a. The Group 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.

(9) Non-current financial assets at cost

		December 31 2017	December 31 2016
Non-publicly traded stocks	$	88,932	288,932

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 Group 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 3,015,000shares as at December 31, 2017.

(10) Investments accounted for using equity method

a. Material associats: Nil.

b. Aggregate information of associates that are not individually material was summarized as follows:

Associates-carrying amount		December 31 2017	December 31 2016
Taiwan Calsonic Co., Ltd. (TWNCAL)	$	279,059	305,563
Evest Corporation		101,962	115,872
Total	$	381,021	42,1435

Associates-shareholding ratio		
Taiwan Calsonic Co., Ltd. (TWNCAL)	20.16%	20.16%
Evest Corporation	41.22%	41.22%

(a) Associates

(i) Among associates, only TWNCAL is listed company. It's fair value was listed as follows:

		December 31 2017	December 31 2016
Fair value (market price)	$	208,335	237,360

(ii) The financial information of the Group's associates were summarized as follows:

The Group's share of profit (loss) of associates		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

(b) No investments accounted for using equity method were pledged as collateral.

(c) The related information of the Group's re-investment and Mainland investment refers to Table 8 of Note 13(2) and Table 9 of Note 13(3), respectively.

(d) The Group share of profit/(loss) of its associates accounted for using equity method amounted to NT$(11,683) thousand and NT$47,751 thousand, for the years ended December 31, 2017 and 2016, respectively.

(11) Property, plant and equipment

		Land		Buildings	Machinery and Equipment	Other Equipment	Construction in progress	Total
Cost								
Balance at Jan. 1, 2017	$	1,036,148		4,746,747	2,401,120	1,389,258	98,064	9,671,337
Additions		-		8,476	92,461	54,089	10,247	165,273
Disposals		(1,557)		(95,779)	(81,637)	(105,494)	-	(284,467)
Transfers		27,242		(70,472)	66,523	115,195	(107,051)	31,437
Effect of exchange rate changes		-		(74,324)	(38,340)	(21,495)	(977)	(135,136)
Balance at Dec. 31, 2017	$	1,061,833		4,514,648	2,440,127	1,431,553	283	9,448,444
Balance at Jan. 1, 2016	$	1,036,148		4,313,219	2,436,629	1,155,150	571,371	9,512,517
Additions		-		93,265	13,627	72,938	664,639	844,469
Disposals		-		(26,474)	(97,660)	(53,141)	-	(177,275)
Transfers		-		662,937	204,780	290,685	(1,110,094)	48,308
Effect of exchange rate changes		-		(296,200)	(156,256)	(76,374)	(27,852)	(556,682)
Balance at Dec. 31, 2016	$	1,036,148		4,746,747	2,401,120	1,389,258	98,064	9,671,337
Accumulated depreciation and impairment								
Balance at Jan. 1, 2017			$	(1,549,879)	(1,107,030)	(876,114)		(3,533,023)
Additions				(136,000)	(133,996)	(114,035)		(384,031)
Disposals				89,486	74,661	78,462		242,609

Transfers		9,187	(136)	(14,232)		(5,181)
Effect of exchange rate changes		17,398	13,986	11,754		43,138
Balance at Dec. 31, 2017		$ (1,569,808)	(1,152,515)	(914,165)		(3,636,488)
Balance at Jan. 1, 2016		$ (1,547,999)	(1,235,029)	(815,357)		(3,598,385)
Additions		(131,351)	(123,914)	(106,652)		(361,917)
Disposals		8,451	80,202	45,133		133,786
Transfers		49,598	112,581	(43,351)		118,828
Effect of exchange rate changes		71,422	59,130	44,113		174,665
Balance at Dec. 31, 2016		$ (1,549,879)	(1,107,030)	(876,114)		(3,533,023)
Carrying amounts						
Dec. 31, 2017	$ 1,061,833	2,944,840	1,287,612	517,388	283	5,811,956
Dec. 31, 2016	$ 1,036,148	3,196,868	1,294,090	513,144	98,064	6,138,314

a. Material contracts of construction in progress refer to Note 9(8).

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

c. The capitalization of interests of the aforementioned assets were NT$0 in 2017 and 2016.

d. 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(12).

(12) Investment properties, net

	Land	Buildings	Total
Cost or Deemed Cost			
Balance at Jan. 1, 2017	$ 659,693	454,342	1,114,035
Disposals	-	(4,245)	(4,245)
Transfers	(27,242)	(1,337)	(28,579)
Effect of exchange rate changes	-	(2,052)	(2,052)
Balance at Dec. 31, 2017	$ 632,451	446,708	1,079,159
Balance at Jan. 1, 2016	$ 626,600	432,404	1,059,004
Disposals	-	(372)	(372)
Transfers	33,093	29,865	62,958
Effect of exchange rate changes	-	(7,555)	(7,555)
Balance at Dec. 31, 2016	$ 659,693	454,342	1,114,035

Accumulated depreciation and impairment				
Balance at Jan. 1, 2017	$	(818)	(224,603)	(225,421)
Depreciation expense		-	(9,636)	(9,636)
Disposals		-	636	636
Transfers		-	10,961	10,961
Effect of exchange rate changes		-	504	504
Balance at Dec. 31, 2017	$	(818)	(222,138)	(222,956)
Balance at Jan. 1, 2016	$	(818)	(199,122)	(199,940)
Depreciation expense		-	(8,101)	(8,101)
Disposals		-	292	292
Reversal of impairment		-	159	159
Transfers		-	(19,627)	(19,627)
Effect of exchange rate changes		-	1,796	1,796
Balance at Dec. 31, 2016	$	(818)	(224,603)	(225,421)
Carrying amounts				
Dec. 31, 2017	$	631,633	224,570	856,203
Dec. 31, 2016	$	658,875	229,739	888,614

