Stock Code:1507

Yungtay Engineering Co., Ltd.
2017 Annual Report

(Translation)

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Tainan Branch Company
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Overseas Securities Exchange
None

Corporate Website
http://www.yungtay.com.tw

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2017 Business Report

In 2017, the Company's consolidated revenue was NT$16,752,000,000, a decrease of 14.45 compared to the previous year; the net income after tax was almost NT$1,128,000,000 and the earnings per share was NT$2.76.

In terms of research and development, the cost of research and development in 2017 was about NT$483,000,000, an decrease of 19.2% compared to the previous year. We have committed ourselves to the research and development including high-speed elevators, heavy-load room less elevator development, villa ladder type development, elevator group supervisory control system upgrade development, pre-login service system development of car destination floor and video multimedia device development for elevator. This year, we will continue to intensify the functions of elevator control systems, to develop permanent magnet hosts designed for high-speed elevator, to optimize the system structure of elevator, to do the green energy design for elevator and to integrate the product compliance development.

Looking to the trend in 2018, in spite that the government restrains the adjustment of housing tax and some of the MRT lines will soon open to traffic, however, the real estate in Taiwan is facing the depletion of inventories and is affected by the rise of interest rates in USA. Another variable is that Central Bank will raise interest rates in the future, which is really hard to push forward the rising of the whole houses in Taiwan. Consequently, the real estate industry is still in the stage of correction. It is expected that the number of elevators sold in Taiwan would reach 3,128 units approximately. Due to the slow economic growth in Mainland China, the slowdown of investment, the gradual tightening of monetary policy and more stringent policy controls, it is expected that the housing market is not easy to rebound and the number of elevators sold in Mainland China would be about 11,500 units in 2018.

We still keep on adhereing to the business philosophy that Technology is No.1, Quality is No.1 and Service is No.1, as well as devoting ourselves to the implementation of green energy technology for the purpose of creating a new generation of environmental protection. We also sustain to be on duty for the whole year to handle the condition of elevator all day long, together with providing the best repair and maintenance service with smart mobile device. In spite that we are facing the uncertain operating environment, we still strive to develop replacement market for old elevators and further maximize profits for all shareholders. Lastly, may I extend our most heartfelt thanks to each shareholder and may you, continue to spur us on.

Wishing you all the best of health and success in your endeavors.

Chairman: Tso Li Hsu　　President: Fong Chieh Tsai　　Chief Accountant: Chun Hsu Chen

(I) 2017 Business Results

(1) Business Plan Implementation Results

The consolidated operating income for 2017 was NT$16.725 billion, which was a decrease of approximately NT$2.83 billion compared to NT$19.582 billion in 2016. The consolidated operating income attributable to the parent company in 2017 was NT$1.128 billion, which decrease by approximately NT$427 million compared to NT$1.555 billion in 2016.

(2) Implementation Status

Unit: NT$ million

Items	2016 Performance	2017 Performance	Rate of Growth
Operating Revenues	19,582	16,752	-14.45%
Operating Interests	2,138	1,479	-30.82%
Net Profits Attributing to Parent Company Owners	1,555	1,128	-27.46%

(3) Financial Revenue/Expenditure and Profitability Analysis

1. Financial Revenue and Expenditure

   (1) 2017 Financial Revenue: NT$27,175,000.

   (2) 2017 Financial Expenditure: NT$89,000.

2. Profitability Analysis

Items	2016	2017
Return on assets (%)	5.43%	4.47%
Return on Equity (%)	13.14%	9.78%
Rate of return (%)	8.09%	6.91%
Earnings Per Share (NTD)	3.80	2.76

(4) R&D Status

1. The annual R&D expenditure for 2017 was NT$482,948,000; which was 19% lower than that of 2016 years and accounted for 3% of the revenue.
2. See “Technology and R&D Status” in Pages 61~65.

(II) 2018 Business Plan Summary

(1) Operating Strategy

1. Strengthen innovation and increase added-value.
2. Practice performance management, create a "proactive" and "sustainable management" corporate culture.
3. Strengthen the customer-oriented market orientation to ensure market maintenance.
4. Actively promote the throttling program and strive to reduce operating costs.
5. Exert the team spirit, be bold in trying, accept changes, and increase the competitiveness.
6. Besides focusing on second-line and third-line cities in Mainland China, we are particularly prioritizing provincial cities and their satellite cities within the “four horizontal and five longitudinal” range in our deployment effort.
7. For Mainland China,we are adopting a steady growth attitude on the market.

(2) Expected Sales and Rationales

Items	Expected Sales Volume	Basis
Elevators (Escalators)	14,628 units	The sales volume is estimated based on the existing installation contracts in 2018 that has not yet been shipped, the business climate, the market competition status, and the historical sales records; which should be more stable compared to that of the previous year.

(3) Important Production and Sales Policies

1. Streamline the processes, increase efficiencies, and reduce production costs.
2. Improve R&D and design capabilities, shorten development time, and master the market opportunities.
3. Expand the sales of new products such as machine-room-less, high-efficiency, and energy saving small machine-room elevators as well as new and high speed escalators.
4. Open up the old elevator dismantling market to improve its operating income.
5. The smart maintenance tools are adopted to improve the elevator operation quality and increase repair revenues.
6. Provided R&D for elevators that meet the new national standards in China.
7. Optimize the parametric configuration of elevators for low stories and maximize the share in commercial and low-story residential buildings in Mainland China.
8. Optimize the existing products, import better and marketable parts from suppliers, and reduce costs in China.
9. Unify resource scheduling of the four plants in China to improve design, production, and efficiency while reducing costs.

(4) Future Company Development Strategy

1. Implement innovation, quality, technology, and quality services to enhance customer satisfaction.
2. Master core technologies, create differentiated products, and ensure price and quality competitiveness.
3. Increase the number of the national sales staffs and expand market coverage in China.
4. Proactively explore Top 200 developers in Mainland China to seek strategic partnerships
5. Strengthen the expansion of commercial escalators and government bidding projects in China.

(5) Impacts from the External Competition, Legal Environment, and Overall Business Environment

1. The impact of external competitive environment: The overall economy of Taiwan has grown steadily in 2017. Housing inventory in the market has continued to be digested, builder business confidence has gradually warmed up, and various elevator manufacturers have actively vied for market shares. To ensure profitability, Yungtay will continue to develop high quality products and promote expenditure rationalization. Due to the slowdown of the real estate growth in China, its elevator market has failed to recover from the recession from previous years. The market price competition by the SMEs have also led to a reduction of the overall industry profits. Yungtay (China), at the moment, is devoted to ensuring stability in the quality of its products while at the same time improving its competitive advantages on the market with more competitive prices. In terms of business layout, Yungtay will continue to adjust the business locations based on the comprehensive assessment of the number of local government procurement and real estate trends in order to plan the business strategy according to the market demands and face the new market patterns.
2. Regulatory environment impacts: the government has actively promoted more regulations and implemented the "Statute for Expediting Reconstruction of Urban Unsafe and Old Buildings" in May 2017 to provide three major incentives to the builders: land owner "Explicit Volume Rewards," "Construction Rate and Height Control Relaxation," and "Tax Relief." The Legislative Yuan has also passed the Third Reading of the "Statue for National Housing and Urban Renewal Centers Establishment" in January 2018 to aide in the implementation of urban renewal and social housing businesses as well as accelerate the speed of social housing and urban renewal. The social housing and urban renewal acceleration policies can also help to expand the elevator (replacement) demand market. Specific regulatory requirements for the installation and maintenance and care of elevator equipment were established in 2017 in Mainland China. The installation and modification of elevators are likely to all be undertaken by

manufacturing facilities and only service companies can repair those elevators. Even insurance companies will also be included as part of the supervisory effort in the elevator sector. The sector is generally speaking experiencing new reforms in Mainland China. China has further raised the safety and stability standards for its elevator products; and the costs for installation, R&D, and maintenance & repair have also increased.

3. Impact to the overall business environment: The global economic growth momentum has strengthened in 2017, and the domestic economy has continued to recover. The housing market transaction volume has gradually increased since the first half of last year to shook-off the downturn in 2016 and showing a steady increase in volume. Former Central Bank President Fai-Nan Perng also used the term "soft landing" to referred to the housing trend in Taiwan. The builders and investors have also begun to reassess their approach to the market, which will have a positive impact on the elevator sales market. It is estimated by the macroeconomics research team of UBS Securities that the GDP of the macroeconomics in Mainland China will grow by around 6.6% in 2018 and the global economy remains promising. The consumption and non-energy investments might be very powerful in Europe and the United States. In addition, as far as the infrastructure and real estate investment are concerned, the team has determined that restricted by the financing constraints set by local governments for the former and credit contraction and slowing sales for the latter, the recovery on the market as a whole in 2018 remains slow for the elevator industry.

II. Company Profile

(1) Date established: July 9, 1966

(2) Company History:

1966
- On July 9 the Company was established at No. 169, Sec. 2 Nanjing East Road, Taipei City under the name of "Yungtay Engineering Co., Ltd.", with a capital size of NT$6 million.
- Main cope of operation: Distribution of HITACHI elevators.

1968
- The company accepted the investment of NT$ 2 million from Hitachi, Ltd. in November and the capital size was changed to NT$10 million.
- The factory in Xinzhuang was established in September and the company became the first to take care of design, manufacturing, installation, and care in the domestic elevator sector.

1970
- The Company was relocated to No. 165-3, Sec. 2 Nanjing East Road in September.

1972
- Efforts were devoted to developing overseas markets for elevators; exportations began in March to Hong Kong and in June to Japan.
- To address the sudden increase in the production demand, the Taoyuan Plant was set up on Chunri Road in December and all the production of elevators was relocated to this new factory.

1973
- The capital size was changed to NT$ 20 million in June.

1976
- Partnership with Hitachi, Ltd. began in April on joint development of elevators for national housing projects.

1977
- The capital size was increased to NT$ 25 million in June.

1978
- Technical collaboration with Japan NIHON RADIATOR CO., LTD. began in January on the production and manufacturing of air-conditioners for automobiles.
- The capital size was increased to NT$40 million in July.
- Exportation of elevators to Singapore began in December.

1979
- The capital size was increased to NT$50 million in May and various types of machinery and equipment were added for the processing of elevator guideways.

1980
- Exportation of elevator guideways to Singapore began in April.
- The capital size was increased to NT$70 million in May and exportation to elevator servers to the Singapore bureau on national housing began in May.
- The Company became the only elevator business recognized by the Ministry of Economic Affairs in December as one of the "92 machinery processing plants of scale."

1981
- The capital size was increased to NT$105 million in August.

1982
- The capital size was increased to NT$147 million in September.
- The Zhongli factory was established in Guanyin Township of Taoyuan in

October to produce automobile air-conditioners and their parts.

- The capital size was increased to NT$197 million in November and industrial robotic arms and powered cranes were added as part of the scope of operation.

1983
- The Company signed a contract with the Industrial Technology Research Institute under the Ministry of Economic Affairs in January to become one of the five manufacturers undertaking its technical transfer of robotic arms in the nation.
- The capital size was increased to NT$236.4 million in November and initial public offering was approved.

1983
- The capital size was increased to NT$ 283.68 million in September.
- The Engineering Department was relocated to the new building on Dunhua Road in order to enhance quality of after-sales service.

1985
- The first elevator research tower in Taiwan was completed in the Taoyuan Plant in March.
- The capital size was increased to NT$ 340.416 thousand in December.

1986
- The main office was relocated to the new office building on Fuxing Road in May.
- The capital size was increased to NT$ 374,457,600 in October.

1987
- The original plant in Zhongli was sold in July and a joint venture under the name of Taiwan Calsonic Co.,Ltd. was established with Japan NIHON RADIATOR CO., LTD.
- The capital size was increased to NT$ 411,903,360 in October.

1988
- The capital size was increased to NT$ 500 million in December.

1989
- The number of elevators ordered broke the threshold of 10,000 units in June.
- The capital size was increased to NT$ 600 million in September and the Company was approved to be publicly traded by the FSC under the Ministry of Finance.

1990
- Land with an area of more than 5,000 pings (1 ping = 3.305785 m2) was purchased in August for expanding the existing Taoyuan Plant in August in order to enhance the throughput of elevators and to produce parking tower equipment.
- The capital size was increased to NT$ 1 billion in September.

1991
- It was approved through the shareholders' meeting in April that the registered capital size of the Company would be NT$2 billion.
- The capital size was increased in September, with the paid-in capital stock being NT$1,309 million.

1982
- The capital size was increased in July, with the paid-in capital stock being NT$1.72billion.

1993 ● The capital size was increased to NT$2,163.7 million in June.

● The investment in Mainland China through Hong Kong was approved in July by the Investment Review Committee under the Ministry of Economic Affairs.

● Shanghai Yungtay Engineering Co., Ltd. was established and acquired its business operation license in September.

● ISO9001 certification for quality assurance was approved in November.

1994 ● The capital size was approved to be increased to NT$2,655.7 million in July.

1995 ● It was approved through the shareholders' meeting in May that the registered capital size of the Company would be NT$4 billion.

● The capital size was increased in July, with the paid-in capital stock being NT$3,071.5 million.

1996 ● The capital size was increased in July, with the paid-in capital stock being NT$3,386.8 million

1997 ● The capital size was increased in July, with the paid-in capital stock being NT$3.73 billion

1998 ● The capital size was increased in July, with the paid-in capital stock being NT$4,108.2 million.

● Yungtay-Hitachi Construction Machinery Co., Ltd.was established in September jointly with Hitachi Construction Machinery Co., Ltd.

1999 ● YK Engineering Co., Ltd. was established in February.

● ISO14001 certification for environmental management was approved in March.

● Evest Corporation was established in August.

2001 ● OHSAS18001 certification for environmental management was approved in December.

2003 ● The name of Shanghai Yungtay Engineering Co., Ltd. was changed in November to Shanghai Yungtay Elevator Equipment Co., Ltd.

2004 ● The name of YK Engineering Co., Ltd. was changed in June to GIO Automation Technology Co., Ltd.

2005 ● The re-invested Shanghai Yungtay Gie EM Co., Ltd. through the subsidiary Yung Shin Investment Ltd. was established in December.

2006 ● The capital size of Shanghai Yungtay Gie EM Co., Ltd. was increased in February, with the paid-in capital stock being US$3,750 thousand.

2007 ● Shanghai Yungtay Elevator Equipment Co., Ltd. transferred its earnings to capital increase in October; the paid-in capital stock was US$56 million.

● The capital size of Shanghai Yungtay Gie EM Co., Ltd. was increased in October, with the paid-in capital stock being US$10million.

2008 ● Investment in Shang Ying Investment Co., Ltd. began in March and 20% of shares held in Yung Hung Ltd. by Hitachi, Ltd. were bought back.

● Yung Hung Ltd. bought back 6% of shares in Yung Hung Ltd. held by Hitachi Building Systems Co., Ltd. (HBS) in March and organized capital decrease.

● Shanghai Yungtay established its subsidiary Tianjin Yungtay Elevator Equipment Co., Ltd. in April.

● Shanghai Yungtay established its subsidiary Shanghai Yungtay Elevator Installation & Maintenance Co., Ltd. in July.

2009 ● Shanghai Yungtay increased the capital size of Shanghai Yungtay Elevator Installation & Maintenance Co., Ltd. in June, with the paid-in capital stock being RMB20 million.

● Shanghai Yungtay increased the capital size of Tianjin Yungtay Elevator Equipment Co., Ltd. in December, with the paid-in capital stock being RMB 150 million.

2010 ● Shanghai Yungtay invested in Vietnam Yungtay Elevator Co., Ltd. in April.

● Shanghai Yungtay increased the capital size of Shanghai Yungtay Gie EM Co., Ltd. in November, with the paid-in capital stock being US$12.5 million

● The name of Shanghai Yungtay Gie EM Co., Ltd. was changed to Shanghai Gie EM Co., Ltd. in December.

2011 ● Tianjin Yungtay established its subsidiary Tianjin Yungtay Elevator Installation & Maintenance Co., Ltd. in March.

● Shanghai Yungtay increased the capital size of Shanghai Gie EM Co., Ltd. in May, with the paid-in capital stock being US$15 million.

2012 ● Expansion of the manufacturing facilities of Shanghai Gie EM Co., Ltd. was completed in June.

● Shanghai Yungtay established its subsidiary Chengdu Yungtay Elevator Equipment Co., Ltd. in June.

2013 ● The name of Yung Hung Ltd. was changed to Yungtay Engineering Ltd. in March.

● Shanghai Yungtay increased the capital size of Tianjin Yungtay Elevator Equipment Co., Ltd. in March, with the paid-in capital stock being RMB 200 million.

● The name of Shanghai Yungtay Elevator Equipment Co., Ltd. was changed in June to Yungtay Elevator Equipment (China) Co., Ltd.

● Yungtay Elevator Equipment (China) established its subsidiary Sichuan Yungtay Elevator Equipment Co., Ltd. in June.

● Yung Shin Investment Ltd sold all shares it held in Shanghai Gie EM Co., Ltd. in September to Yungtay Elevator Equipment (China) Co., Ltd. and was dismissed and liquidated accordingly.

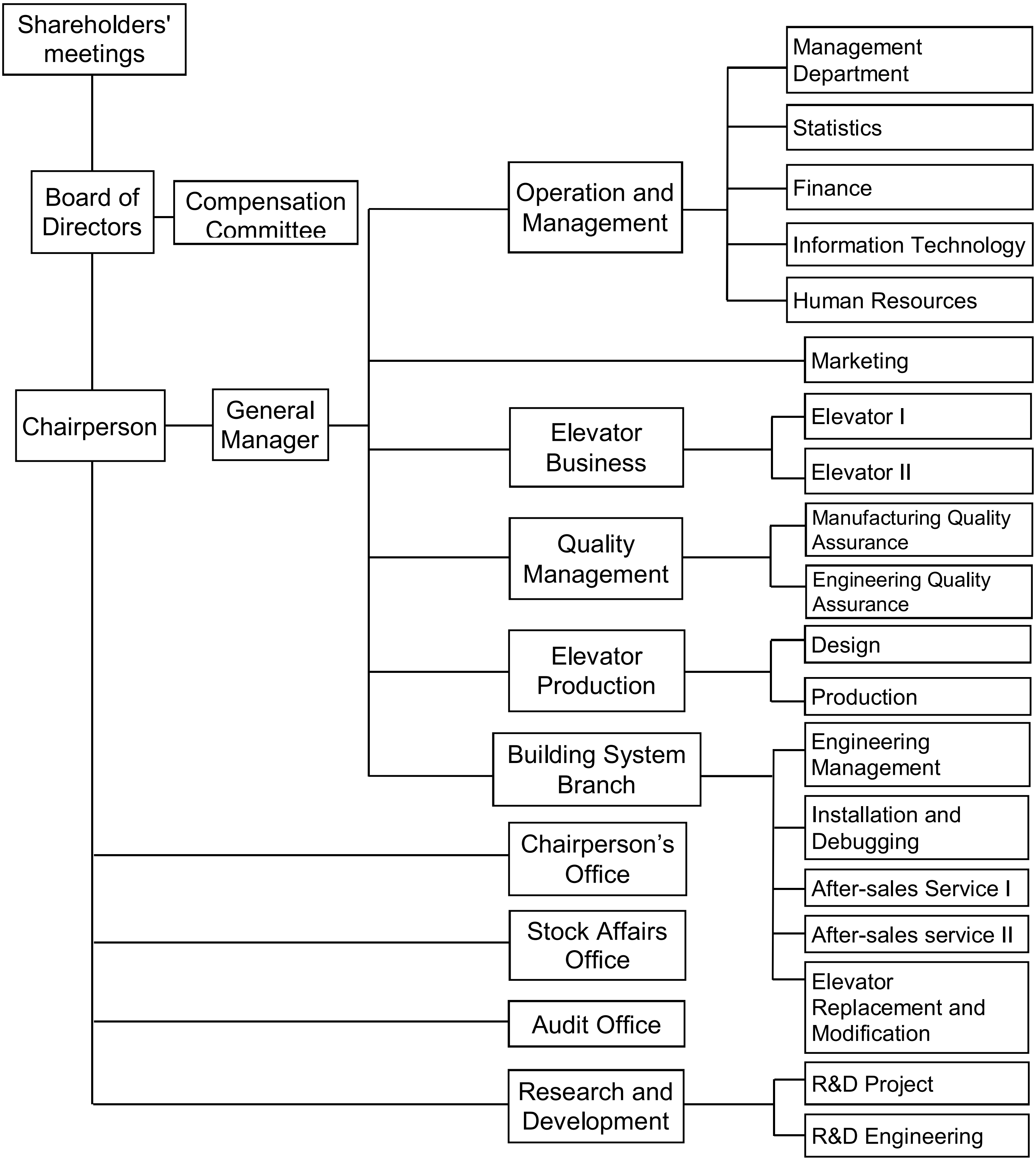
2014 ● Sichuan Yungtay acquired Chengdu Yungtay in December, with the paid-in capital stock being RMB 152 million.

2015	● Construction of the Sichuan Plant of Yungtay Elevator Equipment (China) began in March. ● The showroom of Yungtay Elevator Equipment (China) was completed and commissioned in December.
2016	● The Sichuan Plant of Yungtay Elevator Equipment (China) was completed in August.
2017	● Yungtay Elevator Equipment (China) was consolidated with its subsidiary Shanghai Gie EM Co., Ltd. in December.