		2017	2016
The rental income from investment properties	$	24,886	24,362
Less: Direct operating expenses arising from the investment property that generated rental income during the period		(1,728)	(1,882)
Direct operating expenses arising from the investment property that did not generate rental income during the period		(87)	(116)
Total	$	23,071	22,364

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(13).

c. The fair value of the Company's investment properties refers to the actual registered selling prices of the nearby real estates provided by local agents in Taiwan, R.O.C., and the fair value of Yungtay Elevator (China) Company's investment properties refers to the information regarding the transaction price of the nearby real estates provided by the agent company in the territory of China. The market price of the aforesaid investment properties is NT$1,997,812 thousand and NT$2,143,245 thousand as at December 31, 2017 and 2016, respectively.

(13) Intangible assets

		Goodwill	Computer Software	Membership Qualification of Golf Club	Total
Cost					
Balance at Jan. 1, 2017	$	273,827	127,656	11,140	412,623
Additions		-	6,607	-	6,607
Elimination		-	(7,076)	-	(7,076)
Effect of exchange rate changes		(21,175)	(2,167)	(228)	(23,570)
Balance at Dec. 31, 2017	$	252,652	125,020	10,912	388,584
Balance at Jan. 1, 2016	$	278,717	126,798	20,290	425,805
Additions		-	11,680	-	11,680
Disposals		-	(1,816)	(7,837)	(9,653)
Effect of exchange rate changes		(4,890)	(9,006)	(1,313)	(15,209)
Balance at Dec. 31, 2016	$	273,827	127,656	11,140	412,623
Accumulated amortization and impairment					
Balance at Jan. 1, 2017	$	(64,400)	(62,560)	(822)	(127,782)
Additions		-	(16,790)	(315)	(17,105)
Disposals		-	-	-	-
Elimination		-	7,076	-	7,076
Impairment loss		(74,292)	-	-	(74,292)
Effect of exchange rate changes		7,968	1,108	20	9,096
Balance at Dec. 31, 2017	$	(130,724)	(71,166)	(1,117)	(203,007)
Balance at Jan. 1, 2016	$	-	(52,564)	(2,709)	(55,273)
Additions		-	(15,614)	(331)	(15,945)
Disposals		-	1,816	2,071	3,887

Impairment loss		(64,975)	-	-	(64,975)
Effect of exchange rate changes		575	3,802	147	4,524
Balance at Dec. 31, 2016	$	(64,400)	(62,560)	(822)	(127,782)
Carrying amounts					
Dec. 31, 2017	$	121,928	53,854	9,795	185,577
Dec. 31, 2016	$	209,427	65,096	10,318	284,841

a. After the evaluation of goodwill described in Note 4(16), the resulting impairment loss amounted to NT$74,292 thousand and NT$64,975 thousand was recognized in other operating income and expenses, for the years ended December 31, 2017 and 2016, respectively.

b. Yungtay Elevator (China) disposed the membership qualification of golf club in 2016 and resulting disposal gain of NT$3,053 thousand. The carrying amount of the member ship qualification of golf club at the time of disposal was NT$5,766 thousand.

c. The intangible assets other than goodwill were depreciated using the straight-line method over their useful lives, please refer to Note 4(15).

(14) Long-term prepaid rents

Cost		
Balance at Jan. 1, 2017	$	317,470
Transfers		-
Effect of exchange rate changes		(6,493)
Balance at Dec. 31, 2017	$	310,977
Balance at Jan. 1, 2016	$	267,216
Transfers		74,751
Effect of exchange rate changes		(24,497)
Balance at Dec. 31, 2016	$	317,470
Accumulated amortization		
Balance at Jan. 1, 2017	$	(58,154)
Amortization expense		(9,431)
Effect of exchange rate changes		1,290
Balance at Dec. 31, 2017	$	66,295

Balance at Jan. 1, 2016	$	(56,516)
Amortization expense		(6,439)
Effect of exchange rate changes		4,801
Balance at Dec. 31, 2016	$	(58,154)

Carrying amounts		
Dec. 31, 2017	$	244,682
Dec. 31, 2016	$	259,316

a. The aforesaid long-term prepaid rents refer to the land-use right which Yungtay Elevator (China), Tainjin Yungtay, Sichuan Yungtay and Shanghai Jiyi have leased from Mainland China for 50 years of lease term. The land-use right is amortized using the straight-line method.

b. The tranfers of NT$74,751 thousand in 2016 referred to the land-use right acquired by Sichuan Yungtay in 2017 and originally accounted for under prepaid rent. Accordingly, the prepaid rent is transfer to long-term prepaid rent for 50 years which is amortized using the straight-line method.

(15) Other payables

		December 31 2017	December 31 2016
Accrued bonus, wages and welfare fee	$	457,079	528,878
Accrued VAT payable		33,539	120,380
Accrued agency commission		191,115	202,219
Compensation payable to employees, directors and supervisors		46,196	56,004
Payables on equipment		29,661	59,346
Accrued short-term paid leave payable (refer to Note 6(18))		47,106	50,482
Other payables-other		202,883	275,638
Total	$	1,007,579	1,292,947

(16) Advances received

		December 31 2017	December 31 2016
Elevator	$	7,401,641	9,349,051
Construction machinery		34,533	16,437
Rental		2,124	1,608
Total	$	7,438,298	9,367,096

(17) Deposit received

		December 31 2017	December 31 2016
Deposit from agent's installation	$	57,095	56,777
Tender security		53,246	85,397
Rental deposit		4,384	4,383
Total	$	114,725	146,557

(18) 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 Group 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 Group recognized short-term paid leave payable of NT$47,106 thousand and NT$50,482 thousand as of December 31, 2017 and 2016, respectively.

(19) 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 consolidated 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		
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 repect 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

(20) Operating revenue

		Years Ended December 31	
		2017	2016
Net revenue from sales of goods	$	12,738,060	15,636,394
Net revenue from services			
Maintenance and repair		3,989,220	3,920,787
Rental		24,937	24,471
Total	$	16,752,217	19,581,652

The above-mentioned revenue of maintenance and repair is deferred based on the fair value of providing services when the Group sells the goods during the period of quality guarantee by individual contract, and the revenue of maintenance and repair is recognized by using straight-line method when providing services. The deferred revenue is classified as current and noncurrent in accordance with the length of service as follows:

		December 31 2017	December 31 2016
Current	$	322,221	370,621
Non-current	$	125,680	148,973

(21) Non-operating income and expenses

		Years Ended December 31	
		2017	2016
a. Other income			
Interest income-bank deposit	$	27,175	31,230
Dividend income		6,554	10,745
Total	$	33,729	41,975
b. Government grants	$	43,452	23,938
c. Other gains and losses			
Net gain on financial instruments at FVTPL	$	29,481	16,395
Reversal of impairment (loss) -non-current assets held for sale		(5,478)	1,814
Reversal of impairment-investment properties		-	159
Net gain on disposal of property, plant and equipment		3,603	880

(Loss) on disposal of investment properties		(96)	(71)
Net (loss) gain on disposal of non-current assets held for sale		(464)	2,669
Gain on disposal of intangible assets		-	3,053
Gain on disposal of other assets (golf card)		3,780	-
Net (loss) on obsolescence of property, plant and equipment		(18,168)	(17,045)
(Loss) on disposal of available-for-sale financial assets		-	(445)
Liquidating loss-GIO Automation		-	(306)
Penalty and compensation (expenses) income		62,261	(4,172)
Foreign exchange (loss), net		(15,077)	(17,511)
Impairment (loss) on goodwill		(74,292)	(64,975)
Other gains		19,021	13,124
Total	$	4,571	(66,431)

d. Finance costs

(Loss) gain of hedging instrument-fair value hedge	$	-	(8,369)
Interest expense-bank loans		(89)	(51)
Gain of the hedge item that is attributable to the hedged risk-fair value hedge		-	8,369
Total	$	(89)	(51)

e. Shares of (loss)/profit of associates accounted for using equity method	$	(11,683)	47,751

(22) 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	1,889,203	1,349,501	3,238,704	1,846,117	1,562,803	3,408,920
Labor and health insurance	187,453	107,945	295,398	195,119	119,278	314,397
Pension cost	226,116	170,374	396,490	256,688	177,104	433,792
Other benefits expenses	196,008	77,852	273,860	195,315	89,022	284,337
Depreciation expenses	220,148	173,519	393,667	202,081	167,937	370,018
Amortization expenses	4	17,101	17,105	4	15,941	15,945

As of December 31, 2017 and 2016, the Group had employees of 5,149 and 5,878, respectively, and the computing basis was consistent with that of employee benefits expenses.

(23) 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	$	114,102	356,740
Income tax on unappropriated earnings		39,631	47,551
Investment tax credit		(3,000)	(8,818)
Income tax adjustments on prior years		1,359	(125,544)
		152,092	269,929
Deferred income tax expense (benefit)			
Temporary differences		239,642	330,733
Income tax expense recognized in profit or loss	$	391,734	600,662

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	$	1,548,903	2,185,151
Income tax expense at the statutory rate	$	316,133	554,460
Tax effect of adjusting items:			
Deductible items in determining taxable income		(55,602)	(185,128)
Supplementary pension cost according to Labor Law		(146,429)	(12,971)
Undeductible loss carryforward		-	379

Additional income tax on unappropriated earnings		39,631	47,551
Tax effect of investment tax credits		(3,000)	(8,818)
The origination and reversal of temporary differences		239,642	330,733
Income tax adjustments on prior years		1,359	(125,544)
Income tax expense recognized in profit or loss	$	391,734	600,662

For the years ended December 31, 2017 and 2016, the Group applied a tax rate of 17% for entities subject to the R.O.C. Income Tax Law; for other jurisdictions, the Group measures taxes by using the applicable tax rate for each individual jurisdiction.

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 consolidated balance sheets was as follows:

		Years Ended December 31	
		2017	2016
Deferred income tax assets			
Differences of time of recognized revenue	$	285,576	460,027
Short-term employees' benefits		9,489	10,090
Bad debts loss		113,203	114,641
Loss provision for non-current assets held for sale and investment properties		1,830	485
Accrued expenses		71,021	50,555
Unrealized sales profit among parent and subsidiaries		29,488	82,452
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		88,785	251,742
Undeductible loss carryforward		131,517	-
Total	$	737,997	975,197

Deferred income tax liabilities			
Land incremental tax	$	(2,702)	(2,702)
Temporary differences of depreciation expense		(4,166)	(5,265)
Unrealized investment income of investees		-	(18)
Total	$	(6,868)	(7,985)

e. Current income tax assets (liabilities)

		Years Ended December 31	
		2017	2016
Income tax refund receivable	$	6,745	32,177
Income tax payable		(73,784)	(269,034)
Income tax liabilities	$	(67,039)	(236,857)

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

		December 31 2017	December 31 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 Comapny'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.