III. Corporate Governance Report

(I) Organizational System

(1) Organizational Structure



(2) Major Departments and Their Scope of Operation

Title	Name	Main experience/education
Chairperson	Tso Li Hsu	Chairperson of Yungtay Engineering Co., Ltd. , Lixing Senior High School
General Manager	Fong Chieh Tsai	Chairperson of Yungtay-Hitachi Construction Machinery Co., Ltd , Master of Accounting, National Chengchi University

Department	Main responsibilities
Remuneration Committee	Defines and regularly reviews policies, systems, standards, and structures related to the performance evaluation and compensation of directors, supervisors, and managers.
Operation and Management	Takes care of general affairs, finance, accounting, and IT management, among others.
Marketing	Is responsible for imports and exports as well as developing exportation markets of the Company.
Elevator Business	Is responsible for the elevator business and market development.
Quality Management	Is responsible for manufacturing, installing, and modifying elevators, among other quality-assurance-related matters.
Elevator Production	Is responsible for designing and manufacturing elevators.
Building System Branch	Is responsible for installing, caring, repairing, and modifying elevators.
Chairperson's Office	1. Evaluates new businesses and investments and developments. 2. Helps with business development of Yungtay and associated enterprises.
Stock Affairs Office	Handles related stock affairs.
Audit Office	Is responsible for auditing operations of the Company and ensuring that the internal control system is effectively enforced.
Research and Development	Is responsible for researching and developing elevators and qualifying new products.

(II) Background Information of Directors, Supervisors, General Managers, Vice General Managers, Assistant Managers, and Heads of Various Departments and Branches

(1) Director and Supervisor Information (1)

April 30, 2018

Title	Nationality or registered domicile	Name	Gender	Date of inauguration Date	Tenure	Initial date of inauguration	Shares held upon inauguration		Shares currently held		Shares currently held by spouse and minor child(ren)		Shares held in someone else's name		Main experience/ education	Positions served at the Company and other companies at present	Other supervisors, directors, or supervisors that are a spouse or within two degrees of kinship		
							Quantity	Ratio	Quantity	Ratio	Quantity	Ratio	Quantity	Ratio			Title	Name	Relationship
Chairperson	ROC	Tso Li Hsu	M	2015.6	3 years	1982.5	18,775,692	4.57%	17,000,000	4.14%	1,001	0%	0	0%	Lixing Senior High School Chairperson of Yungtay Engineering Co., Ltd.	(Note 2)	Director	Ray Chun Su	Father and Son
Director	Japan	Hitachi, Ltd.		2015.6	3 years	1968.11	31,817,168	7.74%	31,817,168	7.74%	0	0%	0	0%	General Manager at the Main Office of Global Operations of the Building Systems Business Unit of Hitachi, Ltd.		None	None	None
	Japan	Representative Makoto Nagashima	M			2017.4	0	0%	0	0%	0	0%	0	0%					
Director	ROC	Tso Ming Hsu	M	2015.6	3 years	2006.6	729,709	0.18%	2,159,888	0.53%	0	0%	16,000,000	3.89%	Tamkang University Department of Water Resources General Manager of Yungtay Engineering Co., Ltd.		None	None	None
Director	United States	Ray Chun Su	M	2015.6	3 years	2012.6	0	0%	0	0%	0	0%	0	0%	US University of California - San Jose Department of Mechanical Engineering Vice Chairperson of Yungtay (China)		Chairperson	Tso Li Hsu	Father and Son
Director	ROC	Feng Ming Wu	M	2015.6	3 years	2012.6	422,930	0.10%	422,930	0.10%	0	0%	0	0%	Chung Yuan Christian University Master of Business Administration Assistant Manager of Yungtay Engineering Co., Ltd.		None	None	None
Director	ROC	Yu Hsin Hsu	M	2015.6	3 years	2006.6	138,000	0.03%	138,000	0.03%	0	0%	0	0%	US Golden Gate University Master of Finance Assistant Manager of Yungtay Engineering Co., Ltd .		None	None	None

Title	Nationality or registered domicile	Name	Gender	Date of inauguration Date	Tenure	Initial date of inauguration	Shares held upon inauguration		Shares currently held		Shares currently held by spouse and minor child(ren)		Shares held in someone else's name		Main experience/ education	Positions served at the Company and other companies at present	Other supervisors, directors, or supervisors that are a spouse or within two degrees of kinship		
							Quantity	Ratio	Quantity	Ratio	Quantity	Ratio	Quantity	Ratio			Title	Name	Relationship
Director	ROC	Tien Po Tsao	M	2015.6	3 years	2015.6	4,134	0%	4,134	0%	1,000	0%	0	0%	Lee-Ming Institute of Technology Department of Mechanical Engineering General Manager of Yungtay (China)		None	None	None
Independent	ROC	Hsien Cheng Hsu	M	2015.6	3 years	2015.6	10,569	0%	10,569	0%	0	0%	0	0%	Tamkang University Department of Foreign Languages and Literature Remuneration Committee Member, Yungtay Engineering Co., Ltd.		None	None	None
Independent director	ROC	Kung Hsiao Chang	M	2015.6	3 years	2015.6	542	0%	542	0%	990	0%	0	0%	National Chung Hsing University Department of Law Remuneration Committee Member, Yungtay Engineering Co., Ltd.		None	None	None
Supervisor	ROC	Kuang Ming Chang	M	2015.6	3 years	1994.5	1,190,260	0.29%	1,190,260	0.29%	0	0%	0	0%	Japan Tokai University Department of Political Economy	(Note 2)	None	None	None
Supervisor	ROC	Wann Lai Cheng	M	2015.6	3 years	2015.6	586,508	0.14%	586,508	0.14%	576,481	0.14%	0	0%	Fu Jen Catholic University Department of Business Administration Chairperson of Taiwan Calsonic		None	None	None
Supervisor	Taipei City	Chi Shen Investment Co., Ltd.		2015.6	3 years	2015.6	2,989,126	0.73%	2,989,126	0.73%	0	0%	0	0%	Japan Tokai University Department of Literatures Chairperson of Chien Hsin Trading		None	None	None
	ROC	Representative Yu Min Liang	M				573,770	0.14%	733,770	0.18%	48,000	0.01%	0	0%					

Note 1: Directors or supervisors with prior service in the accounting firm in charge of the current audit or its associated enterprises: None

Note 2: Positions served at the Company and other companies of respective directors and supervisors:

Name	Position at the Company	Current position(s) at other companies
Tso Li Hsu	Chairperson	Chairperson: Yungtay Elevator Equipment (China), Yungchun Capital, Inc. Institutional representative of the director: Yungtay Engineering Ltd., Yungtay-Hitachi Construction Machinery Co., Ltd., Shang Ying Investment Co., Ltd.
Hitachi Representative Makoto Nagashima	None	General Manager: Main Office of Global Operations of the Building Systems Business Unit of Hitachi, Ltd.
Tso Ming Hsu	None	Director: Rueichenghao Investment
Ray Chun Su	None	Deputy Chairman:Yungtay Elevator Equipment (China) Institutional representative of the director: Yungtay Elevator Equipment (China)
Feng Ming Wu	Assistant Manager	Supervisor:Yungchun Capital, Inc.
Yu Hsin Hsu	Assistant Manager	Institutional representative of the director: Yungchun Capital, Inc.
Tien Po Tsao	None	None
Hsien Cheng Hsu	Remuneration Committee Member	None
Kung Hsiao Chang	Remuneration Committee Member	None
Kuang Ming Chang	None	Director, Central Taiwan Cooperative, Taichung
Wann Lai Cheng	None	Chairperson: Taiwan Calsonic, Ever link Director: Browave, Powertech Technology, Center Laboratories Institutional representative of the director: BioEngine Capital, Uni-Calsonic, BioEngine Technology Development, Glac Biotech, Chuang Yi Biotech, Lumosa Therapeutics Supervisor: Yungtay Engineering Co., Ltd, Polstar Technologies Institutional representative of the supervisor: Mycenax Biotech, TPG Biologics
Representative of Chi Shen Yu Min Liang	None	Chairperson: Chien Hsin Trading, United C&N, Chien Hsin Tool Director: Chi Shen Investment, Hua Nan Financial Holdings, Kun-Lung Investment, Sankyo Tool, Yal Ton Supervisor: Nachi C. Y., Taiwan Asahi Bearing Institutional representative of the supervisor: Taiwan Shin Kong Security, GGA Corporation

Major shareholders of institutional shareholders

December 31, 2017

Name of institutional shareholder	Major shareholders of institutional shareholders	Shareholding ratio
Hitachi, Ltd.	The Master Trust Bank of Japan, Ltd.(Trust Account)	6.17
	Japan Trustee Services Bank, Ltd.(Trust Account)	5.48
	Hitachi Employees' Shareholding Association	2.18
	Nippon Life Insurance Company	1.93
	Japan Trustee Services Bank, Ltd.(Trust Account 5)	1.88
	Japan Trustee Services Bank, Ltd.(Trust Account 9)	1.76
	STATE STREET BANK WEST CLIENT-TREATY 505234	1.70
	The Dai-ichi Life Insurance Company, Limited	1.48
	STATE STREET BANK AND TRUST COMPANY 505225	1.44
	Japan Trustee Services Bank, Ltd.(Trust Account 7)	1.40

Name of institutional shareholder	Major shareholders of institutional shareholders	Shareholding ratio
Chi Shen Investment Co., Ltd.	Yu Lun Liang	25.00
	Yu Min Liang	23.92
	Shi Ming Liang	23.92
	Hsin Wen Chang	1.08

Director and Supervisor Information (2)

Qualification / Name	More than five (5) years of work experience and the following professional eligibility			Compliance with the independence requirement (Note 1)										Number of other public offering companies where the position of part-time independent director is held
	Lecturer or higher ranking at the business, legal affairs, financial affairs, or accounting department, or other departments relating to corporate operation of public and private colleges and universities	Judge, prosecutor, lawyer, CPA, or other professionals and technicians that have taken and been approved in national exams required for corporate operation	Work experience required for business, legal affairs, financial affairs, accounting, or corporate operation	1	2	3	4	5	6	7	8	9	10	
Tso Li Hsu			✓					✓	✓	✓		✓	✓	0
Hitachi Representative Makoto Nagashima			✓	✓	✓	✓	✓		✓	✓	✓	✓		0
Tso Ming Hsu			✓				✓	✓	✓	✓	✓	✓	✓	0
Ray Chun Su			✓			✓		✓	✓	✓		✓	✓	0
Feng Ming Wu			✓			✓	✓	✓	✓	✓	✓	✓	✓	0
Yu Hsin Hsu			✓			✓	✓	✓	✓	✓	✓	✓	✓	0
Tien Po Tsao			✓			✓	✓	✓	✓	✓	✓	✓	✓	0
Hsien Cheng Hsu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Kung Hsiao Chang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Kuang Ming Chang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Wann Lai Cheng			✓			✓	✓	✓	✓	✓	✓	✓	✓	1
Representative of Chi Shen Investment Co., Ltd Yu Min Liang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0

Note 1: When any of the following conditions is met for each director or supervisor during the two (2) years prior to and during their tenure, check "✓" in the box underneath each conditional code.

(1) Not an employee of the Company or its associated enterprise.
(2) Not a director or supervisor of the Company's associated enterprise (The same does not apply, however, if the independent director is set up by the Company, its parent company, or any subsidiary according to the Act or the local laws and regulations.)
(3) Not a natural person shareholder that holds by himself/herself or by his/her spouse or minor child in someone else's name more than 1% of all circulating shares of the Company or is on the Top 10 shareholding list.
(4) Not the spouse, a relative within the second degree of kinship, or a direct blood relative within the third degree of kinship of the said people indicated in the foregoing three subparagraphs.
(5) Not a director, supervisor, or employee of an institutional shareholder directly holding more than 5% of all circulating shares of the Company or a director, supervisor, or employee of an institutional shareholder on the Top 5 shareholding list.
(6) Not a director, supervisor, manager, or a shareholder holding more than 5% of shares of a specific company or institution with financial or business activities with the Company.
(7) Not a professional providing services or consultations on business, legal affairs, financial affairs, and accounting at the Company or its associated enterprise or the owner, partner, director, supervisor, manager, and his/her spouse of a sole proprietorship or collaborative company or institution This does not include members of the Remuneration Committee who exercise power in accordance with Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Compensation Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.
(8) Not the spouse or a relative within the second degree of kinship to any other director of the Company.
(9) None of the conditions indicated under Article 30 of the Company Act.
(10) Not a government agency, juristic person, or its representative set forth in Article 27 of the Company Act.

(2) Background Information of General Managers, Vice General Managers, Assistant Managers, and Heads of Various Departments and Branches

April 30, 2018

Title	Nationality	Name	Gender	Date of Inauguration	Shares held		Shares held by spouse and minor child(ren)		Shares held in someone else's name		Main experience/ education	Current positions at other companies	Managers who are the spouse or a relative within the second degree of kinship		
					Quantity	Ratio	Quantity	Ratio	Quantity	Ratio			Title	Name	Relationship
General Manager	ROC	Fong Chieh Tsai	M	2017.06	114,232	0%	0	0%	0	0%	National Chengchi University Master of Accounting	(Note 2)	None	None	None
Building System Vice General Manager	ROC	Chung Wen Wang	M	2018.03	408	0%	0	0%	0	0%	National Chung Tsing University Department of Statistics	None	None	None	None
Chairperson's Office Assistant Manager	ROC	Feng Ming Wu	M	2007.09	422,930	0.10%	0	0%	0	0%	Chung Yuan Christian University Master of Business Administration	(Note 2)	None	None	None
Chairperson's Office Assistant Manager	ROC	Yu Hsin Hsu	M	2007.09	138,000	0.03%	0	0%	0	0%	US Golden Gate University Master of Finance	(Note 2)	None	None	None
Operation and Management Assistant Manager	ROC	Tung Sheng Lin	M	2007.09	2,505	0%	0	0%	0	0%	National Cheng Kung University Master of Industrial Management	(Note 2)	None	None	None
Elevator Business Assistant Manager	ROC	Chieh Jen Chang	M	2017.03	929	0%	0	0%	0	0%	Ming Chi University of Technology Department of Mechanical Engineering	None	None	None	None
Quality Assurance and Management Assistant Manager	ROC	Tsun Yao Wu	M	2015.10	227	0%	0	0%	0	0%	National Taiwan University of Science and Technology Department of Mechanical Technology	None	None	None	None
Elevator Production Assistant Manager	ROC	Chen Kuan Chiang	M	2015.08	527	0%	210	0%	0	0%	Yuan Ze University Master of Management	None	None	None	None
Research and Development Assistant Manager	ROC	Ming Chu Chen	M	2015.10	0	0%	0	0%	0	0%	National Taipei University of Technology Department of Electrical and Mechanical Engineering	None	None	None	None
Accounting Manager	ROC	Chun Hsu Chen	M	2014.03	1,545	0%	0	0%	0	0%	Feng Chia University Department of Accounting	None	None	None	None
Financial Manager	ROC	Jui Hsun Chang	F	2015.08	827	0%	0	0%	0	0%	Providence University Department of Information Management	None	None	None	None

Note 1: Managers with prior service in the accounting firm in charge of the current audit or its associated enterprises: None.

Note 2: Managers holding positions at other companies：

Name	Current position(s) at other companies
Fong Chieh Tsai	Institutional representative of the director: Yungtay Engineering Ltd.
Tung Sheng Lin	Institutional representative of the director: Yungchun Capital, Inc. Supervisor: Yungtay-Hitachi Construction Machinery Co., Ltd. Institutional representative of the Supervisor: Yungtay Elevator Equipment(China) Co., Ltd., Evest Corporation, Taiwan Calsonic Co., Ltd.
Feng Ming Wu	Supervisor: Yungchun Capital, Inc.
Yu Hsin Hsu	Institutional representative of the director: Yungchun Capital, Inc.

(3) Remunerations paid to directors (including independent directors), supervisors, general managers, and vice general managers

1. Remunerations paid to directors (including independent directors)

2017; unit: NTD thousand

Title	Name	Remunerations for directors								Ratio of the sum of A, B, C, and D to after-tax earnings		Related remunerations to those who are also employees								Ratio of the sum of A, B, C, D, E, F, and G to after-tax earnings		Claim of remunerations from re-invested businesses other than subsidiaries
		Reward (A)		Retirement and pension (B)		Remunerations for directors (C)		Operational expenditure (D)				Bonus and Special expenditure (E)		Retirement and pension (F)		Employee remuneration (G)						
		The Company	All companies included in the financial statement	The Company	All companies included in the financial statement	The Company	All companies included in the financial statement	The Company	All companies included in the financial statement	The Company	All companies included in the financial statement	The Company	All companies included in the financial statement	The Company	All companies included in the financial statement	The Company		All companies included in the financial statement		The Company	All companies included in the financial statement	
																Cash value	Stock value	Cash value	Stock value			
Chairperson	Tso Li Hsu	9,000	17,304	0	0	3,546	3,546	2,160	2,480	1.30%	2.07%	22,102	60,731	2,400	2,400	95	0	95	0	3.48%	7.67%	0
Director	Hitachi Representative Shinji Mizumoto (Former) Makoto Nagashima (Current)																					
Director	Tso Ming Hsu																					
Director	Ray Chun Su																					
Director	Feng Ming Wu																					
Director	Yu Hsin Hsu																					
Director	Tien Po Tsao																					
Independent Director	Hsien Cheng Hsu																					
Independent Director	Kung Hsiao Chang																					

* Besides those disclosed in the above table, remunerations paid to directors in the most recent year for having provided services to all companies covered in the financial statement (such as working as a consultant who is not an employee): None

Note: For directors who are also employees, the Company (all companies included in the financial statement) sets aside $200 thousand as the pension fund.

Bracket by which remunerations are paid to individual directors of the company	Name of director			
	Sum of the said four types of remunerations (A+B+C+D)		Sum of the said seven types of remunerations (A+B+C+D+E+F+G)	
	The Company	All companies included in the financial statement	The Company	All companies included in the financial statement
Below $2,000,000	Tso Li Hsu, Hitachi, Ltd., Tso Ming Hsu, Ray Chun Su, Feng Ming Wu, Yu Hsin Hsu, Tien Po Tsao, Hsien Cheng Hsu, Kung Hsiao Chang	Hitachi, Ltd., Tso Ming Hsu, Feng Ming Wu, Yu Hsin Hsu, Tien Po Tsao, Hsien Cheng Hsu, Kung Hsiao Chang	Hitachi, Ltd., Ray Chun Su, Tien Po Tsao, Hsien Cheng Hsu, Kung Hsiao Chang	Hitachi, Ltd., Hsien Cheng Hsu, Kung Hsiao Chang
$2,000,000 (inclusive) ～ $5,000,000 (exclusive)	—	—	Feng Ming Wu, Yu Hsin Hsu	Feng Ming Wu, Yu Hsin Hsu, Tien Po Tsao
$5,000,000 (inclusive) ～ $10,000,000 (exclusive)	—	Tso Li Hsu, Ray Chun Su	Tso Ming Hsu	Tso Ming Hsu
$10,000,000 (inclusive) ～ $15,000,000 (exclusive)	—	—	—	—
$15,000,000 (inclusive) ～ $30,000,000 (exclusive)	—	—	Tso Li Hsu	Ray Chun Su
$30,000,000 (inclusive) ～ $50,000,000 (exclusive)	—	—	—	Tso Li Hsu
Total	14,706	23,330	39,303	86,556

Note: The remunerations paid to drivers in 2017 totaled $1,351,971.

2. Remunerations for supervisors

2017; Unit: NTD thousand

Title	Name	Remunerations for supervisors						Ratio of the sum of A, B and C to after-tax earnings		Claim of remunerations from re-invested businesses other than subsidiaries
		Reward (A)		Remunerations (B)		Operational expenditure (C)				
		The Company	All companies included in the financial statement	The Company	All companies included in the financial statement	The Company	All companies included in the financial statement	The Company	All companies included in the financial statement	
Supervisor	Kuang Ming Chang	3,000	3,000	1,182	1,182	720	720	0.43%	0.43%	4,687
Supervisor	Wann Lai Cheng									
Supervisor	Representative of Chi Shen Investment Co., Ltd. Yu Min Liang									

Remuneration bracket table

Bracket by which remunerations are paid to individual supervisors of the company	Name of supervisor	
	Sum of the first three types of remunerations (A+B+C)	
	The Company	All re-invested businesses
Below $2,000,000	Kuang Ming Chang, Wann Lai Cheng, Yu Min Liang	Kuang Ming Chang, Yu Min Liang
$2,000,000 (inclusive) ～ $5,000,000 (exclusive)	–	–
$5,000,000 (inclusive) ～ $10,000,000 (exclusive)	–	Wann Lai Cheng
Total	4,902	9,589

3. Remunerations for general managers and vice general managers

2017; Unit: NTD thousand

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="2">Salary
(A)</th><th colspan="2">Retirement and pension
(B)</th><th colspan="2">Bonus and
special expenditure (C)</th><th colspan="4">Employee remunerations
(D)</th><th colspan="2">Ratio of the sum of A, B, C, and D to after-tax earnings (%)</th><th rowspan="3">Claim of remunerations from re-invested businesses other than subsidiaries</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">All companies included in the financial statement</th><th rowspan="2">The Company</th><th rowspan="2">All companies included in the financial statement</th><th rowspan="2">The Company</th><th rowspan="2">All companies included in the financial statement</th><th colspan="2">The Company</th><th colspan="2">All companies included in the financial statement</th><th rowspan="2">The Company</th><th rowspan="2">All companies included in the financial statement</th></tr>
<tr><th>Cash value</th><th>Stock value</th><th>Cash value</th><th>Stock value</th></tr>
<tr><td rowspan="2">General Manager (Changed in June 2017)</td><td>Tso Ming Hsu</td><td rowspan="3">4,579</td><td rowspan="3">7,833</td><td rowspan="3">4,800</td><td rowspan="3">4,800</td><td rowspan="3">3,010</td><td rowspan="3">3,010</td><td rowspan="3">32</td><td rowspan="3">0</td><td rowspan="3">32</td><td rowspan="3">0</td><td rowspan="3">1.10%</td><td rowspan="3">1.39%</td><td rowspan="3">0</td></tr>
<tr><td>Fong Chieh Tsai</td></tr>
<tr><td>Vice General Manager (Dismissed in September 2017)</td><td>Chia Sheng Tsai</td></tr>
</table>

Note: The Company (all companies included in the financial statement) sets aside $180 thousand as the pension fund.