(24) 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

(25) 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	$ 165,273	844,469
Plus: payables on equipment at beginning of year	59,346	37,444
Less: payables on equipment at beginning of year	(29,661)	(59,346)
Effect of exchange rate changes	(908)	(4,022)
Cash paid in the year	$ 194,050	818,545

7. Related party transactions

Intercompany balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated upon consolidation; therefore those items are not disclosed in this note. The following is a summary of significant transactions between the Group and other related parties:

(1) Related party name and categories

Related Party Name	Related Party Categories
Taiwan Calsonic Co., Ltd. (TWNCAL)	Associates
Yungtay Hitachi Construction Machinery Co., Ltd.	Other related parties

Related Party Name	Related Party Categories
Evest Corporation	Associates
Yungtay Education and Culture Foundation	Other related parties
Yungtay Social Welfare Toundation	Other related parties

(2) Significant transactions between the Group and related parties:

a. Maintenance Revenue

	Years Ended December 31	
Related Party Categories	2017	2016
Associates	$ 109	90

b. Rental Income

	Years Ended December 31	
Related Party Categories	2017	2016
Associates	$ 6,691	6,592

	Accounts and Notes Receivable	
Related Party Categories	December 31, 2017	December 31, 2016
Associates	$ 1,956	1,726

c. Purchases

	Years Ended December 31	
Related Party Categories	2017	2016
Associates	$ 1,191	141
Others	358,143	318,613
Total	$ 359,334	318,754

	Accounts and Notes Payable	
Related Party Categories	December 31, 2017	December 31, 2016
Associates	$ 689	1,398
Others	130,262	108,169
Total	$ 130,951	109,567

d. Others

Accounting Items	Related Party Categories		December 31, 2017	December 31, 2016
Other receivable	Associates	$	186	191
Deposit received	Associates	$	577	577
Management expenses	Associates	$	29	511
Manufacturing overhead	Associates	$	69	11
Maintenance cost	Associates	$	795	1,891
Finance cost	Associates	$	(6)	(7)
Other income	Associates	$	581	603
	Others		511	528
	Total	$	1,092	1,131
General and administrative expenses-Donation	Other-TSWPIF	$	2,100	1,400
	Other-TECF		6,300	7,000
	Total	$	8,400	8,400

e. Property transactions

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

(b) The Group 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 equipment	$	-	12,788

f. Compensation of directors, supervisors and key management personnel

		Years Ended December 31	
Related Party Categories		2017	2016
Short-term employee benefits	$	141,547	172,313
Post-employment benefits		326	335
Other long-term employee benefits		49	141
Total	$	141,922	172,789

8. Pledged (Mortgaged) assets

The Group provided the following assets as collaterals:

Item	Purpose		December 31, 2017	December 31, 2016
Current assets-refundable deposits (Restricted bank deposits)	Contract security deposit	$	276,082	343,393
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		$	1,488,668	1,606,483

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	$	12,795	18,720
Later than 1 year and not later than 5 years		8,763	12,055
Later than 5 years		-	427
Total	$	21,558	31,202

The above operating leases classified under profit or loss amounted to NT$88,590 thousand and NT$85,854 thousand in 2017 and 2016, respectively.

(2) Lessor's lease arrangements

The Group leased its investment properties by the way of operating lease, please refer to Note 6(12). 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	$	10,707	17,032
Later than 1 year and not later than 5 years		3,908	13,112
Later than 5 years		-	-
Total	$	14,615	30,144

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

(4) The Company and Yungtay Hitachi Construction Machinery Co., Ltd. received the downpayments and issued the secured promissory notes amounting to NT$237,091 thousand and NT$234,396 thousand as of December 31, 2017 and 2016, respectively.

(5) The Group 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) Yungtay Elevator (China) got the comprehensive credit line of US$6,000 thousand from Mizuho Corporate bank Ltd. (China), among which the balance of the opened and unused letters of credit is as follows:

Currency		December 31 2017	December 31 2016
U.S. Dollars (in thousand)	$	-	-

(7) 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.

Contract period	Technical cooperation products	Technical compensation fee
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.

(8) Significant contract of property, plant and equipment-construction in progress:

Year	Major Construction Item	Total Contract Price
2017	Nil	
2016	a. Escalator test tower of Yungtay Elevator (China)	RMB5,913 thousand
	b. Shaanxi Tai O Plaza Fenghefang Real Estate	RMB8,241 thousand (Total NT$65,700 thousand)

(9) a. Reason of contract litigation

Yungtay Hitachi Construction Machinery Co., Ltd. (YHCMC) sold one crane (SCX 2800-2) to customer named Kuan Zon Construction Co., Ltd. (KZCC), with the total price of JP￥180,000,000 (equivalent NT$70,562,700), among which NT$39,482,700 was paid after the crane was delivered. And the rest notes payable of NT$31,080,000 was not accepted. Afterwards, KZCC claimed that HCMC did not deliver the crane with free-fall hook equipment and requested for cancellation of trading contract in accordance with Article 256 and Article 259, paragraph 1 of the Civil Code, and also requested for the payment of NT$39,482,700 together with the interests based on per annum of 5% from March 4, 2012 to the date of payment. The check of NT$31,080,000 should be returned (accounted for under overdue receivables).

b. The first instance verdict:

Taiwan Taipei District Court made the verdict in the first instance on Jan. 11, 2013 that YHCMC lost the case. YHCMC appealed against the case due to YHCMC being not satisfied with the verdict.

c. The Second instance verdict:

Taiwan High Court made the verdict in the second instance on May 20, 2014 that YHCMC won the case. Due to KZCC being not satisfied with the verdict, KZCC still re-appealed against the case on July 22, 2014.

d. The verdict of Taiwan Supreme Court:

Taiwan Supreme Court reversed the second instance verdict and remanded the aforesaid case to Taiwan High Court for retrial on October 30, 2015.

e. The retrial verdict of Taiwan High Court:

On May 24, 2016, Taiwan High Court made the retrial verdict that YHCMC won the case. Due to KZCC still being not satisfied with the verdict, KZCC re-appealed against the case on July 15, 2016. As at field deadline, the lawsuit is still proceeding.

f. Accounting treatment:

The allowance for sales returns of NT$66,000 thousand (excluding service charge and tax) has been provided and NT$63,000 thousand was to be converted to operating cost, and the net realizable value of returned inventories has been already evaluated. The accumulated provision for inventory decline loss was NT$40,000 thousand.

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)		184,889	288,932
Cash and cash equivalents		4,135,644	4,361,037
Notes and accounts receivable (including related party)		3,645,962	4,576,878

Other receivables	19,774	22,914
Refundable deposits	478,661	630,798
Other non-current assets-others (preferred stock-golf certificate)	5,520	11,040
Other non-current assets-long-term notes receivable	540	-
Financial liabilities		
FVTPL-current	5,529	-
Notes and accounts payable (including related party)	2,357,476	2,923,267
Other payables	1,007,579	1,292,947
Current income tax liabilities	67,039	236,857
Net defined benefit liabilities-non-current	716,714	1,480,836
Deposits received	114,725	146,557
Derivative financial liabilities for hedging	-	8,369

Note: Including financial assets carried at cost.

b. Credit risk

(a) Exposure of credit risk

The Group'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 99.25% and 99.30% of all accounts receivable, respectively.

(b) Evaluation of impairment loss

The allowance for bad debts of the accounts receivable of the Group 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 Group's receivables as of December 31, 2017.

c. Liquidity risk

The objective of liquidity risk management is to ensure the Group has sufficient liquidity to fund its business requirements associated with existing operations over the next 12 months. The Group manages its liquidity risk by maintaining adequate cash and cash equivalent.

December 31, 2017		Carrying Amount	Contract Cash Flows	Less Than 1 Year	1~2 Years	2~Years
Non-derivative financial liabilities						
Notes payable	$	355,411	355,411	355,411	-	-
Accounts payable		2,002,065	2,002,065	2,002,065	-	-
Other payables		1,007,579	1,007,579	1,007,579	-	-
Current income tax liabilities		67,039	67,039	67,039	-	-
Net defined benefit liabilities-non current		716,714	716,714	-	-	716,714
Deposits received		114,725	114,725	-	69,220	45,505

December 31, 2016		Carrying Amount	Contract Cash Flows	Less Than 1 Year	1~2 Years	2~Years
Non-derivative financial liabilities						
Notes payable	$	384,756	384,756	384,756	-	-
Accounts payable		2,538,511	2,538,511	2,538,511	-	-
Other payables		1,292,947	1,292,947	1,292,947	-	-
Current income tax liabilities		236,857	236,857	236,857	-	-
Net defined benefit liabilities-non current		1,480,836	1,480,836	-	-	1,480,836
Deposits received		146,557	146,557	-	113,325	33,232

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:

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
December 31, 2017			
Financial asset			
Monetary items			
USD	2,419	29.71	71,860
JPY	187,136	0.2622	49,067
RMB	1,579	4.547	7,180
HKD	185	3.777	698
EUR	-	35.37	-
Financial liabilities			
Monetary items			
USD	25	29.81	740

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
December 31, 2016			
Financial asset			
Monetary items			
USD	5,548	32.2	178,661
JPY	14,752	0.2736	4,036
RMB	15,623	4.592	71,740
HKD	53	4.128	218
EUR	351	33.7	11,812
Financial liabilities			
Monetary items			
USD	1,299	32.3	41,964

· Sensitivity analysis

	Years Ended December 31	
	2017	2016
(Loss)/profit of 1% change		
USD	$ 711	1,367
JPY	491	40
RMB	72	717
HKD	7	2
EUR	-	118

e. The Group 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 consolidated 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
Financial assets at FVTPL				
Fund investments	$ 211,202	-	-	211,202
Forward exchange contracts	-	(5,529)	-	(5,529)
Available-for-sale financial assets				
Publicly traded stocks	95,957	-	-	95,957
Total	$ 307,159	(5,529)	-	301,630

	December 31, 2017			
	Level 1	Level 2	Level 3	Level 4
Financial assets at FVTPL				
Fund investments	$ 406,969	-	-	406,969
Hedging derivative financial assets				
Forward exchange contracts	-	(8,369)	-	(8,369)
Total	$ 406,969	(8,369)	-	398,600

(2) Financial risk management objectives

The Group seeks to ensure sufficient cost-efficient funding readily available when needed. The Group 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 Group 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	$	12,163,901	15,985,563
Less: cash and cash equivalents		(4,135,644)	(4,361,037)
Net liabilities	$	8,028,257	11,624,526
Total equity	$	11,764,936	11,910,505
Ratio of net liabilities divided by total equity (Leverage ratio)		68.24%	97.60%

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

13. Additional disclosures

Intercompany balance and significant transactions, directly or indirectly, between the Group and its investees in Mainland China, which are subsidiaries or associates, have been eliminated upon consolidation.