Remuneration bracket table

<table>
<tr><th rowspan="2">Bracket by which remunerations are paid to respective general managers and vice general managers of the Company</th><th colspan="2">Name of General Manager/Vice General Manager</th></tr>
<tr><th>The Company</th><th>All companies included in the financial statement</th></tr>
<tr><td>Below $2,000,000</td><td>–</td><td>–</td></tr>
<tr><td>$2,000,000 (inclusive) ～ $5,000,000 (exclusive)</td><td>Tso Ming Hsu, Fong Chieh Tsai, Chia Sheng Tsai</td><td>Tso Ming Hsu, Chia Sheng Tsai</td></tr>
<tr><td>$5,000,000 (inclusive) ～ $10,000,000 (exclusive)</td><td>–</td><td>Fong Chieh Tsai</td></tr>
<tr><td>$10,000,000 (inclusive) ～ $15,000,000 (exclusive)</td><td>–</td><td>–</td></tr>
<tr><td>Total</td><td>12,421</td><td>15,675</td></tr>
</table>

Note: The salaries paid to drivers in 2017 totaled $835,491.

4. Names of managers assigned with employee remunerations and the distribution

2017; Unit: NTD thousand

	Title	Name	Stock value	Cash value	Total	Ratio of sum to after-tax earnings (%)
Manager	General Manager	Fong Chieh Tsai	0	348	348	0.03%
	Vice General Manager	Chung Wen Wang				
	Assistant Manager	Feng Ming Wu				
	Assistant Manager	Yu Hsin Hsu				
	Assistant Manager	Tung Sheng Lin				
	Assistant Manager	Chieh Jen Chang				
	Assistant Manager	Tsun Yao Wu				
	Assistant Manager	Chen Kuan Chiang				
	Assistant Manager	Ming Chu Chen				
	Accounting Manager	Chun Hsu Chen				
	Financial Manager	Jui Hsun Chang				

(4) Compare and separately describe the analysis of ratios of total remunerations paid to directors, supervisors, general managers, and vice general managers of the Company for the past two (2) years by the Company and all companies in the consolidated statement to after-tax earnings indicated in the entity or individual financial statements and describe correlation among the remuneration payment policy, standards and combination, remuneration establishment procedures, and management efficacy and risks in the future:

Unit: NTD thousand

Items / Title	2016				2017			
	The Company		All companies in the consolidated statement		The Company		All companies in the consolidated statement	
	Sum of remunerations	Ratio of sum to after-tax earnings (%)	Sum of remunerations	Ratio of sum to after-tax earnings (%)	Sum of remunerations	Ratio of sum to after-tax earnings (%)	Sum of remunerations	Ratio of sum to after-tax earnings (%)
Director	43,120	2.77%	116,462	7.49%	39,303	3.48%	86,556	7.67%
Supervisor	5,064	0.33%	5,064	0.33%	4,902	0.43%	4,902	0.43%
General Manager and Vice General Manager	12,029	0.77%	13,873	0.89%	12,421	1.10%	15,675	1.39%

The Company pays remunerations according to the salary level on the market for the position concerned and the scope of responsibility required for the position in the Company as well as the prospective contribution of the person holding the position to the Company's operation. The remuneration establishment procedure takes into consideration the overall operational performance of the Company and also the fulfillment rate of personal performance as well as the level of contribution to the Company's performance. Reasonable rewards are given accordingly. The remuneration regulations have been approved by the Company's Remuneration Committee and related payments were proposed by the Remuneration Committee and released following the approval of the Company's Board of Directors.

The remunerations paid to the Company's directors and supervisors over the past two (2) years have to do with the current operational performance; as for those paid to general managers and vice general managers, review of the fulfillment of their performance objectives did not reveal future risks for the Company as a result of fulfillment of short-term performance.

(III) Status of Corporate Governance

(1) Board of Directors

The Board of Directors met 6 times (A) in 2017. Attendance of directors and supervisors in the meetings is as follows:

Title	Name	Actual attendance (seated) frequency (B)	Attendance through proxy frequency	Actual attendance (seated) rate (%) (B/A) (Note)	Notes
Chairperson	Tso Li Hsu	4	2	67%	
Director	Hitachi, Ltd. Representative Makoto Nagashima	5	0	83%	Representative Shinji Mizumoto Dismissed in March 2017
Director	Tso Ming Hsu	5	1	83%	
Director	Ray Chun Su	5	1	83%	
Director	Feng Ming Wu	6	0	100%	
Director	Yu Hsin Hsu	6	0	100%	
Director	Tien Po Tsao	6	0	100%	
Independent Director	Hsien Cheng Hsu	6	0	100%	
Independent Director	Kung Hsiao Chang	6	0	100%	
Supervisor	Kuang Ming Chang	6	0	100%	
Supervisor	Wann Lai Cheng	6	0	100%	
Supervisor	Chi Shen Investment Representative Yu Min Liang	5	0	83%	

Other details to be documented:

1) When the operation of the Board of Directors is found with one of the following conditions, the date, session No., details of proposals, opinions of all independent directors and how the Company handles the opinions shall be stated:

1. Matters listed in Article 14-3 of the Securities Exchange Act:

<table>
<tr><th>Date
(Session No.)</th><th>Details of proposals</th><th>Opinions of all independent directors and how the Company handles the opinions</th></tr>
<tr><td rowspan="6">2017/3/16
(No. 11 of the 17th intake)</td><td>2016 financial statement</td><td rowspan="13">It was approved as is by all independent directors.</td></tr>
<tr><td>Distribution of 2016 remunerations for employees, directors, and supervisors</td></tr>
<tr><td>Distribution of 2016 earnings</td></tr>
<tr><td>Revisions made to the Procedures for the “Acquisition or Disposal of Assets of the Company”</td></tr>
<tr><td>Acquisition of operating equipment from subsidiary Gie</td></tr>
<tr><td>Engagement in related transactions of derivatives</td></tr>
<tr><td rowspan="2">2017/5/11
(No. 12 of the 17th intake)</td><td>Financial statement for the 1st quarter of 2017</td></tr>
<tr><td>Revisions made to the internal control system standards and regulations of the employer</td></tr>
<tr><td>2017/8/10
(No. 14 of the 17th intake)</td><td>Financial statement for the 2nd quarter of 2017</td></tr>
<tr><td>2017/11/09
(No. 15 of the 17th intake)</td><td>Financial statement for the 3rd quarter of 2017</td></tr>
<tr><td rowspan="2">2017/12/14
(No. 16 of the 17th intake)</td><td>Revisions made to the Procedures for the Acquisition or Disposal of Assets of the Company</td></tr>
<tr><td>Revisions made to the Regulations Governing Compensation for Directors, Supervisors, and Managers</td></tr>
</table>

2. Other resolutions reached in Board of Directors’ meetings objected to or with reservations expressed by independent directors that are recorded or documented in written statements rectors in a written statement: This did not happen.

2) For the enforcement of recusal upon conflicts of interest among directors, the name of the director, details of the proposal, reason for the recusal, and participation in the voting process or not shall be described:

In 2017, up to the date the Annual Report was printed…

1. Directors Tso Li Hsu, Feng Ming Wu, and Yu Hsin Hsu were stakeholders due to their employee status on proposals regarding the distribution of remunerations for employees, directors, and supervisors. Article 235-1 that was added to the Company Act and Article 35 of the Company’s Articles of Incorporation, however, specify the remuneration ratio.
2. In addition, according to Article 35 Paragraph 2 of the Company’s Articles of Incorporation, in case of accumulated losses, makeup for the losses shall be set aside first. Therefore, there should be no harm that could be done to the Company’s interest and hence these directors did not need to recuse themselves.

3) Reinforced assessments of functional objectives of the Board of Directors (e.g. to set up the Audit Committee and to enhance information transparency, among others) and implementation status of the objectives of the immediate year and the most recent year:

1. The prepared “Behavioral Guidelines for Directors, Supervisors, and Managers” was approved by the Board of Directors in December 2014 so that directors and supervisors will follow the Company’s integrity and ethical criteria and the power of the Board of Directors to exercise its functions may be strengthened.

2. The Company established its Remuneration Committee in June 2012 and the prepared "Regulations for Independent Directors to Exercise Their Duties" was approved in March 2015 in order to further perfect the operation of the Board of Directors. 3. Related investor information is constantly updated and added to the Company's website in order to reinforce information disclosure and enhance information transparency.

Note: The actual attendance (seated) rate (%) is calculated by the number of Board of Directors meetings held during service and the actual attendance (seated) in the meetings.

(2) Operational status of the Audit Committee and participation of supervisors in the operations of the Board of Directors

1. No Audit Committee has been established for the Company yet.
2. The Board of Directors met 6 times (A) in 2017. Attendance of supervisors in the meetings is as follows:

Title	Name	Actual seated frequency (B)	Actual seated rate (%) (B/A) (Note)	Notes
Supervisor	Kuang Ming Chang	6	100%	
Supervisor	Wann Lai Cheng	6	100%	
Supervisor	Chi Shen Investment Representative Yu Min Liang	5	83%	

Other details to be documented:

(I) Composition and Responsibilities of Supervisors:

1) Communication between supervisors and employees and shareholders of the Company (e.g. communication channel and method, among others):
To communicate with supervisors, employees and shareholders may give written documents to the Company and they will then be forwarded. Communication between supervisors and internal audit heads and CPAs:

2) Based on a shareholders' proposal and the request filed with the supervisor on investigating the legal liability of Director Tso Ming Hsu, business strife was suspected to have been engaged in in the name of Ruichenghao Investment Company Limited. Therefore, it was brought forth for discussion. In light of the fact that the issue involves Director Tso Ming Hsu and interests of the institution he represents, Director Tso Ming Hsu was asked to recuse himself out of the concern about conflicts of interest as determined by a majority of the Board directors.

(1) The audit report is to be sent to the supervisor(s) as required and audit heads will be seated in Board of Directors' meetings in order to communicate face to face with the supervisor(s).

(2) The annual financial statement approved by the Board of Directors is sent to the supervisor(s) to be audited as required.

(II) If supervisors seated in Board of Directors' meetings state opinions, the date of the Board of Directors meeting, session number, details of the proposal, and decision made by the Board of Directors, and how stated opinions of the supervisors are handled by the Company shall be specified: This did not happen.

Date (Session No.)	Details of proposals	Decision made by the Board of Directors, and how stated opinions of the supervisors are handled by the Company
2017/5/03 (No. 17 of the 20th intake)	Revisions made to the "Organic Rules for Audit Committee"	The supervisor had reservations about the title of Article 5. All the directors present in the meeting agreed that except for the title of Article 5, all the other articles were approved unanimously. The title of Article 5 was revised during the Board of Directors' meeting on May 17, 2018.

(3) Corporate governance implementation status and deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons

Assessed areas	Operational status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Brief descriptions	
(I) Does the company establish and disclose its corporate governance principles in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies?	V		The Company prepared its corporate governance principles in accordance with the Corporate Governance BestPractice Principles for TWSE/TPEx Listed Companies, which were already approved by the Board of Directors in August 2017 and disclosed on the Market Observation Post System and the Company's websites.	No major deviations.
(II) Shareholding structure & shareholders' rights				
1. Does the company establish internal operating procedures for handling shareholder suggestions, questions, disputes or lawsuits and implement the procedures?	V		1. There are spokespersons, acting spokespersons, and legal affairs and stock affairs sections to address suggestions and concerns from, disputes, and lawsuits concerning shareholders.	No major deviations.
2. Does the company have a list of major shareholders that have actual control over the Company and a list of ultimate owners of those major shareholders?	V		2. The list of major shareholders is printed each year for the shareholders' meeting and upon ex-right and ex-dividend when a transfer is disallowed to help understand changes in major shareholders.	No major deviations.
3. Has the company established and implemented risk management and firewall mechanisms regarding its associated enterprises?	V		3. Associated enterprises run their own finance and accounting. There are also related procedures in place for endorsement/guarantee and lending of funds as required by law. Meanwhile, "the Regulations for the Supervision and Management of Subsidiaries" are followed. They are under the control and will be audited by the parent company.	No major deviations.
4. Has the company established internal rules against insiders trading with undisclosed information?	V		4. The Procedure for Handling Major Internal Information is in place and education is provided to related people periodically to help create a sound internal major information processing and disclosure mechanism for the Company, to avoid illegitimate disclosure of information, to prevent against insider trading, and to ensure consistency and accuracy of information released to the public.	No major deviations.

(III) Composition and Responsibilities of the Board of Directors 1. Has the Board of Directors developed and implemented a diversified policy for the composition of its members?	V		1. The Company has its corporate governance principles in place that specify that diversification in the composition of the Board of Directors should be taken into consideration and the knowledge, skills, and attainments required for performing duties shall be extensively covered. At present, those that serve on the Company's Board of Directors are professionals in leadership, decision-making, management, accounting, law, and industrial knowledge. They are helpful for the operation and development of the Company.	No major deviations.
2. Does the company voluntarily establish other functional committees in addition to Remuneration Committee and Audit Committee that are established as required by laws?		V	2. Besides the Remuneration Committee that is established as required by law, the Company is planning to set up the Audit Committee and other functional committees as needed in 2018.	No major deviations.
3. Has the company established standards and method for evaluating the performance of the Board of Directors, and implemented the performance evaluation annually?		V	3. There are no regulations available for the evaluation of the performance of the Board of Directors at the moment yet. The Company will stipulate the evaluation regulations and methods if necessary.	They will be stipulated to reflect actual needs in the future.
4. Does the company regularly evaluate the independence of CPAs?	V		4. Prior to hiring a CPA, the Company will sufficiently evaluate his/her professionalism and independence and will check with the stock affairs unit in order to ensure that the CPA and his/her audit team do not hold any share in the Company and that the CPA does not hold any part-time position in the Company. Jiang Sheng & Co., CPAs. has also issued its Declaration of Representative and the Power of Attorney is signed on a yearly basis.	No major deviations.
(IV) For TWSE/GTSM listed companies, is there an exclusive (combined) unit or person for corporate governance to take charge of related matters (including without limitation providing directors and supervisors with materials required for them to carry out their tasks, organizing Board of Directors' meetings and shareholders' meetings as required by law, registering the company and changing registered information, preparing minutes of Board of Directors' meetings and shareholders' meetings)?	V		The Company has specialists in the Stock Affairs Office responsible for handling related matters such as providing directors and supervisors with materials required for them to carry out their tasks and organizing Board of Directors' meetings and shareholders' meetings, specialists in the Management Division responsible for registering the Company and changing registered information, and specialists in the Statistics Division responsible for preparing minutes of Board of Directors' meetings and shareholders' meetings.	No major deviations.

(V) Has the company established a communication channel and build a designated section on its website for stakeholders and properly respond to corporate social responsibility issues that stakeholders are concerned about?	V		For employees, there is the labor union. For shareholders, there are the legal affairs and stock affairs units. For customers, there is complaint management. Meanwhile, spokespersons and acting spokespersons are available to facilitate communications with stakeholders. Related contact information is announced on the Company's website and its Annual Report. There is also an exclusive section for stakeholders on the Company's website to facilitate addressing issues of concern for stakeholders.	No major deviations.
(VI) Does the company designate a professional shareholder service agency to deal with affairs relating to shareholders meetings?		V	The Company handles its own stock affairs. There is the stock affairs division to take charge of shareholders' meetings.	No major deviations.
(VII) Disclosure of Information 1. Has the company established a corporate website to disclose information regarding its financial, business and corporate governance status?	V		1. The Company has established a corporate website to disclose its financial statements and corporate governance-related information and there is a link on the website to the Market Observation Post System.	No major deviations.
2. Does the company adopt other ways of disclosing information (e.g., maintaining an English website, appointing responsible people to handle information collection and disclosure, creating a spokesperson system, webcasting investor conference on company website)?	V		2. There are specialists in the stock affairs and statistics divisions responsible for collecting and disclosing information. Meanwhile, comments made to the public are the exclusive responsibilities of spokespersons and acting spokespersons that are also available. The Company releases information on investor conferences on its website, too.	No major deviations.
(VIII) Is there any other important information available to facilitate a better understanding of the company's corporate governance operational status (including without limitation employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, continuing education of directors and supervisors, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	V		Refer to [Note 1].	No major deviations.

(IX) Explain improvements made according to corporate governance evaluation results released in the most recent year by the corporate governance center of Taiwan Stock Exchange and provide priorities to be reinforced and measures among those pending improvement.

In the 2017 Corporate Governance Evaluation, the Company ranked 51%~65%. For the two sub-items that it did not score, explanations are provided below:

2. English version of the Annual Report: In order to satisfy the demand of foreign capital institutions for English information and to improve information transparency, the Company already compiled its 2017 English Annual Report and it will be released in the Market Observation Post System by the deadline of declaration.
3. English version of the Annual Financial Statement: In order to satisfy the demand of foreign capital institutions for English information and to improve information transparency, the Company already compiled its 2017 English Financial Statement and it will be released on the Company's website.

Note 1: (1) Employee rights, employee wellness: The Company operates in strict compliance with laws and regulations and its personnel administration meets the requirements of local laws and regulations. The Company considers employees as its most important asset and hence provides diversified communication channels so that employees can freely express their advice for the Company, which will be the basis for improving various measures. There is the Employee Welfare Committee and the Company supports establishment of various types of societies to help organize respective recreational activities, tours, and welfare events so that both employees and their dependents may enjoy the benefits provided by the Company. In addition, holiday gifts, marital and funeral subsidies, reimbursements for rewarding tours, among others, are available. Meanwhile, employee remunerations are provided so that employees can share operational fruits. The OHSAS18001 certification for occupational safety and health management systems is approved to precisely safeguard safety of employees at work. "The Company has the Work Rules" and "the Employee Code of Conduct" in place that specify in detail related rights and obligations employees are entitled to, the expected behavior from them while in service, and the ethics at work that they should follow.

(2) Investor relations, supplier relations, rights of stakeholders, continuing education of directors and supervisors, the implementation of risk management policies and risk evaluation standards: The Company releases related information to general investors both periodically and from time to time to keep them informed as required by laws and regulations. There are specific regulations governing the screening of suppliers, procurement, acceptance, and payment to facilitate mutual compliance and to help maintain a desirable relationship with suppliers. Both directors and supervisors of the Company possess enriched industrial professionalism and practical experiences in management. Most of them are able to adequately appear in the Board of Directors' meetings and strictly comply with the recusal principle in proposals concerning their personal interest. Stakeholders have no problems communicating with the Company and the legal rights they are entitled to may be protected. The Company has various internal management rules and approval powers defined for respective tasks carried out. For significant affairs, on the other hand, they are handled as an exceptional case and various types of risk assessment and control are performed.

(3) Implementation of policies to protect consumers or customers: The ISO9001 certification for quality was approved, realizing the first commitment Yungtay made to quality. There is the 24-hour toll-free hotline for customers to make a complaint and to help ensure the safety of customers while riding in our elevators. There are also the mail box and web page for filing a complaint. Complaints are handled by specialists. We obtained ISO14001 certification and we evaluate the impacts of our product design, manufacturing, and installation process flows on the environment in order to fulfill our obligation as a member of the global village. We are serving our customers on the belief of "always thinking ahead for you" and we provide customers with "humanized daily transport". Yungtay persistently "provide customers with satisfying products and services and avoid any inconvenience for them appropriately." By maintaining an optimal and steady relationship with customers, we are creating profits for the Company.