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

a. Financings provided: Please see Table 1 attached;
b. Endorsement/guarantee provided: Please see Table 2 attached;
c. Marketable securities held (excluding investments in subsidiaries and associates): Please see Table 3 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: Please see Table 4 attached;

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 5 attached;

h. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Please see Table 6 attached;

i. Information about the derivative financial instruments transaction: Please see Notes 6(2) and 6(3);

j. Others: The business relationship between the parent and the subsidiaries and significant transactions between them: Please see Table 7 attached;

k. Names, locations, and related information of investees over which the Company exercises significant influence (excluding information on investment in Mainland China): Please see Table 8 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 9 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 attached.

TABLE 1

FINANCINGS PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2017
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No.	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period (Foreign Currencies in Thousands)	Ending Balance (Foreign Currencies in Thousands)	Amount Actually Drawn (Foreign Currencies in Thousands)	Interest Rate	Nature for Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral Item	Collateral Value	Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amount Limits
1	Yungtay Elevator Equipment (China) Co.	Yungtay Elevator Istallation Maintenance (Shanghai) Co.	Other Receivables	Yes	RMB 50,000 Thousand (NT$ 228,140 Thousand)	RMB 50,000 Thousand (NT$ 227,340 Thousand)	-	2.5%	Short-term financing	-	The need for operation	-	-	-	NT$ 926,673 thousand	NT$ 4,633,367 thousand
1	Yungtay Elevator Equipment (China) Co.	Yungtay elevator equipment (Sichuan) Co.	Other Receivables	Yes	RMB 50,000 Thousand (NT$ 228,140 Thousand)	RMB 50,000 Thousand (NT$ 227,340 Thousand)	RMB 50,000 Thousand (NT$ 227,340 Thousand)	1.5%	Short-term financing	-	The need for operation	-	-	-	NT$ 926,673 thousand	NT$ 4,633,367 thousand
2	Yungtay Elevator Istallation Maintenance (Shanghai) Co.	Yungtay elevator equipment (Sichuan) Co.	Other Receivables	Yes	RMB 45,000 Thousand (NT$ 228,140 Thousand)	RMB 45,000 Thousand (NT$ 204,606 Thousand)	RMB 30,000 Thousand (NT$ 136,404 Thousand)	1.5%	Short-term financing	-	The need for operation	-	-	-	NT$ 926,673 thousand	NT$ 4,633,367 thousand
2	Yungtay Elevator Equipment (Tianjin) Co.	Yungtay elevator equipment (Sichuan) Co.	Other Receivables	Yes	RMB 40,000 Thousand (NT$ 182,072 Thousand)	RMB 40,000 Thousand (NT$ 181,872 Thousand)	RMB 40,000 Thousand (NT$ 181,872 Thousand)	1.75%	Short-term financing	-	The need for operation	-	-	-	NT$ 926,673 thousand	NT$ 4,633,367 thousand

TABLE 2

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2017
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Period (Note 2)	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Note 1)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship										
1	Yungtay Elevator Equipment (China) Co.	Yungtay Elevator Equipment (Tianjin) Co.	2	Not exceeding 1/3 of the net equity of the Company (NT$3,861,139 thousand)	RMB 20,000 thousand (NT$ 91,256 thousand)	RMB 20,000 thousand (NT$ 90,936 thousand)	RMB 20,000 thousand (NT$ 90,936 thousand)	None	0.8	Not exceeding 1/2 of the net equity of the Company (NT$5,791,709 thousand)	No	No	No
1	Yungtay Elevator Equipment (China) Co.	Yungtay Elevator Installation Maintenance (Shanghai) Co.	2	Not exceeding 1/3 of the net equity of the Company (NT$3,861,139 thousand)	RMB 20,000 thousand (NT$ 91,256 thousand)	RMB 20,000 thousand (NT$ 90,936 thousand)	RMB 20,000 thousand (NT$ 90,936 thousand)	None	0.8	Not exceeding 1/2 of the net equity of the Company (NT$5,791,709 thousand)	No	No	No

Note 1: The total amount of guarantee shall not exceed 50% of the Company's the net equity.

Note 2: The maximum balance for the period and ending balance represent the amounts approved by the Board of Directors.

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

TABLE 3

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	"	Available-for-sale financial assets-current	10,769,539	95,957	0.45%	95,957
	Unlisted stock-Addcn Technology Co. Ltd.	"	Financial assets carried at cost	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%	-

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 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 4

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance (Note 1)	
					Shares/ Units (In Thousands)	Amount	Shares/ Units (In Thousands)	Amount	Shares/ Units (In Thousands)	Amount	Carrying Value	Gain on Disposal (Note)	Shares/ Units (In Thousands)	Amount
Yungtay Elevator Equipment (China) Co.	Structured financing products	Financial assets at FVTPL-current	Shanghai Pudong Development Bank	None	-	-	-	3,989,048	-	3,989,048	3,989,048	26,585	-	-
Yungtay Elevator Equipment (China) Co.	Structured financing products	Financial assets at FVTPL-current	Bank of Communications Co., Ltd.	None	-	-	-	781,269	-	781,269	781,269	7,932	-	-
Yungtay Elevator Equipment (China) Co.	Structured financing products	Financial assets at FVTPL-current	Industril and Commercial Bank of China	None	-	-	-	1,102,968	-	1,102,968	1,102,968	3,843	-	-

Note: The structured financing products refer to the products with guaranteed profits purchased from the aforesaid banks, which promise the buyer to earn the interest income, i.e. gain on disposal of the aforementioned structured financing products, with guaranteed principal.