(4) Continuing education of directors and supervisors:

Title	Name	Date of inauguration	Duration of continuing education		Organizer	Course title	Hours involved	Compliance with requirement
			Start	End				
Independent	Hsien Cheng Hsu	2015/06/16	2016/07/15	2016/07/15	Taiwan Corporate Governance Association	Best Guide to Corporate Governance — Comprehensive View of Principle/Practice/Trend	3.0	Yes
			2016/07/22	2016/07/22	Taiwan Corporate Governance Association	Exercising the Efficacy of Independent Director	3.0	
			2016/07/29	2016/07/29	Taiwan Corporate Governance Association	Independent Director and Practical Operation of Functional Committees	3.0	
			2016/08/12	2016/08/12	Taiwan Corporate Governance Association	Group Governance	3.0	
			2017/06/22	2017/06/22	Securities and Futures Institute	Analysis of Pre-warnings and Types of Corporate Financial Crises	3.0	Yes
			2017/07/05	2017/07/05	Securities and Futures Institute	Discussion of Human Resources during Corporation Mergers and Acquisitions and Integrated Issues of Mergers and Acquisitions	3.0	
Independent	Kung Hsiao Chang	2015/06/16	2016/07/15	2016/07/15	Taiwan Corporate Governance Association	Best Guide to Corporate Governance — Comprehensive View of Principle/Practice/Trend	3.0	Yes
			2016/07/22	2016/07/22	Taiwan Corporate Governance Association	Exercising the Efficacy of Independent Director	3.0	
			2016/07/29	2016/07/29	Taiwan Corporate Governance Association	Independent Director and Practical Operation of Functional Committees	3.0	
			2016/08/12	2016/08/12	Taiwan Corporate Governance Association	Group Governance	3.0	
			2017/06/22	2017/06/22	Securities and Futures Institute	Analysis of Pre-warnings and Types of Corporate Financial Crises	3.0	Yes
			2017/07/05	2017/07/05	Securities and Futures Institute	Discussion of Human Resources during Corporation Mergers and Acquisitions and Integrated Issues of Mergers and Acquisitions	3.0	

<table>
<tr><th rowspan="2">Title</th><th rowspan="2">Name</th><th rowspan="2">Date of inauguration</th><th colspan="2">Duration of continuing education</th><th rowspan="2">Organizer</th><th rowspan="2">Course title</th><th rowspan="2">Hours involved</th><th rowspan="2">Compliance with requirement</th></tr>
<tr><th>Start</th><th>End</th></tr>
<tr><td rowspan="3">Supervisor</td><td rowspan="3">Wann Lai Cheng</td><td rowspan="3">2015/06/16</td><td>2016/04/13</td><td>2016/04/13</td><td>Taiwan Academy of Banking and Finance</td><td>Corporate Governance Forum - Wealth Management and Taxation Planning of High-asset Customers</td><td>3.0</td><td rowspan="2">Yes</td></tr>
<tr><td>2016/10/06</td><td>2016/10/06</td><td>Taiwan Corporate Governance Association</td><td>Legal Responsibilities of Directors and Supervisors in Business Mergers and Acquisitions</td><td>3.0</td></tr>
<tr><td>2017/06/20</td><td>2017/06/20</td><td>Taiwan Corporate Governance Association</td><td>Regulations Governing Competition over Corporate Management Right and Practical Examples (I), (II)</td><td>6.0</td><td>Yes</td></tr>
<tr><td rowspan="3">Institutional representative of the supervisor</td><td rowspan="3">Yu Min Liang</td><td rowspan="3">2015/06/16</td><td>2016/08/12</td><td>2016/08/12</td><td>Taiwan Corporate Governance Association</td><td>Group Governance</td><td>3.0</td><td rowspan="2">Yes</td></tr>
<tr><td>2016/09/26</td><td>2016/09/26</td><td>Taiwan Academy of Banking and Finance</td><td>Corporate Governance Forum - Cross-strait Anti-Tax Avoidance Law</td><td>3.0</td></tr>
<tr><td>2017/03/23</td><td>2017/03/23</td><td>Chinese National Association of Industry and Commerce</td><td>Impacts of Top 5 Global Trends on Taiwan and Corporations</td><td>3.0</td><td>—</td></tr>
</table>

(5) Insurance purchased by the company for directors and supervisors: In order to reinforce corporate governance, the Company has purchased liability insurance for its directors and supervisors.

(4) Composition, responsibilities, and operations of the Remuneration Committee

1. Membership of Remuneration Committee

Status distribution (Note 1)	Qualification / Name	More than five (5) years of work experience and the following professional eligibility			Compliance with the independence requirement (Note 2)								Number of other public offering companies with part-time membership in their Compensation Committee	Notes End of document.
		Lecturer or higher ranking at the business, legal affairs, financial affairs, or accounting department, or other departments relating to corporate operation of public and private colleges and universities	Judge, prosecutor, lawyer, CPA, or other professionals and technicians that have taken and been approved in national exams required for corporate operation	Work experience required for business, legal affairs, financial affairs, accounting, or corporate operation	1	2	3	4	5	6	7	8		
Independent director	Hsien Cheng Hsu			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Other	Pang Chen Wu			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent director	Kung Hsiao Chang			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note 1: Provide director, independent director, or other for Status.

Note 2: When any of the following conditions is met for each member during the two (2) years prior to and during their tenure, please check "✓" in the box underneath each conditional code.

(1) Not an employee of the Company or its associated enterprise.
(2) Not a director or supervisor of the Company or its associated enterprise. The same does not apply, however, if the independent director is set up by the Company, its parent company, or any subsidiary according to the Act or the local laws and regulations.
(3) Not a natural person shareholder that holds by himself/herself or by his/her spouse or minor child in someone else's name more than 1% of all circulating shares of the Company or is on the Top 10 shareholding list.
(4) Not the spouse, a relative within the second degree of kinship, or a direct blood relative within the third degree of kinship of the said people indicated in the foregoing three subparagraphs
(5) Not a director, supervisor, or employee of an institutional shareholder directly holding more than 5% of all circulating shares of the Company or a director, supervisor, or employee of an institutional shareholder on the Top 5 shareholding list
(6) Not a director, supervisor, manager, or a shareholder holding more than 5% of shares of a specific company or institution with financial or business activities with the Company
(7) Not a professional providing services or consultations on business, legal affairs, financial affairs, and accounting at the Company or its associated enterprise or the owner, partner, director, supervisor, manager, and his/her spouse of a sole proprietorship or collaborative company or institution
(8) None of the conditions indicated under Article 30 of the Company Act

(2) Information on the operational status of the Remuneration Committee

1) The Company's Remuneration Committee has 3 members in total.
2) Current members will serve from June 16, 2015 to June 15, 2018. The Compensation Committee met 2 times (A) in 2017. Qualification and attendance of members are as follows:

Title	Name	The actual frequency of attendance in the meetings (B)	Frequency of attendance through proxy	Actual attendance rate (%) (B/A) (Note)	Notes
Convener	Hsien Cheng Hsu	2	0	100%	
Member	Pang Chen Wu	2	0	100%	
Member	Kung Hsiao Chang	2	0	100%	

Other details to be documented: 1. If the Board of Directors does not accept or modifies suggestions provided by the Remuneration Committee, the date of the Board of Directors meeting, the session number, contents of the proposal, decisions made by the Board of Directors, and management of opinions from the Remuneration Committee by the Company should be stated (If the compensation and rewards approved by the Board of Directors are superior to those advised by the Remuneration Committee, there should be descriptions of the differences and reasons considered): This did not happen. 2. For decisions made by the Remuneration Committee, as long as there are members objecting or having their reservations that are recorded or stated in writing, the date of the Remuneration Committee meeting, the session number, contents of the proposal, and how opinions from all members and from opposing members are handled should be described: This did not happen.

Note: The actual attendance rate (%) is calculated by the number of Remuneration Committee meetings held during service and the actual attendance frequency in the meetings.

(5) Fulfillment of social responsibilities: systems and measures adopted by the Company for environmental protection, community involvement, giving back to society, community service, public interest, consumer rights, human rights, safety and health, and other social responsibilities-related activities and implementation status

Assessed areas	Operational status			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM listed companies and reasons
	Yes	No	Brief descriptions	
(I) Consolidation of corporate governance				
1. Does the company establish corporate social responsibility policy or system and examine its implementation results?		V	1. Although the Company has no corporate social responsibility policy or system in place yet, it will continue to fulfill our corporate social responsibilities.	They will be stipulated to reflect actual needs in the future.
2. Does the company provide educational training on corporate social responsibility on a regular basis?	V		2. The Company holds meetings or educational training for its people to continue communicating corporate management beliefs.	No major deviations.
3. Does the company have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior management as authorized by the Board of Directors and reports its progress to the Board of Directors?		V	3. There are no full-time (part-time) units devoted to promoting corporate social responsibilities yet.	They will be established to reflect actual needs in the future.
4. Has the company established a reasonable salary remuneration policy, integrated the employee performance evaluation system with its CSR policy, and established an effective reward and disciplinary system?	V		4. There are related regulations and policies in place for the salaries and remunerations paid to the Company's directors, supervisors, managers, and employees to go with complete performance evaluation systems and ethical code of conduct is taken into consideration during evaluation as well. Meanwhile, the Work Rules are available where incentive and disciplinary systems are specified.	No major deviations.

Assessed areas	Operational status			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM listed companies and reasons
	Yes	No	Brief descriptions	
(II) Development of a Sustainable Environment				
1. Has the company endeavored to improve the efficiency of resource utilization and used recycled materials which have a low impact on the environment?	V		1. a. The R&D and design are headed toward developing clean processes so that generation of waste and pollution may be reduced. Energy-saving PM servers will be developed and applied. Paper reutilization and resources recycling are promoted. We are also proactively practicing energy-saving and carbon reduction in offices in order to reduce squandering of resources. b. We are promoting e-processes. At present, the electronic system for forms and tables is used to turn paperwork digitalized (e-paper) so that the amount of paper used may be minimized. The waste recycled includes used paper, used wood, used wires, and scrap.	No major deviations.
2. Has the company developed an appropriate environmental management system, given its distinctive characteristics?	V		2. We are enforcing ISO14001 and OHSAS18001 standards and have been certified accordingly. Each year, we continuously communicate our environmental safety and health policies to employees.	No major deviations.
3. Has the company monitored the impact of climate change on business operations, conducted greenhouse gas inventory and formulated strategies for energy conservation and carbon and greenhouse gas reduction?	V		3. a. The waste gas/air generated from the Company's process is discharged after it goes through the direct fired incinerator and activated carbon absorption treatment. There are also temperature control criteria for air-conditioning in offices. All are meant to accomplish the energy-saving and carbon reduction goal. b. Yungtay (China) enforces energy-saving and carbon reduction measures. Besides replacing high-performance energy-saving lights, it is encouraging turning the lights off when they are not in use whenever possible. Sub-meters are installed at electricity-saving points. For new manufacturing facilities, on the other hand, LED energy-saving systems are used. In addition, energy feedback systems are being developed for elevators, with a mean daily electricity conservation rate up to 30%.	No major deviations.

Assessed areas	Operational status			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM listed companies and reasons
	Yes	No	Brief descriptions	
(III) Protection of public interest in society				
1. Has the company developed related management policies and procedures in accordance with applicable laws and regulations and the International Bill of Human Rights?	V		1. The Company has established its human rights policy in accordance with the International Bill of Human Rights and its personnel administration complies with requirements of the Labor Standards Act. There are also related Work Rules and operating procedures in place to protect the rights and benefits of employees on preferred terms. Such information is available on the Intranet of the Company so that employees are aware of their rights and benefits.	No major deviations.
2. Does the Company have mechanisms and channels available for employees to raise complaints and properly handle employee complaints?	V		2. Employees can raise complaints through the opinion mail box or email. There are also the sexual harassment hotline and internal control audits, among other channels and mechanisms to help with complaints. Conditions reflected upon by employees will be verified and handled accordingly by related people.	No major deviations.
3. Does the company provide employees with a safe and healthy work environment as well as periodic safety and health education?	V		3. a. The Company has been certified by OHSAS18001 for its occupational safety and health management system and labor safety education and employee physical checkups are organized on a yearly basis to precisely safeguard safety and health of employees at work. b. Fire prevention drills and inspection of the healthy nature of group meals occur periodically each year. For tasks at risk of occupational hazards, for the same reason, complete protective equipment is provided.	No major deviations.
4. Does the company have mechanisms in place to facilitate periodic communications with employees and inform them in a reasonable way of operational changes that may have a significant impact on employees?	V		4. The Company's labor union communicates well with the management and has been seeking benefits that employees deserve. Therefore, employees are accustomed to expressing their opinions through the labor union. The Company also informs the labor union of major measures that it will adopt, too, if any, in order to know what they think. Management information is announced from time to time through the Intranet of the Company as well.	No major deviations.

Assessed areas	Operational status: Yes	Operational status: No	Operational status: Brief descriptions	Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM listed companies and reasons
5. Has the company established an effective training program that helps employees develop skills over the course of their career?	V		5. The Company highly values talent and manpower development and by passing down experiences within the organization and the performance evaluation and rotation systems at work, it helps employees plan their personal career developments. Yungtay (China) has also developed its E-learning platform where employees have sufficient opportunities to take part in training and learning sessions inside and outside the Company.	No major deviations.
6. Has the company established any consumer right protection policies and complaint procedures regarding R&D, purchase, production, operation and service?	V		6. a. By obtaining the ISO9001 quality certification, the Company is living up to Yungtay's commitment to best quality. There is the 24-hour toll-free hotline for customers to make a complaint and to help ensure the safety of customers while riding in our elevators. There are also the mail box and web page for filing a complaint. Complaints are handled by specialists. b. Customer service management procedures and complaint-related handling guidelines are available to effectively take care of complaints raised by customers and to provide services in real-time.	No major deviations.
7. Does the company comply with laws and international standards concerning the marketing and labeling of products and services?	V		7. The Company markets and labels its products and services consistently in compliance with the government's laws and regulations and applicable industrial regulations.	No major deviations.
8. Has the company evaluated the records of suppliers' impact on the environment and society before doing business with the supplier?	V		8. The Company has related evaluation mechanisms in place when it comes to screening of suppliers. Meanwhile, their integrity and impacts on the environment and society are taken into consideration in order to determine the applicability.	No major deviations.
9. Do contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause significant impacts on the environment and society?		V	9. The contracts between the Company and its major suppliers are yet to include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause significant impacts on the environment and society but upon renewal or replacement of contracts, such clauses will be considered to be included.	They will be stipulated to reflect actual needs in the future.

<table>
<tr><th rowspan="2">Assessed areas</th><th colspan="3">Operational status</th><th rowspan="2">Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM listed companies and reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Brief descriptions</th></tr>
<tr><td>(IV) Reinforced Information Disclosure
1. Has the company disclosed relevant and reliable information regarding its corporate social responsibilities on its website and the MOPS?</td><td>V</td><td></td><td>1. Quality and environmental safety and health policies are already released on the Company’s website and so is related information on corporate social responsibilities.</td><td>They will be taken care of on the Company’s website, depending on the circumstances.</td></tr>
<tr><td colspan="5">(V) If the Company has its own CSR principles established according to “the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies”, please describe the differences between its implementation and the principles:
The Company has not established its own CSR principles established according to “the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” at the moment.</td></tr>
<tr><td colspan="5">(VI) Other Important Information to Help Understand Utilization of Corporate Social Responsibilities:
The Company is proactively devoting to doing something for the Earth. It is constantly developing energy-saving products. Besides adopting LED energy-saving lighting systems for new manufacturing facilities, it is also replacing existing lights to high performance energy-saving ones, evaluating the possibility of upgrading or replacing existing air-conditioning servers. In addition, the effort to communicate information on energy-saving and recycling of resources to employees is being reinforced so that green energy and carbon reduction can reach out to every household. For water and noise pollutions resulting from manufacturing processes, on the other hand, workplace testing and water quality inspections are performed by organizations approved by the competent authority on a yearly basis and facilities to help reinforce the control and prevention of pollution are being added each year.</td></tr>
<tr><td colspan="5">(VII) In the event that validation criteria of related verification institutions are approved in the Company's CSR Report, it shall be stated so:
In order to more systematically manage its safety, health, and environmental protection-related operations, the Company has obtained ISO14001 (2015) certification for its environmental management system and OHSAS18001 (2007) certification for its environmental safety and health management system. Besides helping promote its corporate image by being approved by these third-party certification bodies for their international credibility, the Company is also implementing systems and creating sound written systems and procedures. By doing this, it helps not only pass down assets such as technical documents but also accordingly enhances management efficiency, efficacy, and quality of work in order to protect the stability and security of product output and to provide customers with steadily operative and comfortable daily riding experiences.</td></tr>
</table>

(6) Status of ethical corporate management and measures adopted

<table>
<tr><th rowspan="2">Assessed areas</th><th colspan="3">Operational status</th><th rowspan="2">Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Brief descriptions</th></tr>
<tr><td>(I) Establishment of ethical corporate management policy and proposal
1. Has the company declared its ethical corporate management policies and procedures in its rules and external documents, as well as the commitment of its Board of Directors and management to implementing the management policies?</td><td>V</td><td></td><td>1. In order to form a corporate culture featuring ethical operations and to reinforce its corporate governance, “the Company has the Behavioral Guidelines for Directors, Supervisors, and Managers”, “the Employee Code of Conduct”, and “the Ethical Management Principles” in place and has put its ethical management policies into force.</td><td>No major deviations.</td></tr>
</table>

Assessed areas	Operational status			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Brief descriptions	
2. Has the company established policies to prevent against unethical conduct and specified the operating procedures, guidelines of conduct, punishment for violation, and rules of appeal in the policies, and enforced them?	V		2. "The Ethical Management Principles" established by the Company already specify details of unethical behavior, the handling procedure, and the disciplinary and complaint-filing systems available in cases of violations. In addition, "the Employee Code of Conduct" is meant to prevent against unethical behavior and specifies that employees may not accept treatments, gifts, rebates or embezzle public funds or seek unlawful interests applying their power at work. There are also legal affairs and audit units to consolidate legitimacy of operational activities, the supervisory mechanism, and risk management in all respects.	No major deviations.
3. Has the company adopted appropriate precautionary measures for operations at a higher risk of unethical conducts indicated in Article 7 Paragraph 2 of "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" or within its scope of business?	V		3. The Company has already specified respective matters indicated in Article 7 Paragraph 2 of "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" in Article 7 of its Ethical Management Principles and has established operating procedures or adopting other measures such as daily communication and terms and conditions in contracts in order to prevent against unethical behavior in business operations at a higher risk.	They will be reinforced to reflect actual needs in the future.
(II) Consolidation of ethical corporate management				
1. Has the company evaluated the ethical records of parties it does business with and stipulated ethical conduct clauses in business contracts?	V		1. The Company conducts business activities in a fair and transparent way. Before starting a business relationship, it takes into consideration the legitimacy and history of unethical conducts of the counterpart and evaluates the counterpart on related risks according to the transaction history. The contract entered into also specifies behavioral criteria and penalties in cases of violations that shall be followed by both parties.	No major deviations.
2. Has the company established a dedicated (concurrent) unit under the Board of Directors to promote ethical corporate management and report the status of implementation to the Board of Directors periodically?	V		2. The Audit Office under the Board of Directors is responsible for inspecting if unethical management has occurred and periodically reporting to the Board of Directors on the status.	No major deviations.

Assessed areas	Operational status			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Brief descriptions	
3. Has the company established policies to prevent against conflicts of interest, provided appropriate channels for filing related complaints and implemented the policies accordingly?	V		3. The Company has a sound internal audit system, a periodic inspection system, and mechanisms for receiving stated opinions, communication, and risk management in place to maintain an effectively operative internal control system, to prevent against conflicts of interest, and to facilitate effective communications.	No major deviations.
4. Has the company created effective accounting and internal control systems to consolidate ethical corporate management and have those systems audited by either internal auditors or CPAs on a regular basis?	V		4. There are internal procedures available for handling major information. Directors, supervisors, managers, and people processing important information are asked to sign the confidentiality agreement and are included as part of the Company's internal control system to be periodically inspected by internal auditors.	No major deviations.
5. Does the company hold internal and external educational trainings on ethical management regularly?	V		5. The Company periodically states the Employee Code of Conduct, the corporate culture, and the Company's management principles during the pre-service training sessions and workshops for new hires and communicates its belief in ethical management on the Company's website.	No major deviations.
(III) Reporting System of the Company				
1. Does the company have substantial reporting and incentive systems in place, provide convenient reporting channels, and assign appropriate specialists investigate reported matters?	V		1. Employees can report any conduct in violation of ethical requirements through the Audit Office or other means such as email. The Audit Office is responsible for handling related matters.	No major deviations.
2. Has the company established any standard operating procedures or confidentiality mechanisms for handling reported matters?	V		2. The Company has already established the regulations for reporting illegal and unethical behavior that cover the standard operating procedure for investigating reported matters and related confidentiality mechanisms. The Audit Office handles reported matters and will keep the identity and information of the reporter confidential. Yungtay (China) provides its external mailbox on its website. Reported matters can reach the general manager directly or can be sent directly to the general manager in a written mail. after that, reported matters will be assigned, investigated, and verified.	No major deviations.

Assessed areas	Operational status			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Brief descriptions	
3. Does the company assure employees who reported on malpractices that they will not be improperly treated for making such reports?	V		3. The Audit Office will keep reported matters confidential and assign specialists to handle them so that the reporter will not be treated improperly because of the report.	No major deviations.
(IV) Reinforced Information Disclosure 1. Has the company disclosed information regarding its ethical corporate management principles and implementation status on its website and the MOPS?	1. The Company discloses its management belief based on the ethical principle and releases its complete "the Ethical Management Principles" on its website and the MOPS.			No major deviations.
(V) If the company has its own Ethical Management Principles established according to "the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", please describe the differences between its implementation and the principles: The Company has already established its Ethical Management Principles according to "the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and applied the underlying elements to its internal control system and related operating procedures. The practical operations do not deviate from what is described in the Principles.				
(VI) Other important information that helps understand the implementation of ethical corporate management of the company: (e.g. discussion and correction of the Ethical Management Principles established by the company): 1. Before each of its new products is released to the market, the Company evaluates its parts and components and the product as a whole and obtains respective relevant qualification certificates in order to consolidate ethical management. 2. When organizing purchases, the Company must find multiple suppliers and compare their quotations. Meanwhile, reinforced efforts are made to communicate the importance of moral conduct to procurement staff and procurement tasks are adjusted from time to time as needed. 3. The Company does business with its partners in compliance with required procedures and related units inspect related operations periodically.				

(7) How they may be found shall be disclosed if the company has established Corporate Governance Principles and related regulations:

The Company has established its Corporate Governance Principles according to "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and follows regulatory requirements in all of its operations, with related rules such as the Behavioral Guidelines for Directors, Supervisors, and Managers, the Code of Moral Conduct, the Employee Code of Conduct, the Ethical Management Principles, the Guidelines for Electing Board Directors and Supervisors, the Regulations for Independent Directors to Exercise Their Duties, and the Organic Rules for Remuneration Committee in place. Please visit the MOPS or the Company's website (www.yungtay.com.tw).

(8) Other important information that is sufficient to boost knowledge of corporate governance

1. The Company and its financial information is transparent. The status of related people in obtaining relevant certifications as required by the competent authority is as follows:
   (1) International internal auditors: 1 at the main management office of Yungtay (China).
   (2) Domestic internal auditors (within the ROC): 1 at the management division, 1 at the engineering division, and 1 at the main management office of Yungtay (China).
   (3) ROC CPAs: 1 at the management division, 1 at the Audit Office.

2. Status of continuing education sought by managers:

Title	Name	Duration of continuing education		Organizer	Course title	Hours involved
		Start	End			
Assistant Manager	Tung Sheng Lin	2016/03/25	2016/03/25	Development Dimensions International	Achieving Best Performance	7.0
		2016/05/18	2016/05/18	Development Dimensions International	Professional Experiential Camp for Medium-to-High-Ranking Supervisors	7.0
		2016/11/16	2016/11/17	Development Dimensions International	Review and Commencement of Annual Strategic Goals	16.0
		2016/12/01	2016/12/01	Securities and Futures Institute	Practical Advanced Seminar for Directors and Supervisors (Including Independent Supervisors)	6.0
		2017/12/06	2017/12/06	Securities and Futures Institute	Applying Corporate Strategy and Key Performance Indicator/Employee Reward Strategy and Tool	6.0
Accounting Manager	Chun Hsu Chen	2016/03/25	2016/03/25	Development Dimensions International	Achieving Best Performance	7.0
		2016/05/18	2016/05/18	Development Dimensions International	Professional Experiential Camp for Medium-to-High-Ranking Supervisors	7.0
		2016/09/08	2016/09/09	Accounting Research and Development Foundation	Head of Accounting Continuing Education	12.0
		2016/11/16	2016/11/17	Development Dimensions International	Review and Commencement of Annual Strategic Goals	16.0
		2017/02/15	2017/02/15	KangBo Consulting	High Performance Presentation	6.0
		2017/07/13	2017/07/14	Accounting Research and Development Foundation	In-service Program for Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	12.0
Finance Manager	Jui Hsun Chang	2016/03/25	2016/03/25	Development Dimensions International	Achieving Best Performance	7.0
		2016/05/18	2016/05/18	Development Dimensions International	Professional Experiential Camp for Medium-to-High-Ranking Supervisors	7.0
		2016/09/22	2016/09/22	China Productivity Center	Short-term Capital Management and Financing (Precautions for Using Notes and Legal Relations)	6.0
		2016/11/16	2016/11/17	Development Dimensions International	Review and Commencement of Annual Strategic Goals	16.0
		2017/02/15	2017/02/15	KangBo Consulting	High Performance Presentation	6.0
		2017/02/24	2017/03/09	Asir International Management Consultants	Mastering Excel	14.0
		2017/08/25	2017/08/25	Accounting Research and Development Foundation	Portfolio Management (Anti-money Laundering)	6.0
		2017/10/03	2017/10/03	Accounting Research and Development Foundation	Portfolio Management (IFRS 9 on Financial Instruments)	3.0
		2017/12/22	2017/12/22	China Productivity Center	Foreign Exchange Operation Practice	7.0

Title	Name	Duration of continuing education		Organizer	Course title	Hours involved
		Start	End			
Audit Manager	Ting Hsuan Yeh	2016/03/25	2016/03/25	Development Dimensions International	Achieving Best Performance	7.0
		2016/09/26	2016/09/26	The Institute of Internal Auditors - Chinese Taiwan	Internal Audit and Enterprise Risk Management (ERM)	6.0
		2016/09/30	2016/09/30	Securities and Futures Institute	Program for Directors and Supervisors (Legal Liabilities of Directors and Supervisors in Untruthful Financial Statements and Risk Control)	3.0
		2016/11/07	2016/11/07	The Institute of Internal Auditors - Chinese Taiwan	Internal Audit and Enterprise Risk Management (ERM)(Auditor Root Cause Analysis (RCA） Techniques)	6.0
		2016/11/16	2016/11/17	Development Dimensions International	Review and Commencement of Annual Strategic Goals	16.0
		2016/12/06	2016/12/06	Securities and Futures Institute	Program for Directors and Supervisors (Analysis of Corporate Financial Information and Its Application in Decision-making)	3.0
		2017/02/15	2017/02/15	KangBo Consulting	High Performance Presentation	6.0
		2017/07/12	2017/07/12	The Institute of Internal Auditors - Chinese Taiwan	Internal Audit Workshop (Risk Assessment and Inspection Technique Application Practice)	6
		2017/09/14	2017/09/14	Securities and Futures Institute	Program for Directors and Supervisors (Financial Statement Fraud Case Study)	3
		2017/09/29	2017/09/29	Securities and Futures Institute	Enhancing Additional Value to Audits (Practical Workshop on How to See Through Fraudulent Financial Statements)	6
		2017/11/01	2017/11/01	Securities and Futures Institute	Program for Directors and Supervisors (Corporate Strategy and Key Performance Indicator)	3

(9) Implementation status of the internal control system

1. Internal Control System Statement: See the page below.
2. When a CPA is authorized to review the internal control system, the Review Report prepared by the CPA shall be disclosed: Not applicable.

Yungtay Engineering Co., Ltd.

Internal Control System Statement

Date: March 15, 2018

For the Company's internal control system of 2017, we would like to declare as follows according to the results of spontaneous inspections:

1. The Company knows that establishing, enforcing, and maintaining an internal control system is the responsibility of the Company's Board of Directors and managers and has such a system in place already. It is meant to reasonably ensure fulfillment of the operational efficacy and efficiency (including profits, performance, and protection of asset security), reliability, timeliness, and transparency of reports, and compliance with applicable laws and regulations, among other goals.
2. The internal control system has its inherited restrictions that cannot be overcome with improved design. An effective internal control system can also only reasonably ensure the fulfillment of the three goals stated above and its effectiveness may change as the environment or situation changes. There is a self-surveillance mechanism, however, it is the fact that it is built inside the internal control system of the Company that helps the Company take a corrective action against deficiencies confirmed.
3. The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the items in "Governing Regulations for Public Company's Establishment of Internal Control System" (hereinafter called "Governing Regulations") that are related to the effectiveness of internal control systems. The items adopted in the Governing Regulations for determining the internal control system are the five constitutional elements of the internal control system divided according to the management and control process: 1. control environment, 2. risk assessment, 3. control process, 4. information and communication, and 5. supervision. Each element further encompasses several items. Please refer to "Governing Regulations" for details.
4. The Company has adopted the above-mentioned determining items and evaluated the design and effectiveness of its internal control system.
5. Pursuant to the results of the above-mentioned evaluations, the Company is of the view that the design and implementation of its internal control system as of December 31, 2017 (including its supervision and management of subsidiaries), including its awareness of the extent by which the operating effects and efficiency goals are fulfilled, reliability of reports, and compliance with relevant laws and regulations, are such that it is effective and capable of reasonably ensuring that the aforementioned goals can be achieved.
6. This Statement constitutes a major part of the Company's Annual Report and the Company's Prospectus that are made available to the public. The Company shall be legally liable under Articles 20, 32, 171 and 174 of the Securities and Exchange Act with respect to any unlawful aspects such as falsehood or concealment of facts in relation to the aforesaid published contents.
7. This Statement was approved at the meeting of the Company's Board of Directors on March 15, 2018 with no directors expressing dissent out of the 8 Directors in attendance.

Yungtay Engineering Co., Ltd.

Chairperson: Signature/Seal

General Manager: Signature/Seal

(10) Any legal sanctions against the Company or its internal personnel, or any disciplinary action taken by the Company against its own personnel for violating internal control requirements, in the most recent year up to the date the Annual Report was printed, main shortcomings and improvements: None.

(11) Important decisions reached in shareholders' meetings and made by the Board of Directors in the most recent year up to the date the Annual Report was printed.

Board of Directors'/ Shareholders' meeting	Date	Descriptions of important matters	Implementation status
No. 11 of the 17th intake Board of Directors' meeting	2017/3/16	1. Determining the time and venue of the 2017 general shareholders' meeting.	1. The 2017 general shareholders' meeting was already held on June 16, 2017.
		2. Determining the reasons for holding the 2017 general shareholders' meeting.	2. Reasons for holding the general shareholders' meeting were announced in the Market Observation Post System.
		3. Approving the 2016 Annual Business Report and Financial Statements.	3. It was already brought forth in the shareholders' meeting on June 16, 2017 and endorsed accordingly.
		4. Determining distribution of 2016 remunerations for employees, directors, and supervisors.	4. It was approved that remunerations to be paid to employees and directors and supervisors for 2016 were $48,399,755 and $5,377,751, respectively; the distribution ratio was 2.52% and 0.28% respectively.
		5. Determining distribution of earnings from 2016.	5. It was approved that the cash dividend per share for 2016 was $2.4 and the proposal was decided on June 16, 2017.
		6. Approving the 2016 Internal Control System Statement.	6. The Internal Control Statement was already submitted to the FSC and was published in the 2016 Annual Report.
		7. Approving the revisions made to the Procedures for the Acquisition or Disposal of Assets of the Company.	7. The revised Procedures for the Acquisition or Disposal of Assets were brought forth in the shareholders' meeting on June 16, 2017 and were approved.
		8. Approving the endorsement of acquisition of operating equipment from subsidiary Gie.	
		9. Approving the engagement in related transactions of derivatives.	9. It was enforced according to the decision.
No. 12 of the 17th intake Board of Directors' meeting	2017/5/11	1. Approving the Financial Statement for the first quarter of 2017.	1. It was already declared with the competent authority and announced.
		2. Approving financing limits.	2. The Contract over the Financing Limits was renewed.
		3. Revisions made to the internal control system standards and regulations of the employer.	3. The revised internal control system was enforced.
2017 Shareholders' meeting	2017/6/16	1. Acknowledging 2016 Budget Breakdown.	1. It was approved.
		2. Acknowledging the distribution of earnings from 2016.	2. It was approved that the cash dividend of $2.4 per share for 2016 would be issued. July 11, 2017 was set to be the ex-dividend base date and cash dividends were issued on July 27, 2017.

Board of Directors'/ Shareholders' meeting	Date	Descriptions of important matters	Implementation status
		3. Approving the revisions made to the Procedures for the Acquisition or Disposal of Assets of the Company.	3. The revised Procedures for the Acquisition or Disposal of Assets were enforced and announced in the MOPS and on the Company's website.
No. 13 of the 17th intake Board of Directors' meeting	2017/6/16	1. Determining this year's ex-dividend base date and issuance date. 2. Approving the appointment of the General Manager.	1. It was determined that July 11, 2017 would be the ex-dividend base date and cash dividends were issued on July 27, 2017. 2. It was enforced according to the decision.
No. 14 of the 17th intake Board of Directors' meeting	2017/8/10	1. Approving the Financial Statement for the second quarter of 2017. 2. Approving the revisions made to the Corporate Governance Principles.	1. It was already declared with the competent authority and announced. 2. They were announced in the MOPS and on the Company's website.
No. 15 of the 17th intake Board of Directors' meeting	2017/11/9	1. Approving the Financial Statement for the third quarter of 2017. 2. Approving the revisions made to the Rules and Procedures for Shareholders Meetings.	1. It was already declared with the competent authority and announced. 2. The revised Rules and Procedures for Shareholders Meetings will be brought forth in the shareholders' meeting on June 28, 2017 for a decision.
No. 16 of the 17th intake Board of Directors' meeting	2017/12/14	1. Approving the 2018 Annual Business Operation Plan and Budget Proposal. 2. Approving the 2018 Audit Plan. 3. Approving the 2018 donations to affiliates. 4. Evaluating the independence of CPAs. 5. Approving the revisions made to the Procedures for the Acquisition or Disposal of Assets of the Company. 6. Approving the revisions made to the Organic Rules for Remuneration Committee. 7. Approving the revisions made to the Regulations Governing Compensation for Directors, Supervisors, and Managers.	1. The approved 2018 Budget Proposal is being enforced. 2. The approved Audit Plan is being enforced. 3. Donations have been made according to the decision. 4. Evaluation outcome: Independence is fulfilled. 5. The revised Procedures for the Acquisition or Disposal of Assets will be brought forth in the shareholders' meeting on June 28, 2017 for a decision. 6. The revised Organic Rules for Remuneration Committee were announced in the MOPS and on the Company's website.
No. 17 of the 17th intake Board of Directors' meeting	2018/3/15	1. Determining the time and venue of the 2018 general shareholders' meeting. 2. Determining the reasons for holding the 2018 general shareholders' meeting. 3. Approving the 2017 Annual Business Report and Financial Statements.	1. The 2018 general shareholders' meeting will be held on June 28, 2018. 2. Reasons for holding the general shareholders' meeting were announced in the Market Observation Post System. 3. It will be brought forth in the shareholders' meeting on June 28, 2018 and endorsed accordingly.

Board of Directors'/ Shareholders' meeting	Date	Descriptions of important matters	Implementation status
		4. Determining distribution of 2017 remunerations for employees, directors, and supervisors.	4. It was approved that remunerations to be paid to employees and directors and supervisors for 2017 will be $42,608,155 and $4,734,239, respectively; the distribution ratio will be 2.88% and 0.32%, respectively.
		5. Determining distribution of earnings from 2017.	5. It was approved that the cash dividend per share for 2017 will be $2 and the proposal will be brought forth in the shareholders' meeting on June 28, 2018 for a decision.
		6. Approving the 2017 Internal Control System Statement.	6. The Internal Control Statement was already submitted to the FSC and will be published in the 2017 Annual Report.
		7. Approving the duration available for nominating, domicile of, and number of openings for independent director candidates.	7. It was already announced within the deadline according to the decision.
		8. Approving the list of independent director candidates.	8. Nomination and registration took place during the duration of nomination according to the decision.
		9. Approving the revisions made to the Company's Articles of Incorporation.	9. The revised Articles of Incorporation will be brought forth in the shareholders' meeting on June 28, 2018 for a decision.
		10. Approving the revisions made to the Guidelines for Electing Board Directors and Supervisors.	10. The Board Directors Election Procedure will be brought forth in the shareholders' meeting on June 28, 2018 for a decision.
No. 18 of the 17th intake Board of Directors' meeting	2018/4/9	1. Approving the time and venue of the 2018 general shareholders' meeting.	1. It was already declared with the competent authority and announced.
No. 19 of the 17th intake Board of Directors' meeting	2018/4/30	1. Approving the list of independent director candidates changed by the Board of Directors.	1. Nomination and registration took place during the duration of nomination according to the decision.
No. 20 of the 17th intake Board of Directors' meeting	2018/5/3	1. Approving the Financial Statement for the first quarter of 2018.	1. It was already declared with the competent authority and announced.
		2. Approving financing limits.	2. The Contract over the Financing Limits was renewed.
		3. Approving the revisions made to the Company's Articles of Incorporation.	3. The revised Articles of Incorporation will be brought forth in the shareholders' meeting on June 28, 2018 for a decision.
		4. Approving the revisions made to the Guidelines for Electing Board Directors and Supervisors.	4. The Board Directors Election Procedure will be brought forth in the shareholders' meeting on June 28, 2018 for a decision.
		5. Approving the revisions made to the Procedures for Handling Funds Lending and Endorsement and Guarantee.	5. The revised Procedures for Handling Funds Lending and Endorsement and Guarantee will be brought forth in the shareholders' meeting on June 28, 2018 for a decision.

Board of Directors'/ Shareholders' meeting	Date	Descriptions of important matters	Implementation status
		6. Approving the revisions made to the Board of Directors Rules of Procedure. 7. Approving the revisions made to the Behavioral Guidelines for Directors, Supervisors, and Managers. 8. Approving the revisions made to the Regulations for Independent Directors to exercise their duties. 9. Approving the revisions made to the Operating Procedure for Handling Major Internal Information. 10. Approving the revisions made to the Ethical Management Principles. 11. Approving the revisions made to the Organic Rules for Audit Committee. 12. Revisions made to the internal control system standards and regulations of the employer.	6. The revised Board of Directors Rules of Procedure will be brought forth in the shareholders' meeting on June 28, 2018 for a decision. 7. The revised Behavioral Guidelines for Directors, Supervisors, and Managers are already announced on the Company's website. 8. The revised Regulations for Independent Directors to Exercise Their Duties were announced in the MOPS and on the Company's website. 9. The revised Operating Procedure for Handling Major Internal Information was announced on the Company's website. 10. The revised Ethical Management Principles were announced in the MOPS and on the Company's website. 11. They were announced in the MOPS and on the Company's website. 12. The revised internal control system was enforced.
No. 21 of the 17th intake Board of Directors' meeting	2018/5/17	1. Approving the number of seats available for the election of the 18th intake of Board directors. 2. Approving the eligibility review of independent director candidates nominated. 3. Changing the reasons for holding the 2018 general shareholders' meeting. 4. Approving the revisions made to "the Organic Rules for Audit Committee". 5. Disapproving the written proposal from shareholders.	1. It was already declared with the competent authority and announced. 2. It was already in the Market Observation Post System. 3. It was already declared with the competent authority and announced. 4. They were announced in the MOPS and on the Company's website. 5. The Board of Directors plans to give a presentation during the shareholders' meeting on June 28, 2018.

(12) Main contents of different opinions of directors or supervisors that are recorded and stated in writing on important decisions made by the Board of Directors in the most recent year and up to the date the Annual Report was printed: None.

(13) Summary of resignations and dismissals of the Company's Chairperson, general managers, accounting heads, financial heads, internal audit heads, and R&D heads in the most recent year and up to the date the Annual Report was printed:

Title	Name	Date of inauguration	Date of dismissal	Reason for resignation or dismissal
General Manager	Tso Ming Hsu	2015/6/16	2016/6/16	Retired

(IV) Public Expenditure on CPAs

1. When the non-audit public expenditure paid to CPAs, their firms, and their associated enterprises accounts for more than one-fourth of the audit public expenditure, the values of both audit and non-audit public expenditures and contents of non-audit services shall be disclosed: None.
2. When the accounting firm is changed and the audit public expenditure in the year of replacement is reduced compared to that in the preceding year, the audit public expenditures before and after the replacement and the reasons shall be disclosed: None.
3. When the audit public expenditure is reduced by more than 15% from the preceding year, the value reduced and its ratio and cause shall be disclosed: None.

Currency unit: NTD thousand

Name of accounting firm	Name of CPA	Audit public expenditure	Non-audit public expenditure					CPA Inspection period	Remark
			System design	Business registration	Human resources	Other (Note)	Subtotal		
Jiang Sheng & Co., CPAs.	Jen Chi Chen	4,610	0	40	0	500	540	2017/1/1 ~ 2017/12/31	
	Xiu Li Chen								

Note: The non-audit public expenditure shall be listed separately by the service item. When "Other" of non-audit public expenditure reaches 25% of the total value of non-audit public expenditure, contents of the service shall be listed in the remark column: Transfer Pricing Report.

(V) Information on Replacement of Accountants

No CPAs have were replaced over the past two (2) years and afterwards. Therefore, this is not applicable.

(VI) Positions held in the firm that the CPA works for or its associated enterprises in the most recent year by the Chairperson, the general manager, and managers in charge of financial or accounting affairs:

None.