TABLE 5

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)

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	
Yngtay Hitachi Construction Machinery Co., Ltd.	Japan Hitachi Construction Machinery Co., Ltd.	Investee of investing Co. accounted for using equity method	Purchases	358,143	5.58%	4~6Months after the goods were delivered	The price is marked-up 11~20% of cost	4~6Months after the goods were delivered	130,262	6.50%	-

TABLE 6

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2017
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Related Party	Nature of Relationships	Ending Balance	Turnover Days	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Yungtay Elevator Equipment (Tianjin) Co.	Yungtay Elevator Equipment (China) Co.	Parent Company and subsidiary	947,279	1	-	-	272,672	-
Yungtay Elevator Equipment (Sichuan) Co.	Yungtay Elevator Equipment (China) Co.	Parent Company and subsidiary	133,217	8	-	-	114,678	-

TABLE 7

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Amounts in Thousands of New Taiwan Dollars)

No.	Company Name	Counter Party	Nature of Relationship (Note)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Net Revenue or Total Assets
0	Yungtay Engineering Co., Ltd. (The Company)	Yungtay Elevator Equipment (China) Co.	1	Net revenue from sale of goods	$ 1,935	Sale based on cost plus 20%	0.01%
				Accounts receivable	$ 349	Payment term of 1~5 months	-
				Purchases	$ 86,825	Uncomparable	0.52%
				Accounts payable	$ 24,453	2~3 months after delivered	0.10%
		Jiyi Electric Engine (Shanghai) Co.	1	Net revenue from sale of goods	$ 430	Sale based on cost plus 20%	-
				Accounts receivable	-	Payment term of 1~5 months	-
				Purchases	$ 129,812	Uncomparable	0.77%
				Accounts payable	-	2~3 months after delivered	-
1	Yungtay Elevator Equipment (China) Co.	Jiyi Electric Engine (Shanghai) Co.	3	Net revenue from sale of goods	$ 1,530	Sale based on cost plus 3%	0.01%
				Accounts receivable	-	Payment term of 1~4 months	-
				Purchases	$ 492,677	Uncomparable	2.94%
				Accounts payable	-	2~3 months after delivered	-
		Yungtay Elevator Equipment (Tianjin) Co.	3	Net revenue from sale of goods	$ 10,920	Sale based on cost plus 18%	0.07%
				Accounts receivable	$ 1,429	Payment term of 1~6 months	0.01%
				Purchases	$ 1,605,835	Based on cost plus 12%	9.59%
				Accounts payable	$ 947,279	30 days after delivered	3.96%
		Yungtay Elevator Equipment (Sichuan) Co.	3	Net revenue from sale of goods	$ 20,539	Sale based on cost plus 5%	0.12%
				Accounts receivable	$ 7,177	Payment term of 1 months	0.03%
				Purchases	$ 721,427	Based on cost plus 5%	4.31%
				Accounts payable	$ 133,217	30 days after delivered	0.56%

Note: No.1 represents the transactions from parent company to subsidiary.
No.3 represents the transactions between subsidiaries.

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES 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)

TABLE 8

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 (Note 1) (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$ 222,217 NT$ 6,592,532	US$ 10,779 NT$ 333,667	US$ 8,545 NT$ 264,532	Subsidiary
	Better Win Investment Co. (SAMOA)	Level 2, Lotemau Centre Vaea Stre et, 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$ 64,381 NT$ 1,912,751	US$ (106) NT$ (3,275)	US$ (106) NT$ (3,274)	Subsidiary, Impairment loss of us$2,000 thousand has been deducted
	Taiwan Calsonic Co., Ltd.	9F, No.99 Fu-Hsin N. Rd. Taipei	Car cooler sales, installation and after-Service and etc.	156,943	156,943	12,900,000	20.16%	279,059	(119,474)	(19,096)	Associate
	Yungjiun Investment Co., Ltd.	11F, No.99 Fu-Hsin N. Rd. Taipei	Investment	85,000	180,000	8,500,000	100.00%	12,584	4,955	(157)	Subsidiary. The Company's share aquired by subsidiary is accounted for under treasury stock.
	Hitachi Construction Machinery Co., Ltd.	10F, No.99 Fu-Hsin N. Rd. Taipei	Agent for the trading of domestic and foreign construction machinery	65,280	65,280	6,528,000	51.00%	188,926	59,762	30,478	Subsidiary
	Evest Corporation	10F, No.99 Fu-Hsin N. Rd. Taipei	SMT/LED/IC Packaging MEMS Packaging/Touch precision process equipment	614,666	614,666	7,007,172	41.22%	101,962	17,987	7,413	Associate
Better Win Investment Co.	Yungtay Engineering Co. (HK)	54F, Hopewell centre, 183 queen's road east, Hong Kong	Indirectly investing in Yungtay Elevator Equipment (China)	US$ 33,297	US$ 33,297	3,022,570	21.28%	US$ 64,175 NT$ 1,906,635	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 9