(VII) Changes in the equity of directors, supervisors, managers, and major shareholders

Title	Name	2017		As of April 30 of the year	
		Increase/ decrease in the number of shares held	Increase/ decrease in the number of shares pledged	Increase/ decrease in the number of shares held	Increase/ decrease in the number of shares pledged
Director	Tso Li Hsu	None	None	None	None
Director	Hitachi, Ltd.	None	None	None	None
Institutional representative of the director	Shinji Mizumoto (Dismissed in March 2017)	None	None	—	—
Institutional representative of the director	Makoto Nagashima	None	None	None	None
Director	Tso Ming Hsu	179	None	None	None
Director	Ray Chun Su	None	None	None	None
Director	Feng Ming Wu	None	None	None	None
Director	Yu Hsin Hsu	None	None	None	None
Director	Tien Po Tsao	None	None	None	None
Independent Director	Kung Hsiao Chang	None	None	None	None
Independent Director	Hsien Cheng Hsu	None	None	None	None
Supervisor	Kuang Ming Chang	None	None	None	None
Supervisor	Wann Lai Cheng	None	None	None	None
Supervisor	Chi Shen Investment Co., Ltd	None	None	None	None
Institutional representative of the supervisor	Yu Min Liang	None	None	None	None
Human Resources Vice General Manager	Chia Sheng Tsai (Dismissed in September 2017)	None	None	—	—
Building System Vice General Manager	Chung Wen Wang	None	None	None	None
Operation and Management Assistant Manager	Tung Sheng Lin	None	None	None	None
Elevator Production Assistant Manager	Chen Kuan Chiang	None	None	None	None

Title	Name	2017		As of April 30 of the year	
		Increase/ decrease in the number of shares held	Increase/ decrease in the number of shares pledged	Increase/ decrease in the number of shares held	Increase/ decrease in the number of shares pledged
Quality Assurance and Management Assistant Manager	Tsun Yao Wu	None	None	None	None
Research and Development Assistant Manager	Ming Chu Chen	None	None	None	None
Elevator Business Assistant Manager	Ming Hui Chen (Dismissed in March 2017)	None	None	—	—
Elevator Business Assistant Manager	Chieh Jen Chang	None	None	None	None
Accounting Manager	Chun Hsu Chen	None	None	None	None
Financial Manager	Jui Hsun Chang	None	None	None	None

Note 1: A shareholder holding more than 10% of total shares in the Company shall be indicated as major shareholder and be listed separately: None.

Note 2: The counterparties in the transfer or pledge of equity are not stakeholders.

(VIII) Information of relationship among Top 10 shareholders who are related, spouses, or relatives within the second degree of kinship of each other

April 30, 2018

Name (Note 1)	Personal shares		Spouse or minor child-owned shares		Total shares held in other people's names		The title or name and relationship among shareholders in the Top shareholding list who are related, spouse to each other, or relatives within the second degree of kinship (Note 3)		Notes
	Quantity	Ratio	Quantity	Ratio	Quantity	Ratio	Name	Relationship	
Hitachi, Ltd. Representative: President Toshiaki Higashihara	31,817,168	7.74%	0	0%	0	0%	Hitachi Building Systems	Subsidiary	
UT Park View, Inc.	23,162,000	5.64%	0	0%	0	0%	None	None	
Orchid Ventures Limited	21,918,253	5.34%	0	0%	0	0%	None	None	
Nan Shan Life Insurance Co., Ltd. Representative: Chairperson Ying Tsung Tu	21,856,000	5.32%	0	0%	0	0%	None	None	
Tso Li Hsu	17,000,000	4.14%	1,001	0%	0	0%	None	None	
Rueichenghao Investment Co., Ltd.	16,000,000	3.89%	0	0%	0	0%	None	None	
Hitachi Building Systems Co., Ltd. Representative: President Hideaki Seki	15,908,571	3.87%	0	0%	0	0%	Hitachi, Ltd.	Parent company	
CTBC Bank Trust Account	15,244,461	3.71%	0	0%	0	0%	None	None	
Marathon-London Group Trust for Employee Benefit Plans	10,886,000	2.65%	0	0%	0	0%	None	None	
Neon Liberty Lorikeet Master Fund LP	8,732,000	2.13%	0	0%	0	0%	None	None	

Note 1: All of the Top 10 shareholders shall be listed. If they are institutional shareholders, the names of the institution and its representative shall both be listed.

Note 2: The shareholding ratio is calculated separately by the individual concerned, his/her spouse, minor child, or in another person's name.

Note 3: The shareholders listed in the foregoing include institutional entities and natural persons. The mutual relationships shall be disclosed in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(IX) Comprehensive shareholding ratio

April 30, 2018 Unit: Share: %

Reinvested business (Note)	The Company		Directors, supervisors, managers, and directly or indirectly controlled businesses		Combined	
	Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio
Yungtay Engineering Ltd.	11,183,510	78.72%	3,022,570	21.28%	14,206,080	100.00%
Taiwan Calsonic Co., Ltd.	12,900,000	20.16%	578,837	0.02%	12,913,550	20.18%
Yungchun Capital, Inc.	8,500,000	100.00%	0	0%	8,500,000	100.00%
Yungtay-Hitachi Construction Machinery Co., Ltd.	6,528,000	51.00%	0	0%	6,528,000	51.00%
Evest Corporation	7,007,172	41.22%	12,404	0.07%	7,019,576	41.29%
Shang Ying Investment Co., Ltd.	33,500,000	100.00%	0	0%	33,500,000	100.00%

Note: Reinvested businesses of the Company where the equity method is applied.

IV. Fund-raising

(I) Capital and Shares

(1) Source of capital stock

Year/ Month	Issuing price	Approved capital stock		Paid-in capital stock		Notes		
		Quantity (thousand shares)	Value (thousand dollars)	Quantity (thousand shares)	Value (thousand dollars)	Capital Shares source	Share value written off by assets other than cash	Other
1966/7	1000	600	6000	600	6000	Original investment	—	—
1968/11	1000	1000	10000	1000	10000	Capital increase in cash	—	—
1973/6	1000	2000	20000	2000	20000	Capital increase in cash	—	—
1977/6	1000	2500	25000	2500	25000	Earnings transferred capital increase	—	—
1978/7	1000	4000	40000	4000	40000	Earnings and capital reserve transferred capital increase	—	—
1979/5	1000	5000	50000	5000	50000	Earnings transferred capital increase	—	—
1980/5	10	7000	70000	7000	70000	Earnings transferred capital increase	—	—
1981/8	10	10500	105000	10500	105000	Earnings transferred capital increase	—	—
1982/9	10	14700	147000	14700	147000	Earnings transferred capital increase	—	—
1983/1	10	19700	197000	19700	197000	Capital increase with capital reserve	—	—
1983/11	10	23640	236400	23640	236400	Earnings transferred capital increase	—	—
1984/9	10	28368	283680	28368	283680	Earnings transferred capital increase	—	—
1985/12	10	34042	340416	34042	340416	Earnings transferred capital increase	—	—
1986/10	10	37446	374458	37446	374458	Earnings transferred capital increase	—	—
1987/10	10	41190	411903	41190	411903	Earnings transferred capital increase	—	—
1988/12	10	50000	500000	50000	500000	Capital increase in cash and earnings transferred capital increase	—	—
1989/9	10	60000	600000	60000	600000	Earnings transferred capital increase	—	—
1990/9	10	100000	1000000	100000	1000000	Capital increase in cash and earnings transferred capital increase	—	—
1991/9	10	130900	1309000	130900	1309000	Earnings and capital reserve transferred capital increase	—	—
1992/7	10	172000	1720000	172000	1720000	Earnings and capital reserve transferred capital increase	—	—
1993/6	10	216370	2163700	216370	2163700	Earnings and capital reserve transferred capital increase	—	—
1994/7	10	265570	2655700	265570	2655700	Earnings and capital reserve transferred capital increase	—	—
1995/7	10	400000	4000000	307150	3071500	Earnings transferred capital increase	—	—
1996/7	10	400000	4000000	338680	3386800	Earnings transferred capital increase	—	—
1997/7	10	400000	4000000	373000	3730000	Earnings transferred capital increase	—	—
1998/7	10	410820	4108200	410820	4108200	Earnings transferred capital increase	—	—
2004/7	10	460000	4600000	410820	4108200	Only enhanced the approved capital stock	—	—

Note: The Company did not issue new shares in 2017 up to the date the Annual Report was printed.

Type of shares	Approved capital stock			Remark:
	Circulating shares	Shares yet to be issued	Total	
Common stock	410,820,000	49,180,000	460,000,000	Listed stock

Note: As of April 30, 2018, the subsidiary held 2,129,800 shares in the Company.

(2) Shareholder structure

April 30, 2018

Shareholder structure / Quantity	Government agency	Financial institution	Other institutional investors	Individual	Foreign institution and individual	Total
Number of people	0	1	88	31,193	216	31,498
Quantity of shares held	0	170	81,980,621	111,352,254	217,486,955	410,820,000
Shareholding ratio	0.00%	0.00%	19.96%	27.10%	52.94%	100.00%

(3) Diversification of equity

April 30, 2018

Shareholding classification	No. of shareholders	Quantity of shares held	Shareholding ratio
1 ~ 999	21,423	2,431,126	0.59%
1,000 ~ 5,000	7,513	15,700,663	3.82%
5,001 ~ 10,000	1,228	9,204,997	2.24%
10,001 ~ 15,000	404	5,031,458	1.22%
15,001 ~ 20,000	231	4,182,912	1.02%
20,001 ~ 30,000	209	5,174,261	1.26%
30,001 ~ 50,000	155	6,130,288	1.49%
50,001 ~ 100,000	119	8,762,800	2.13%
100,001 ~ 200,000	59	8,049,918	1.96%
200,001 ~ 400,000	45	12,808,845	3.12%
400,001 ~ 600,000	25	12,802,967	3.12%
600,001 ~ 800,000	17	11,760,769	2.86%
800,001 ~ 1,000,000	8	7,213,760	1.76%
1,000,001 ~ 2,000,000	27	37,795,309	9.20%
2,000,001 ~ 4,000,000	20	54,544,474	13.28%
4,000,001 ~ 10,000,000	6	35,433,000	8.63%
Above 10,000,000	9	173,792,453	42.30%
Total	31,498	410,820,000	100.00%

(4) List of major shareholders

April 30, 2018

Name of major shareholder \ Shares	Quantity	Ratio
Hitachi, Ltd.	31,817,168	7.74%
UT Park View, Inc.	23,162,000	5.64%
Orchid Ventures Limited	21,918,253	5.34%
Nan Shan Life Insurance Co., Ltd.	21,856,000	5.32%
Tso Li Hsu	17,000,000	4.14%
Rueichenghao Investment Co., Ltd.	16,000,000	3.89%
Hitachi Building Systems Co., Ltd.	15,908,571	3.87%
CTBC Bank Trust Account	15,244,461	3.71%
Marathon-London Group Trust for Employee Benefit Plans	10,886,000	2.65%
Neon Liberty Lorikeet Master Fund LP	8,732,000	2.13%

(5) Related information of market price per share, net value, earnings, and dividends for the past two (2) years

Currency unit: NTD

Items \ Year			2016	2017	March 31, 2018
Market value per share	Highest		52.20	61.30	60.30
	Lowest		41.55	44.30	47.55
	Mean (Note 1)		45.87	52.68	54.67
Net value per share	Before distribution		28.56	28.20	29.39
	After distribution		26.16	—	—
Earnings Per Share	Weighted average number of shares (Note 2)		408,690,200	408,690,200	408,690,200
	Earnings per share		3.80	2.76	0.88
Dividend per share	Cash dividend		2.4	2.0（Note 3）	—
	Free share assignment	Earnings-based share assignment	—	—	—
		Capital reserve-based share assignment	—	—	—
	Accumulated unpaid dividend		—	—	—
Analysis of return on investment	Price to earnings ratio		12.07	19.09	—
	Price to dividend ratio		19.11	26.34	—
	Cash dividend yield		5.23%	3.80%	—

Note 1: The annual average market price is calculated according to the strike price and the trading volume in each year.

Note 2: The number of shares held by subsidiaries is already removed from the weighted average number of shares.

Note 3: The cash dividend per share for 2017 is $2.0 that is going to be discussed in the current shareholders' meeting.

Note 4: Data from financial statements prepared according to the International Financial Reporting Standards are adopted in this table.

(6) Company's dividend policy and implementation status

1. Dividend policy:

   According to the dividend policy approved in the 2016 shareholders' meeting of the Company, which is Article 35-2 of the Articles of Incorporation:
   "The Company shall issue dividends and bonuses at 50% or above of after-tax net earnings of the immediate year and cash shall account for 50% or above of the dividends issued in order to reflect the maturing operating environment for primary products of the Company and to take care of operational demand; the above-mentioned ratios involved in the distribution, however, may be adjusted reflective of related factors such as operational or investment needs in order to meet the actual demand." If there are no major changes to the operating environment and funds available, the dividend policy for the coming year will be the same as those stated in the Company's Articles of Incorporation.

2. Distribution of dividends intended to be discussed in the current shareholders' meeting:

   Cash dividend of $2.0 is intended to be distributed through this shareholders' meeting.

(7) Impacts of free share assignment intended through the current shareholders' meeting on the Company's operational performance and earnings per share

No free share assignment is intended to be discussed in the current shareholders' meeting; therefore, it is not applicable.

(8) Remunerations for employees, directors, and supervisors

1. (1) If the Company has profits for the year, at least 1% shall be set aside to be remunerations for employees. The Board of Directors shall decide whether they will be issued in form of share or cash. The Company may have the Remuneration Committee to submit the value of above-mentioned profits to the Board of Directors for a decision over appropriating no greater than 1% of it to be the remunerations for directors and supervisors. The distribution of remunerations for employees and for directors and supervisors shall be reported in the shareholders' meeting.
   The Company shall appropriate for write-off of the loss carried forward, if applicable, before setting aside remunerations for employees and for the directors and supervisors proportionally as mentioned in the preceding paragraph.

   (2) In cases of earnings determined for the year, besides the appropriations for writing off historical losses and for paying taxes as required by law, 10% shall be set aside as the legal reserve first and then the special reserve before dividends are paid. For the remainder, the following procedures are followed with regard to the distribution.
   1. Bonuses for shareholders.
   2. Retained earnings.
   The proportions involved in the distribution mentioned in the preceding paragraph are to be determined by the Board of Directors and endorsed through the shareholders' meeting.

2. Basis for estimating the amount of remunerations for employees, directors and supervisors, basis for calculating the number of shares to be distributed as employee remunerations, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated amount, for the current period: The amount of remunerations for employees, directors, and supervisors for the current period is estimated according to the requirements in the Articles of Incorporation. In case of any discrepancy between the actual distributed amount and the estimated amount, it will be handled as changes in accounting estimates and the booked value will be adjusted for the year based on the decision made in the shareholders' meeting.

3. Distribution of remunerations from earnings in 2016 and 2017:

Unit: NTD

	2016				2017
	Actual distributed amount decided in shareholders' meeting	Estimated amount approved by the Board of Directors	Difference	Cause for the difference	Estimated amount approved by the Board of Directors
I. Distribution:					
1. Remunerations distributed to employees in cash	48,399,755	48,399,755	0	—	42,608,155
2. Remunerations distributed to employees in stock					
(1) Quantity of shares	0	0	0	—	0
(2) Value	0	0	0	—	0
(3) Ratio in the after-tax income of the current term and ratio in the overall remunerations assigned to employees	—	—	—	—	—
3. Remunerations for directors and supervisors	5,377,751	5,377,751	0	—	4,734,239
II. Related information on the earnings per share: (Note 1)					
Earnings Per Share	3.80	3.80	0	—	2.76
2. Earnings per share (Note 2)	3.80	3.80	0	—	2.76

Note 1: The earnings per share are based on the data from financial statements prepared according to the International Financial Reporting Standards.

Note 2: Starting on January 1, 2008, remunerations distributed to employees and directors and supervisors in cash are listed as expenses of the immediate year and hence it is no longer applicable.

Note 3: The difference between the actual distributed amount of earnings as remunerations for employees, directors, and supervisors and the recognized annual estimated amount in 2016 was $27,230.

4. When there is difference between the actual distributed amount of remunerations for employees, directors, and supervisors (including the number, value, and price of shares distributed) and the recognized remunerations for employees, directors, and supervisors in the preceding year, the difference, cause for the difference, and how it is handled shall also be specified: The difference for the preceding year is $27,230, which is an estimated difference and will be booked through adjustment in 2017.

(9) Buyback of the Company stock: None.

(II) Corporate bond, special stock, global depositary receipt, employee stock option certificate, restricted employee shares and M&A or acceptance of transferred shares of another company for issuance of new shares: None.

(III) Implementation of capital utilization plan

No securities were issued or private placement of securities occurred in the most recent year in order to get the capital.

V. Operational Status

(I) Business Contents

(1) Scope of Business

1. Major business operation items:
   (1) Design, manufacture, sale, installation, repair and maintenance of elevators, food delivery machines, escalators, electric walkways, and elevators.
   (2) Sales agency and maintenance & repair for machines constructed overseas or domestically.
   (3) Real estate rental business.
2. Business Proportion

Product Name	Purpose	Business Proportion (%)
Lifts for passenger, cargo, or patient beds and the relevant parts	Building rapid delivery	95.94%
Construction machinery	Construction project	3.91%
Real estate lease	Real estate lease	0.15%

3. Project development products and technology
   (1) Elevator control system function enhancement
   (2) Development of permanent magnet servers for high-speed elevators
   (3) Green, energy saving, eco-friendly design
   (4) Elevator performance quality enhancement

(2) Industry overview:

1. The Industry's Current Status and Development

The global economy in 2018 may be better than that of 2017 because the economic performance of the advanced economies worldwide have exceeds expectations, the U.S. tax reform is expected to stimulate the U.S. economy, and the IMF has overhauled the global economic growth rate to 3.9% in 2018 (3.7% higher than that of 2017). Domestically, the nation’s exports, industrial production, and consumption have continued to grow as of December 2017. The labor market is stable and the economy is recovering. Overall, the nation's economic growth rate in 2017 is 2.84%, which was the best in the past three (3) years. The annual exports grew by 13.2%, which marked the largest increase in the past seven (7) years. The unemployment rate was 3.76%, which marked the lowest level since 2001. All these indicators indicated that the overall economy in Taiwan has risen steadily.

In terms of the real estate market, the builders have boosted sales through profit sharing and price cuts, which drove the housing market to become more active. The buying momentum bottomed-out and rebounded in 2017, the trading volume warmed up, and the wait-and-see atmosphere in the market gradually faded. In sum, 266 thousand housing transactions had finalized throughout the year (annual increase of 8%), which stopped falling for the first time since 2014. The growth in the number of house building transactions supported by the rigid demand of self-residence buying has dispelled the builders' housing market outlook pessimism. The number of construction approvals and commencements has rebounded and the willingness to purchase land has increased, which can help to expand the elevator sales market.

In addition, the Executive Yuan has passed renewal related regulation amendments, increased tax incentives, establishing regional residential centers, and many other mechanisms to promote renewal implementation. In the future, the urban danger, old building redevelopment acceleration, and regional residential center multi-pronged regulations “the three renewal regulations” will be implemented to lead the rapid growth of the domestic market, drive huge business opportunities, and significantly boost the overall momentum for the elevator purchase (replacement) market.

The national housing market performance observation for the various regions in 2017 indicated that the newly-introduced case market shows a pattern of "stable price increase," which allowed the real estate market that has been slow for a long time to gradually see the light due to the support of rigid self-residence demands. However, under the buyer's anticipation of lower prices and the current self-residence based structure, the selling time is still long. Whether the follow-up overall volume can continue to rise as well as the government's housing policy and interest rate hikes will become the key to the sustained recovery of the residential market in 2018.

In 2017, China's GDP growth rate was adjusted to 6.9% and its economic performance is better than the original 6.5% expected. This indicated that China's economic downward trend in the past seven (7) years has been curbed. The entire economy has bottomed-out, and the economy has picked-up in terms of the performance in various investment fields. Real estate indicators such as sales and investments have also gradually recovered under the impact of the inventory-digestion policy. The overall elevator market sales increased slightly by 2% compared to that of 2016. Despite the proactive construction of various types of infrastructure in Mainland China in response to its “One Belt One Road” policy, the slow recovery pace on the real estate market does not contribute significantly to the demand for elevators. Overall, growth rate of China's elevator market in 2018 is expected to maintain a slight increase.

2. The Relationship of the Upstream, Midstream, and Downstream

The elevator industry incorporates the machinery and electrical fields. The upstream primarily comprised of iron, casting, machinery, and electrical components suppliers. The downstream primarily comprised the construction companies.

3. Various Product Development Trends

To satisfy the overall design of modern buildings, the demands of machine-room-less or small-room elevators have gradually increased. Moreover, as Taiwan enters into an aging society, the market volume of domestic small elevators has continued to expand. In addition, due to the increase of cost for city lands, building projects tended to push-up number of floors so the constructors can share the costs, and the ratio of high-speed and high-floor elevators have also increased.

In addition to energy saving, environmental friendly, and Internet of Things technological development priorities, elevator providers in the Chinese market must also list installation, maintenance, R&D, and the relevant safety technologies as the priority for innovation and application pursuant to the 2017 elevator safety protection related regulations.

4. Competition Status

In recent years, Taiwan's population growth has been sluggish, and it is difficult for housing demand to increase significantly. The elevator manufacturers compete fiercely with each other, and the market prefers buyer-set prices. Due to the industrial features, builders in the construction industry tended to have long-term cooperation elevator manufacturers, and it is relatively more difficult to strive partnership with non-long-term cooperative construction companies. However, the company will continue to endeavor to develop new customers.

Besides retaining its existing customers with quality products and services and proactively securing government procurement projects for public constructions, Yungtay will also focus on creating supply relations with large developers in order to become their strategic partners in their products, which is conducive to furthering enhancing the sales of Yungtay. For small-to-medium-sized developers, on the other hand, besides carefully selecting optimal brands, how to accommodate geographically accustomed procurement needs, how to facilitate personalization of their products, and how to develop demand indicators to go with the policy are the three aspects requiring flexible adjustments and are the primary distribution strategies in 2018.

(3) Technology and R&D Status

1. R&D expenses invested in the last year and as of the publication date of this annual report.

Unit: NTD thousand

	2017	End of April 2018
R&D Expenses	482,948	78,330

2. Research and development outcome

2.1 Product R&D Results

(1) GB New National Standard Compliance Development

※ Complete the overall performance certification of the main machine. Small machine-room elevators and machine-room-less main specifications must be designed and developed according to the GB7588.1-201x specifications, and their performance must satisfy the GB related standards and conform to the company's internal specifications.

(2) New Type Regulation Development Compliance

※ The "TSG T7007-2016 Elevator Type Test Rules" are fully implemented in 2018, which include 35 full machine certification and 16 physical elevator certification items. All certifications have been completed in 2017, and the certificates were obtained.

(3) New Inspection Regulation Development Compliance

※ the "TSG T7001-2009 Elevator Supervision, Audit, and Periodic Inspection Rules - Traction and Force Driving Elevators" revision No.2 has been officially implemented on October 1, 2017.

(4) Small-room Elevator Extended Development Case

※ Completed the comprehensive PM of small room elevator host machines.

※ Complete the expansion of the small room elevator MAP 2000kg, 2.5m/s mass production work.

※ Completed the small room elevator 1150kg, 2.5m/s subdivision specification mass production work.

(5) High speed escalator/elevator development

※ Completed high speed escalator/elevator 2000kg certification work.

※ Completed the high speed escalator's thousand bird function certification work and shipment.

(6) Heavy Load Machine Room Elevator Development

※ Completed machine-room-less elevator for 1150~1600Kg, 1.75m/s or less with self-made GSS-LM host machine certification work and shipment.

(7) Villa Elevator Development

※ Complete the 450/550Kg, 1m/s load or lower machine-room-less self-support elevator system development.

(8) Elimination and replacement of elevators

※ Complete the small-room replacement elevator 750 Kg, 1.75m/s or lower certification work and shipment.

(9) Control System Development

※ Integrate the current products with inverter technology to develop a new generation of control systems and to enhance competitive advantages on the market.

(10) Craftsmanship Development

※ Fire ladder IND craftsmanship optimization and walkie-talkie built-in design.

※ Develop thin-panel disability OPB in collaboration with business needs.

※ Standard passenger escalator patio update, and new development of ECO-FD2, ECO-FK, and ECO-CT craftsmanship designs.

(11) Component Development

※ SIL3 compliant ETS system development.

※ Digital cameras and network transmission lines introduction and development used to improve the performance indicators and price competitiveness.

※ Completed the OPB/IND program unified development.

※ New version of SAE, and high power EBRD PCBA.

※ Web edition multimedia machine development that achieves the network content replacement function.

※ Screw-type expansion bolts were introduced and developed to save installation man-hours.

※ Compartment locking door blade development that conforms to the EN-81-20:2013 content.

(12) Group Control System Upgrade Development

※ Completed the FT3 group control software transplant into the proprietary PCB to replace the industrial control host machine and offer market demand segmentation.

(13) Central Surveillance System Development

※ Yungtay has completed shipment for its self-developed central monitoring system YES1.

(14) Development of the Compartment Destination Floor Pre-registration Centralized Service System

※ Provide the group control function that allows passengers to directly log-in the destination floor during the ride.

※ Reduce passenger consumption during the elevator boarding waiting time.

※ Pre-assigned call login that enhances passenger load.

(15) Climbing Machine/Elevator Combination Body Construction

※ Improve elevator installation efficiency.

※ Increase the safety of elevator installation operations.

(16) Elevator surveillance multimedia device development

※ Master the key technologies.

※ Fully collaborate to the follow-up customized requirements (especially the U.S. customization aspects).

(17) Computerized Test Bench Development

※ Simulate elevator full-featured tests via the physical body, partial physical body, and software combination to reduce human error.

※ Multi-test benches combined to establish elevator coordination and group control test environment.

2.2 Technology Development Results

(1) The software automation test platform is being put into use. The next step is to combine the quality management system to quantity the management software quality.

(2) The proprietary elevator diagram tool is being put to use, which has improved the efficiency and accuracy of the ladder diagram drawing software.
(3) Completed the vibration noise processing technical guide that summarized the on-site problem categories.
(4) Completed the high-speed elevator and low-floor level elevator vibration suppression technical guide.
(5) Replacement elevator PM host machine motor design.
(6) Completed the 3D model impact gate strength dynamic analysis, and the test results meet to the new regulations (EN), which can reduce the development time.
(7) Completed the phone maintenance tool connection system operation interface.
(8) Craftsmanship Development
※ Craftsmanship Modularization Design Research.
※ The color chapter of CMF research provided the plan for the color reduction program.
※ User experience research.
※ Present a consistent specification.

3. Future R&D Plans

3.1 Product R&D Plans

(1) New Specification Extension
※ Obtained the small machine-room full elevator certificate in response to the old elevator replacement market demands in China.
※ High speed and heavy load machine-room-less development.
※ Completed the full machine development, certification, and standardization for the machine categories provided by the new CNS(EN81-20) regulation.
(2) Improve the Performance Reliability of High-speed Elevators
※ Structurally optimized elevator car weight.
※ Optimized the structure of the compensation device for the pit.
※ Upgraded the electrical control to a new system.
※ Corresponding development for the high-speed elevator inventors that have stopped production.
※ Corresponding integration development for the imported PM host machine market demands.
(3) Price Competition for Villa Elevator Development
※ Subdivide the P6 0.75m/s dedicated elevator specification to enhance the market competitiveness.
※ Further reduced the hoist-way pit depth to meet the market demands.
(4) New Residential/medical Elevator Compartment Craftsmanship Designs
※ Completed new residential/medical elevator compartment craftsmanship designs, and entered the trial production and result evaluation phase.
(5) Parts Development that Conforms to the New Regulations
※ Completed the parts development, certification, and standardization for the machine categories provided by the new CNS(EN81-20) regulation. Can be used directly when the new regulation is announced.
(6) Cost Improvement Project Promotion
※ Divided the case into electrical or mechanical solution for promotion.

(7) Host Machine Development
- ※ The host machine development is further refined according to the specifications of the entire machine in order to optimize the cost performance of each load and speed range.
- ※ GRL-SM1 host machine development, residential elevator, load 450kg, speed 1m/s.
- ※ GSD-ML2 host machine development, small-room guest elevator, load 1350kg, speed 2.5m/s.
- ※ GSD-SM application expansion, small-room guest elevator, load 630kg, speed 1m/s.
- ※ GSD-MM application expansion, small-room guest elevator, load 1150kg, speed 1.75m/s.
- ※ Host machine development, small-room guest elevator, load 1000kg, speed 2m/s.

(8) Craftsmanship Development
- ※ T2/T3 compartment craftsmanship panoramic display and 360 degree panoramic display used to enhance program evaluation and showcase the results.
- ※ NEO series OPB/IND development that can enhance market competitiveness.
- ※ Sightseeing elevator middle piece OPB design, and use OPB to develop the middle piece of a sightseeing elevator side panel.

(9) Electrical System Improvement
- ※ Further breakdown and define the software faults to reduce the probability of machine shutdown.
- ※ Further optimize the small room/room-less control counters to enhance performance quality and installation.
- ※ Developed new operation screens (large door frame/floor standing type) to improve safety and installation.
- ※ Development of small-capacity elevator control systems: Learning from external technologies to improve performance and create market segmentation.
- ※ Master control chip related electronic control system development: Hardware selection meter test as well as software transplantation and improvement.
- ※ Replacement related development: New control system controlled IM motor and XDR control of the original IM door machine.
- ※ FT3X group control peripheral configuration development: On-site configuration/field configuration tools, daily logging recorders, and replay analysis tools.

(10) Peripheral Electrical Components
- ※ ALP improvement: Subdivide the specifications and provide market segmentation via precision design.
- ※ Wireless walkie-talkie development in response to market demands.

3.2 Technical development plans

(1) Absorb new AI technology results to enhance convenience and comfort.

(2) Complete R&D for non-dedicated group control multi-elevator cooperative operation technology.
- ※ Cancel the dedicated group control equipment to achieve the direct interconnection hardware and agreement scheme for elevators.
- ※ Model with elevator master control system self-learning that can improve the scheduling capability.

(3) Elevator Internet of Things
   ※ Collect elevator data automatically.
   ※ Big date analysis handling & analysis as well as initial maintenance that can prevent elevator failures.
(4) Tool Automation and Smartization
   ※ Test tools (test bench automation, custom PCB repair tools)
   ※ Maintenance tools (trouble shooting, countermeasure alert)
   ※ R&D tools.
(5) PRO/E 3D Model Management
   ※ Established PRO/E modeling specifications.
   ※ Established 3D model standard parts library to facilitate unified reference.
   ※ Established a 3D model library and provide model version control to avoid duplicated work.
   ※ Simplified 2D drawing process that provides drawing efficiency.

(4) Long- and Short-term Business Development Plans

1. Short-term: (1) Continue the R&D for high performance and energy efficiency and develop products with construction cost saving, improved space use performance, and aesthetic building design advantages.
   (2) In response to China's implementation of the Special Equipment Safety Law of the People's Republic of China, we shall provide premium services to actively seize the elevator maintenance and repair market and increase company revenue.
   (3) In the future, the cross-strait regulations will tend to become more consistent. The product differentiation will be reduced and product module designs will be integrated.
2. Long-term: (1) The old elevator market is increasing, and the demands for old elevator replacements and renovations will also grow as will. Meanwhile, the importance of this market will increase each day due to the demands of the aging society. Yungtay will continue to cultivate the replacement market.
   (2) Due to the stagnant population growth, the price ratio of houses tended to be high and the residential demands cannot be improved. To booze economic growth and simulate demand, the government will actively promote urban renewal in old communities, which will help to stabilize revenue.

(II) Overview of Market, Production, and Sales

(1) Market Analysis

1. Product (service) sales region and market share

The company's products are mainly sold domestically. The main competitors in the domestic elevator (escalator) market include Taiwan Mitsubishi, GFC, OTIS, and Fujita. The market share of Yungtay is approximately 27%. The main competitors in China's elevator (escalator) market include KONE, Shanghai Mitsubishi, OTIS, Hitachi, thyssenkrupp, Schindler, OTIS Electric, Kongli, and LIO LIFT.

2. Future supply and demand and growth on the market

In recent years, a large number of construction projects have been pushed forward by the builders and the volume reward shrinkage has created a construction boom. The remaining housing inventory in some regions are still waiting to be digested. In terms of public works, the MRT routes in major cities will continue to expand, and it is obvious that people would prefer to live by the MRT. This will drive the housing market surrounding MRT stations and boost market demand. The elevator market will still have a certain amount of demands each year due to the gradual launching of urban renewal plans and old elevator replacements. The first- and second-tier cities in China are currently facing development restriction, and the lands available for construction have continued to shrink. The pressure on real estate in the third and fourth-tier cities has eased, and most cities have already approached the government's requirements. Despite major development policies such as the "One Belt One Road"and government support policies such as the old elevator renovation/retrofitting, the corresponding implementation rules are still being amended. After the completed amendments can translate to actual elevator demand volume.

3. Sales Volume Forecast and Supporting Basis

Items	Expected Sales Volume	Basis
Elevators (Escalators)	14,628 units	The sales volume is estimated based on the existing installation contracts in 2018 that has not yet been shipped, the business climate, the market competition status, and the historical sales records.

4. Competitive Niche

In addition to developing green, energy-efficient, high performance, and space-saving elevator products as well as providing multiple exterior designs and functions in order to enhance the brand image and added value of the product; the company is also committed to product quality stabilization, technical contents, individualized craftsmanship design, and cost reduction to keep Yungtay's product prices competitive.

In response to the increasing need for old elevator replacement and renovation; Yungtay has effectively integrated the elevator design, production, and installation procedures to effectively decrease the construction time needed, reduce inconvenience to customers, and help to win contracts. In addition, China will promote new generation small machine room, machine-room-less, and automated escalator products in order to satisfy the different levels of customer demands using more precise product positioning.

Yungtay (China) primarily focuses on the sales of general residential elevators (escalators) the Chinese market as well as increasing the quality and stability of its products. Yungtay pays particular attention to product and service upgrades in terms of energy efficiency, high performance, smartization, and user-friendliness in order to strive for the residential market share via clear segmentation and differentiated products.

In addition, with the safety awareness upgrade and the increasing number of old elevators each year in China, topics such as old elevator renovation, maintenance, renewal, and old building elevator installations have become a key policy with government support. Yungtay (China) has performed R&D and adjustments based on its existing product lines in order to meet the market and regulatory demands, invest into the potential old elevator renovation and old building elevator installation market, and expand the marketing network.

5. Development the Prospective Advantages and Disadvantages as well as Countermeasures
   (1) Favorable Factors
      ① MRT projects are being completed one after another, which will help fuel housing demand in the surroundings of MRT stations.
      ② The demand for maintenance, repair, and replacement is increasing each day with the increase in the number of elevators used.
      ③ Old buildings will undergo urban renewals, and the government will subsidize barrier-free elevator for old apartments to ensure living safety.
      ④ The cost of land in the metropolitan area has increased, and so has the ratio for high-speed & high-floor elevators.
      ⑤ China's implementation of the Special Equipment Safety Law can promote elevator installation and maintenance for manufacturers.
      ⑥ The demand for elevator procurement by the Chinese government has increased, especially in the security housing, office, and medical areas.
   (2) Unfavorable Factors and Countermeasures
      ① High vacancy rate and slow population & economic growth will reduce elevator demands.
      Countermeasure: Continue to shorten the production process and rationalize the cost in order to reduce costs and maintain stable profits.
      ② Reduced real estate transactions and fierce price competition.
      Countermeasure: Strengthen R&D capabilities; provide more precise product positioning; improve the technological content of energy conservation, security, etc.; and increase the added value of products.
      ③ The demand for new elevators is decreasing year by year due to the real estate growth slowdown.
      Countermeasure: Cultivate new profit growth items such as old elevator renovation and new elevator installation in old buildings.
      ④ Increased labor costs, rising raw material prices, and lower profit margins.
      Countermeasure: Improve produce R&D capabilities; improve management, operation, and production efficiency; and reduce costs.
      ⑤ Fierce competitive pricing in the industry.
      Countermeasure: Clarify Yungtay's product segmentation, strengthen promotion, and establish a clear brand value. In terms of products, do not participate in vicious price competition and increase more added value under the premise of maintaining reasonable profits.

(2) Purposes and production processes of main products

1. Main purpose of elevator: transport of people and objects inside the building.
2. Production and preparation processes: Take order→Design begins→Components are produced→Assemble→Check quality→Bundle and pack→Ship→Install→Debug→ Check quality→Inspection upon completion→Deliver→Care Service

(3) Supply of main raw materials

Name of raw material	Supplier	Supply status
Stainless steel sheet	Huayang, Yuandong, Yili, Jiangsu Daming, Wuxi Puxin, Haimen Senda, Kunshan Jianchang	Sufficient
Elevator guideway material	Gaorong, Wanxin, Zhejiang Baoli, Zhangjiagang Shengtong, Malazi (Jiangsu), Hangzhou Sanhang Mentefero, Suzhou Saiweila, Suzhou Duojin	Sufficient
Iron material, iron sheet	Chunyuan, Longtai, Wanxin, Zejiang Wuchan, Shanghai Zhanzhi, Shanghai Jialang, Shanghai Huixing, Nantong Haixun, Shanghai Fenggu	Sufficient
Casting	Baoqiao, Xingtuo, Jiashan Xiangrong, Shanghai Jinshan Dongxin, Jiashan Shuangyu, Xuancheng Hualing	Sufficient
Electrical appliance, wire, cable	Hongjiang, Weishuo, Shanghai Beienke, Nantong Milante, Jiangsu Jiangyang, Shanghai Feihang	Sufficient
Mechanical components of elevators	Xukui, Jiyi, Xingda, Qunxian, Changgang	Sufficient

(4) Names of customers with 10% or more purchases or sales and the values and ratios of purchases or sales in any of the most recent two (2) years; please also describe the reason for the increase or decrease: None.

(5) Production volumes/values in the past two (2) years

Unit: NTD thousand

Production volume/value / Main products	2016			2017		
	Throughput (Unit)	Volume (Unit)	Value ($1,000)	Throughput (Unit)	Volume (Unit)	Value ($1,000)
Elevators and components	28,000	15,550	14,418,646	28,000	12,283	10,791,545

(6) Sales volume/values in the past two (2) years

Unit: NTD thousand

Sales volume/ value / Main products	2016				2017			
	Importation		Exportation		Importation		Exportation	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Elevators and components	16,715	18,837,140	—	101,038	14,713	16,019,901	—	46,538
Other	—	616,841	—	26,633	—	679,813	—	5,965
Total	—	19,453,981	—	127,671	—	16,699,714	—	52,503

(III) Employees

Year		2016	2017	Current year as of March 31, 2018
Number of employees		5,754	5,173	5,064
Mean age		35.14	36.23	36.35
Mean seniority in service		8.59	9.42	9.51
Education Distribution Ratio	PhD	0.2%	0.2%	0.2%
	Master	2.2%	1.9%	1.9%
	College and University Graduate	52.5%	54.5%	55.1%
	Senior High School	42.6%	41.0%	40.4%
	Below Senior High School	2.5%	2.4%	2.4%

(IV) Information on Environmental Protection Expenditure

1. **The total value of losses borne due to polluting the environment in the past two (2) years up to the date the Annual Report was printed:** None.
2. **Countermeasure**
   1. Areas with improvement measures to be adopted
      (1) Improvement plan: Follow the OHSAS18001 environmental management proposal.
      (2) Expected expenditure on environmental protection in the coming three years: NT$ 20 million.
   2. Areas without countermeasures
      (1) Reasons for not adopting improvement measures: None.
      (2) Pollution: None.
      (3) Possible losses and compensation: None.

(V) Labor-Management Relations

1. **The total value of losses borne due to labor-management disputes in the past two (2) years up to the date the Annual Report was printed:** None.
2. **Labor-management agreement**

   The Company has been believing in a harmonious and reciprocal labor-management relationship that helps each other grow. Therefore, the labor-management relationship has been harmonious. The Company works hand in hand with its people to jointly bring about and share fruitful results. Examples are given below:
   1. Labor-management negotiations are held so that both parties keep the communication channel clear.
   2. The “Employee Retirement Reserve Supervisory Committee” is established to handle matters concerning the pension fund.
   3. There is the Employee Welfare Committee and the Company supports establishment of various types of societies to help organize respective recreational activities, tours, and welfare events so that both employees and their dependents may enjoy the benefits provided by the Company.

4. Remunerations for employees are enforced so that employees get to share operational fruits.
5. Yungtay (China) follows the requirements of the local Social Insurance Law by setting aside social security fees and benefits such as those for the five (5) social insurances and one (1) housing fund.
6. We have the educational training center to organize various types of management and specialized educational training and help employees constantly receive new knowledge and keep growing. Continuing education and training available for employees in 2017 are shown below:

Training program	Availability	Total headcount of participants	Total hours involved	Overall cost
Professional functional training	260	3,662	115,201	5,858,814
General education and cadre management training	74	536	4,898	1,357,271
Safety and health education	47	2,513	17,512	793,544
Total	381	6,711	137,611	8,009,629

7. The Company keeps a good labor-management relationship and the parties have smooth communications. There are no possible expenses on disputes in the future.

(VI) Important Contract

Nature of contract	Client	Start/end dates of contract Date	Main contents	Restrictions
Technical Partnership Contract - Providing related techniques required for the installation, adjustment, and inspection, care and service, quality assurance of elevators (escalators), production technique, solution for improved performance, and remote surveillance and diagnosis.	Japan Hitachi, Ltd.	2014.09.30~ 2019.09.29	US$50 is paid for each unit of the elevators or escalators sold or disposed of separately. The royalties are paid once a year within the four (4) months following settlement at the end of each December and within four (4) months following expiration of this contract.	
Technical Partnership Contract - High-speed frequency-conversion lifts	Japan Hitachi, Ltd.	2015.06.01~ 2020.05.31	US$300 is paid for each unit sold or disposed of separately during the contract period. The royalties are paid once a year within the four (4) months following settlement at the end of each December and within four (4) months following expiration of this contract.	

Nature of contract	Client	Start/end dates of contract Date	Main contents	Restrictions
Technical Partnership Contract - Machine Roomless Elevators	Japan Hitachi, Ltd.	2017.05.22~ 2022.05.21	US$300 is paid for each unit sold or disposed of separately during the contract period. The total is paid once a year within the four (4) months following settlement at the end of each December and within four (4) months following expiration of this contract.	
Technical Partnership Contract - Large freight elevators	Japan Hitachi, Ltd.	2017.05.22~ 2022.05.21	US$300 is paid for each unit sold or disposed of separately during the contract period. The total is paid once a year within the four (4) months following settlement at the end of each December and within four (4) months following expiration of this contract.	
Technical Partnership Contract - Gearless High-speed Elevators	Japan Hitachi, Ltd.	2016.11.01~ 2021.10.31	US$300 is paid for each unit sold or disposed of separately during the contract period. The total is paid once a year within the four (4) months following settlement at the end of each December and within four (4) months following expiration of this contract.	