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of 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%	-
Jiyi 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	
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)	6,950,050 thousand
Yungtay Elevator Equipment (Tianjin) Co.	-	-	-	-	Investee Co. invested directly by Yungtay (Chinag) with its own capital	
Yungtay Elevator Installation Maintenance (Tianjin) Co.	-	-	-	-	Investee Co. invested directly by Yungtay (Tianjin) with its own capital	
Yungtay Elevator Installation Maintenance (Shanghai) Co.	-	-	-	-	Investee Co. invested directly by Yungtay (Chinag) 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

(1) The Group has 7 reportable segments: Taiwan elevator, Mainland elevator, Taiwan elevator maintenance and repair, Mainland elevator maintenance and repair, electric engine, construction machinery (including maintenance) and other segment.

The Group uses the income/loss from operations before income tax as the measurement for the basis of performance assessment. The basis for such measurement is the same as that for the preparation of financial statements. Please refer to the consolidated statements of comprehensive income for the related segment revenue and operating results.

(2) The Group's reportable revenue, profit or loss, assets and liabilities are summarized as follows:

Year ended December 31, 2017 (Amounts in Thousands of NT$)

		Taiwan elevator	Mainland Elevator	Taiwan Elevator Maintenance and Repair	Mainland Elevator Maintenance and Repair	Electric Engine	Construction Machinery (including maintenance)	Other Segment	Adjustment and Elimination	Consolidation
Revenu:										
Revenue other than parent Co. and consolidated subsidiaries	$	2,906,992	9,342,042	2,525,539	1,291,866	5,008	655,833	24,937	-	16,752,217
Revenue from parent Co. and consolidated subsidiaries		2,365	88,355	35	-	985,995	-	5,465	(1,082,215)	-
Total revenue	$	2,909,357	9,430,397	2,525,574	1,291,866	991,003	655,833	30,402	(1,082,215)	16,752,217
Total segment gross profit	$	468,738	2,244,649	1,269,829	355,787	147,292	127,342	24,380	(183,154)	4,454,863
Interest income		-	18,289	-	-	-	2,064	6,822	-	27,175
Interest expense		-	-	-	-	-	-	89	-	89
Depreciation and amortization		30,873	270,469	8,892	1,246	78,406	1,914	18,972	-	410,772
Share of profits of associates		-	-	-	-	-	-	(11,683)	-	(11,683)
Other significant non-cash items:		-	-	-	-	-	-	-	-	-
Segment profit/loss	$	229,667	146,901	872,948	251,777	32,546	72,602	34,695	(92,233)	1,548,903
Total assets of segment	$	2,580,332	13,974,524	628,104	909,008	1,705,122	623,830	14,137,066	(10,629,149)	23,928,837
Total liabilities of segment	$	2,169,105	6,935,237	296,960	536,092	730,547	253,386	1,268,347	(25,773)	12,163,901

Year ended December 31, 2016 (Amounts in Thousands of NT$)

		Taiwan elevator	Mainland Elevator	Taiwan Elevator Maintenance and Repair	Mainland Elevator Maintenance and Repair	Electric Engine	Construction Machinery (including maintenance)	Other Segment	Adjustment and Elimination	Consolidation
Revenu:										
Revenue other than parent Co. and consolidated subsidiaries	$	3,035,045	12,138,645	2,416,044	1,348,444	42,657	576,346	24,471	-	19,581,652
Revenue from parent Co. and consolidated subsidiaries		8,405	107,654	34	-	1,329,734	-	5,385	(1,451,212)	-
Total revenue	$	3,043,450	12,246,299	2,416,078	1,348,444	1,372,391	576,346	29,856	(1,451,212)	19,581,652
Total segment gross profit	$	616,590	3,328,761	1,243,023	314,359	287,309	121,390	23,435	(287,226)	5,647,641
Interest income		-	18,882	-	-	-	2,165	10,183	-	31,230
Interest expense		-	-	-	-	-	-	51	-	51
Depreciation and amortization		30,109	246,752	7,852	1,932	82,377	1,627	15,314	-	385,963
Share of profits of associates		-	-	-	-	-	-	47,751	-	47,751
Other significant non-cash items:		-	-	-	-	-	-	-	-	-
Segment profit/loss	$	374,848	599,595	849,737	245,865	77,770	72,523	98,075	(133,262)	2,185,151
Total assets of segment	$	2,383,939	17,199,196	664,092	733,994	1,634,366	565,798	15,602,956	(10,888,273)	27,896,068
Total liabilities of segment	$	2,142,142	9,894,316	296,824	567,835	638,601	200,941	2,264,366	(19,462)	15,985,563

(3) Geographic information

Net Revenue from External:

	Customers	
	Years Ended December 31	
	2017	2016
Taiwan	$ 6,113,301	6,051,906
Mainland	10,638,916	13,529,746
Total	$ 16,752,217	19,581,652

Non-current Assets:

	December 31 2017	December 31 2016
Taiwan	$ 2,543,723	2,610,429
Mainland	4,654,121	5,146,716
Total	$ 7,197,844	7,757,145

The Group categorized the net revenue mainly based on the country in which the customer is headquartered. Non-current assets include property, plant and equipment, intangible assets and other noncurrent assets.

(4) Major customers information

The revenue of major customer was not accounted for 10% of the total revenue in 2017 and 2016, respectively.