VI Six. Overview of Financial Status

(I) Concise balance sheet, comprehensive income statement, and accountants check opinion for the last five (5) years

(1) Concise Balance Sheet (Merger Information)-International Financial Reporting Standards

Unit: NTD thousand

Items \ Year		Financial data of the past 5 years (Note 1)					Current year as of March 31, 2018 Financial Information (Note 1)
		2013	2014	2015	2016	2017	
Current Assets		21,071,211	22,127,641	20,787,408	18,453,359	15,523,043	14,179,852
Real estate, manufacturing facilities and equipment (Note 2)		5,225,427	5,602,806	5,914,132	6,138,314	5,811,956	5,726,290
Intangible Assets		312,569	360,279	370,532	284,841	185,577	180,854
Other Assets		3,274,684	3,268,919	3,429,499	3,019,554	2,408,261	2,416,807
Total assets		29,883,891	31,359,645	30,501,571	27,896,068	23,928,837	22,503,803
Current Liabilities	Before dispatch	17,684,916	17,681,344	16,374,563	14,200,765	11,199,914	9,484,723
	After dispatch	18,711,966	18,913,804	17,483,777	15,186,733	-	-
Non-current Liabilities		1,789,972	1,826,158	1,917,718	1,784,798	963,987	757,191
Total liabilities	Before dispatch	19,474,888	19,507,502	18,292,281	15,985,563	12,163,901	10,241,914
	After dispatch	20,501,938	20,739,962	19,401,495	16,971,531	-	-
The equity that belongs to the client of the parent company		10,254,294	11,678,380	12,036,742	11,731,725	11,583,418	12,074,660
Capital stock		4,108,200	4,108,200	4,108,200	4,108,200	4,108,200	4,108,200
Capital reserve		238,867	244,192	250,581	256,332	264,835	264,835
Retained earnings	Before dispatch	5,158,426	6,107,281	6,644,515	7,073,078	7,133,037	7,499,704
	After dispatch	4,131,376	4,874,821	5,535,301	6,087,110	-	-
Other interests		818,212	1,288,118	1,102,857	363,526	146,757	271,332
Treasury stock		(69,411)	(69,411)	(69,411)	(69,411)	(69,411)	(69,411)
Non-controlling interests		154,709	173,763	172,548	178,780	181,518	187,229
Total equity	Before dispatch	10,409,003	11,852,143	12,209,290	11,910,505	11,764,936	12,261,889
	After dispatch	9,381,953	10,619,683	11,100,076	10,924,537	-	-

Note 1: The financial information from 2013 to 2017 has been verified and certified by a CPA; the financial information for the first quarter of 2018 has been reviewed by a CPA.

Note 2: No asset revaluation has been conducted for the last five (5) years.

Note 3: During 2017 and first quarter of 2018, the subsidiaries holds a total of 2,129,800 company shares.

(2) Concise Consolidated Statement of Profit or Loss (Merger Information) - International Financial Reporting Standards

Unit: NTD thousand

Items \ Year	Financial Information for the Last Five Fiscal Years (Note 1)					Current year as of March 31, 2018 Financial Information (Note 1)
	2013	2014	2015	2016	2017	
Operating Revenues	19,914,341	23,875,782	23,098,740	19,581,652	16,752,217	4,150,250
Gross Margin	5,092,001	6,180,580	6,199,400	5,647,641	4,454,863	985,239
Operating Profit and Loss	2,075,116	2,688,951	2,333,904	2,137,969	1,478,923	359,633
Non-business income and expenditure	166,560	179,943	160,571	47,182	69,980	40,779
Net profit before tax	2,241,676	2,868,894	2,494,475	2,185,151	1,548,903	400,412
Unit that continued operations Net Profit for Current Period	1,729,560	2,054,837	1,878,790	1,584,489	1,157,169	366,128
Losses from units that stopped operations	-	-	-	-	-	-
Net Profit (Loss) for Current Period	1,729,560	2,054,837	1,878,790	1,584,489	1,157,169	366,128
Other Comprehensive Profits and Losses for Current Period (Post-tax Net Amount)	398,670	424,115	(265,238)	(756,421)	(298,728)	496,953
Total Consolidated Gains and Losses for the Current Period	2,128,230	2,478,952	1,613,552	828,068	858,441	496,953
Net profit attributable to Parent Company Owners	1,713,497	2,021,698	1,849,671	1,554,995	1,127,886	360,417
Net profit attributable to Non-controlling interests	16,063	33,139	29,119	29,494	29,283	5,711
Total consolidated gains and losses attributable to Parent Company Owners	2,112,162	2,445,811	1,584,433	798,574	829,158	491,242
Total consolidated gains and losses attributable to Non-controlling interests	16,068	33,141	29,119	29,494	29,283	5,711
Earnings Per Share	4.19	4.95	4.53	3.80	2.76	0.88

Note 1: The financial information from 2013 to 2017 has been verified and certified by a CPA; the financial information for the first quarter of 2018 has been reviewed by a CPA.

Note 2: During 2017 and first quarter of 2018, the subsidiaries holds a total of 2,129,800 company shares.

(3) Concise Balance Sheet (Individual Information) - International Financial Reporting Guideline

Unit: NTD thousand

Items \ Year		Financial Information for the Last Five Fiscal Years (Note 1)				
		2013	2014	2015	2016	2017
Current Assets		3,876,805	4,460,436	3,902,689	4,078,848	3,583,587
Real estate, manufacturing facilities and equipment (Note 2)		1,280,374	1,251,045	1,278,334	1,302,883	1,386,582
Intangible Assets		1,822	9,743	6,702	8,226	7,806
Other Assets		9,365,931	10,746,797	11,608,796	11,045,082	10,339,802
Total assets		14,524,932	16,468,021	16,796,521	16,435,039	15,317,777
Current Liabilities	Before dispatch	2,853,175	3,299,850	3,168,975	3,173,312	2,972,476
	After dispatch	3,880,225	4,532,310	4,278,189	4,159,280	-
Non-current Liabilities		1,417,463	1,489,791	1,590,804	1,530,002	761,883
Total liabilities	Before dispatch	4,270,638	4,789,641	4,759,779	4,703,314	3,734,359
	After dispatch	5,297,688	6,022,101	5,868,993	5,689,282	-
Capital stock		4,108,200	4,108,200	4,108,200	4,108,200	4,108,200
Capital reserve		238,867	244,192	250,581	256,332	264,835
Retained earnings	Before dispatch	5,158,426	6,107,281	6,644,515	7,073,078	7,133,037
	After dispatch	4,131,376	4,874,821	5,535,301	6,087,110	-
Other interests		818,212	1,288,118	1,102,857	363,526	146,757
Treasury stock		(69,411)	(69,411)	(69,411)	(69,411)	(69,411)
Total equity	Before dispatch	10,254,294	11,678,380	12,036,742	11,731,725	11,583,418
	After dispatch	9,227,244	10,445,920	10,927,528	10,745,757	-

Note 1: The financial information from 2013 to 2017 has been verified and certified by a CPA.

Note 2: No asset revaluation has been conducted for the last five (5) years.

(4) Concise Consolidated Statement of Profit or Loss (Individual Information) - International Financial Reporting Standards

Unit: NTD thousand

Items \ Year	Financial Information for the Last Five Fiscal Years (Note 1)				
	2013	2014	2015	2016	2017
Operating Revenues	4,459,931	5,097,588	5,635,774	5,489,385	5,465,334
Gross Margin	1,284,548	1,396,532	1,591,118	1,883,048	1,762,947
Operating Profit and Loss	693,291	812,412	1,004,857	1,274,865	1,149,236
Non-business income and expenditure	1,195,822	1,501,208	1,078,878	591,956	286,218
Net profit before tax	1,889,113	2,313,620	2,083,735	1,866,821	1,435,454
Unit that continued operations Net Profit for Current Period	1,713,497	2,021,698	1,849,671	1,554,995	1,127,886
Losses from units that stopped operations	-	-	-	-	-
Net Profit (Loss) for Current Period	1,713,497	2,021,698	1,849,671	1,554,995	1,127,886
Other Comprehensive Profits and Losses for Current Period (Post-tax Net Amount)	398,665	424,113	(265,238)	(756,421)	(298,728)
Total Consolidated Gains and Losses for the Current Period	2,112,162	2,445,811	1,584,433	798,574	829,158
Earnings Per Share	4.19	4.95	4.53	3.80	2.76

Note 1: The financial information from 2013 to 2017 has been verified and certified by a CPA.

(5) Brief Balance Sheet - National Financial Accounting Standard:

The 2013 through 2016 financial statements were prepared applying International Financial Reporting Standards and hence are not applicable.

(6) Brief Income Statement - National Financial Accounting Standard:

The 2013 through 2016 financial statements were prepared applying International Financial Reporting Standards and hence are not applicable.

(7) Names of CPAs for the past 5 years and their inspection feedback

Year	CPA	Inspection Feedback
2013	Sheng Ping Lin Xiu Li Chen	No reservations
2014	Sheng Ping Lin Xiu Li Chen	No reservations
2015	Sheng Ping Lin Xiu Li Chen	No reservations
2016	Sheng Ping Lin Xiu Li Chen	No reservations
2017	Jen Chi Chen Xiu Li Chen	No reservations

(II) Financial Analyses for the Past Five Fiscal Years

(1) Financial Analysis (Merger Information)-International Financial Reporting Standards

Analysis Item (Note 2)	Year	2013	2014	2015	2016	2017	Current year as of March 31, 2018 (Note 1)
		Financial Analysis for the Last Five Fiscal Years (Note 1)					
Financial Structure	Liability to Asset Ratio (%)	65.17	62.21	59.97	57.3	50.83	45.51
	Ratio of Long-term Capital to Real Estate, Plant, and Equipment (%)	233.45	244.13	238.87	223.11	219.01	227.36
Solvency	Current Ratio (%)	119.15	125.15	126.95	129.95	138.60	149.50
	Quick Ratio (%)	52.45	59.94	66.60	70.36	76.61	85.05
	Interest Coverage Ratio (%)	3,724.71	47,815.90	42,280.24	42,847.10	17,404.40	5,069.51
Management Capacity	Receivable turnover ratio (times)	5.54	5.64	4.66	3.91	4.07	1.13
	Average Number of Days for Cash Receiving	65.88	64.71	78.32	93.35	89.68	79.65
	Inventory turnover ratio (times)	1.42	1.60	1.68	1.61	1.70	0.51
	Payable Turnover Rate (Qty.)	4.23	4.76	4.80	4.49	4.66	1.58
	Average Sales Days	257.04	228.12	217.26	226.70	214.70	176.47
	Real Estate, Plant, and Equipment Turnover Rate (Qty.)	3.94	4.41	4.01	3.25	2.80	0.72
	Total Asset Turnover Rate (Qty.)	0.72	0.78	0.75	0.67	0.65	0.18
Profitability	Return on assets (%)	6.27	6.71	6.07	5.43	4.47	1.58
	Return on equity (%)	17.63	18.46	15.62	13.14	9.78	3.05
	Proportion of Pre-tax Pure Income against Paid-in Capital (%)	54.85	70.20	61.04	53.47	37.90	9.80
	Net profit rate (%)	8.68	8.61	8.13	8.09	6.91	8.82
	Earnings per share (NT$)	4.19	4.95	4.53	3.80	2.76	0.88
Cash Flow	Cash Flow Ratio (%)	12.95	12.82	9.56	15.00	8.37	(20.32)
	Cash Flow Allowance Ratio (%)	80.59	76.29	69.59	84.03	89.52	97.97
	Cash Reinvestment Ratio (%)	9.72	7.82	1.89	6.17	(0.45)	(12.03)
Leverage	Operational Leverage	2.76	2.58	2.41	3.19	3.81	3.59
	Financial Leverage	1.00	1.00	1.00	1.00	1.00	1.00

Reasons why the various financial ratio changes in the last two (2) years have been greater than 20%:

1. Interest cover ratio, equity return, proportion of pre-tax pure income against paid-in capital, earnings per share:
   The declined revenue and reduced gross profit has reduced the profits for the current period compared to those of the previous year. Therefore, the financial ratio of the related profitability is also reduced.
2. Cash flow ratio, cash reinvestment ratio:
   The overall profit decline has decreased the net cash flow from operating activities, so both the cash flow ratio and the cash reinvestment ratio decreased from the previous period.

Note 1: The financial information from 2013 to 2017 has been verified and certified by a CPA; the financial information for the first quarter of 2018 has been reviewed by a CPA.

Note 2: The calculation formulas are listed as follows:

1. Financial Structure
   (1) Liability to assets ratio = total liabilities / total assets.
   (2) Ratio of Long-term Capital to Real Estate, Plant, and Equipment = (total equity + non-current liabilities) / net real estate, plant and equipment.

2. Solvency
   (1) Current ratio = current assets / current liabilities.
   (2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.
   (3) Interest guarantee multiple = net interest before income tax and interest expense / current interest expense.
3. Management Capacity
   (1) Payment Receivables (including accounts receivable and bills due from operations) Turnover = Net Sales/Avg. Accounts Receivable for various Periods (Including Receivables and Receivables due to Operation) Balance.
   (2) Average cash receiving days = 365/Payment Receivables Turnover.
   (3) Inventory turnover = cost of goods sold/average inventory amount.
   (4) Payment Payable (including accounts payable and bills payable as a result of operations) Turnover = balance of cost of goods sold / average payables for each period (including accounts payable and bills payable as a result of operations).
   (5) Average number of days sales are conducted = 365/inventory turnover.
   (6) Real estate, plant, and equipment turnover = net sales/net average real estate, plant, and equipment.
   (7) Total asset turnover = net sales/average total assets.
4. Profitability
   (1) Return on assets = [after-tax gains and losses + interest × (1-tax rate)]/gross assets on average
   (2) Return on equity = after-tax gains and losses/mean total equity
   (3) Pure income rate = after-tax gains and losses/net sales.
   (4) Earnings per share = (profit or loss attributable to parent company owners - special share dividends) / weighted average number of shares outstanding. (Note 3)
5. Cash Flow (Note 4)
   (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
   (2) Net cash flow cash flow rate = net cash flow from operating activities in the last five (5) years / last five (5) years (capital expenditure + inventory increase + cash dividend).
   (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends)/(Gross from property, plant and equipment + Long-term investments + Other non-current assets + Working capital).
6. Leverage:
   (1) Operating leverage = (net operating income - variable operating costs and expenses) / operating profit.
   (2) Financial leverage = operating interest / (operating interest - interest expense).

Note 3: The preceding calculation formula for earnings per share is based on the weighted average number of ordinary shares, rather than on the number of shares that have been issued at the end of the year.

Note 4: When measuring cash flow, special attention should be paid to the following items:
1. The net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. The capital expenditure refers to the number of cash outflows per year of capital investment.
3. The increase in inventories is only included when the ending balance is greater than the opening balance; and if the inventory at the end of the year decreases, it is calculated as zero.
4. The cash dividends include cash dividends from ordinary shares and special shares.
5. The gross value of property, plant, and equipment refers to the total amount of real property, plant, and equipment before depreciation.

Note 5: If the company’s shares are non-detailed or if the denomination of each share is not NT$10, the former calculation for the ratio of paid-in capital shall be calculated based on the equity ratio of the balance sheet attributable to the owners of the parent company.

(2) Financial Analysis (Individual Information)-International Financial Reporting Standards

	Analytical item (Note 2) / Year	Financial Analysis for the Last Five Fiscal Years (Note 1)				
		2013	2014	2015	2016	2017
Financial Structure	Liability to Asset Ratio (%)	29.40	29.08	28.34	28.62	24.38
	Ratio of Long-term Capital to Real Estate, Plant, and Equipment (%)	911.59	1,052.57	1,066.04	1,017.88	890.35
Solvency	Current Ratio (%)	135.88	135.17	123.15	128.54	120.56
	Quick Ratio (%)	92.02	94.80	88.68	94.12	79.88
	Interest Coverage Ratio (%)	3,315.23	32,134.61	29,349.38	30,111.02	14,648.49
Management Capacity	Receivable turnover ratio (times)	4.39	4.65	4.79	4.45	4.45
	Average Number of Days for Cash Receiving	83.14	78.49	76.20	82.02	82.02
	Inventory turnover ratio (times)	3.00	2.93	3.38	3.34	3.25
	Payable Turnover Rate (Qty.)	5.57	4.92	5.25	4.95	5.15
	Average Sales Days	121.66	124.57	107.98	109.28	112.30
	Real Estate, Plant, and Equipment Turnover Rate (Qty.)	3.49	4.03	4.46	4.25	4.06
	Total Asset Turnover Rate (Qty.)	0.33	0.33	0.34	0.33	0.34
Profitability	Return on assets (%)	12.59	13.05	11.12	9.36	7.10
	Return on equity (%)	17.73	18.44	15.60	13.08	9.68
	Pretax income to paid-in capital (%)	46.22	56.61	50.99	45.68	35.12
	Net profit rate (%)	38.42	39.66	32.82	28.33	20.64
	Earnings per share (NT$)	4.19	4.95	4.53	3.80	2.76
Cash Flow	Cash Flow Ratio (%)	21.47	45.84	23.93	40.70	15.84
	Cash Flow Allowance Ratio (%)	63.48	70.49	62.96	74.68	73.09
	Cash Reinvestment Ratio (%)	(2.61)	3.40	(3.22)	1.27	(3.78)
Leverage	Operational Leverage	3.23	3.05	2.73	2.43	2.66
	Financial Leverage	1.00	1.00	1.00	1.00	1.00

Reasons why the various financial ratio changes in the last two (2) years have been greater than 20%:

1. Interest cover ratio, return on assets, equity return, proportion of pre-tax pure income against paid-in capital, pure income ratio, earnings per share:
   The decline in revenue, increase in raw material prices, decrease in gross profit, and profit from invested companies have reduced the profits for the current period compared to those of the previous year. Therefore, the financial ratio of the related profitability is also reduced.
2. Cash flow ratio, cash reinvestment ratio:
   The overall profit decline has decreased the net cash flow from operating activities, so both the cash flow ratio and the cash reinvestment ratio decreased from the previous period.

Note 1: The financial information from 2013 to 2017 has been verified and certified by a CPA.

Note 2: The calculation formulas are listed as follows:

1. Financial Structure
   (1) Liability to assets ratio = total liabilities / total assets.
   (2) Ratio of Long-term Capital to Real Estate, Plant, and Equipment = (total equity + non-current liabilities) / net real estate, plant and equipment.
2. Solvency
   (1) Current ratio = current assets / current liabilities.
   (2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.
   (3) Interest guarantee multiple = net interest before income tax and interest expense / current interest expense.

3. Management Capacity
   (1) Payment Receivables (including accounts receivable and bills due from operations) Turnover = Net Sales/Avg. Accounts Receivable for various Periods (Including Receivables and Receivables due to Operation) Balance.
   (2) Average cash receiving days = 365/Payment Receivables Turnover.
   (3) Inventory turnover = cost of goods sold/average inventory amount.
   (4) Payment Payable (including accounts payable and bills payable as a result of operations) Turnover = balance of cost of goods sold / average payables for each period (including accounts payable and bills payable as a result of operations).
   (5) Average number of days sales are conducted = 365/inventory turnover.
   (6) Real estate, plant, and equipment turnover = net sales/net average real estate, plant, and equipment.
   (7) Total asset turnover = net sales/average total assets.
4. Profitability
   (1) Return on assets = [after-tax gains and losses + interest × (1-tax rate)]/gross assets on average
   (2) Return on equity = after-tax gains and losses/mean total equity
   (3) Pure income rate = after-tax gains and losses/net sales.
   (4) Earnings per share = (profit or loss attributable to parent company owners - special share dividends) / weighted average number of shares outstanding. (Note 3）
5. Cash Flow (Note 4)
   (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
   (2) Net cash flow cash flow rate = net cash flow from operating activities in the last five (5) years / last five (5) years (capital expenditure + inventory increase + cash dividend).
   (3) Cash reinvestment ratio = (net cash flow from business activities - cash dividends)/(net value of real estate, manufacturing facilities, and equipment + long-term investment + other non-current assets + working capital)
6. Leverage:
   (1) Operating leverage = (net operating income - variable operating costs and expenses) / operating profit.
   (2) Financial leverage = operating interest / (operating interest - interest expense).

Note 3: The preceding calculation formula for earnings per share is based on the weighted average number of ordinary shares, rather than on the number of shares that have been issued at the end of the year.

Note 4: When measuring cash flow, special attention should be paid to the following items:
1. The net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. The capital expenditure refers to the number of cash outflows per year of capital investment.
3. The increase in inventories is only included when the ending balance is greater than the opening balance; and if the inventory at the end of the year decreases, it is calculated as zero.
4. The cash dividends include cash dividends from ordinary shares and special shares.
5. The gross value of property, plant, and equipment refers to the total amount of real property, plant, and equipment before depreciation.

Note 5: If the company’s shares are non-detailed or if the denomination of each share is not NT$10, the former calculation for the ratio of paid-in capital shall be calculated based on the equity ratio of the balance sheet attributable to the owners of the parent company.

(3) Financial Analysis-National Financial Accounting Standard:

The 2013 through 2016 financial statements were prepared applying International Financial Reporting Standards and hence are not applicable.

(III) Supervisor Review Report

With regard to the 2017 Business Report, Balance Sheet, Comprehensive Income Statement, Change of Equity Statements, Cash Flow Statements (and consolidated statements), and proposals over distribution of earnings submitted by the Board of Directors, I have inspected them and all the tables and books included are consistent. Therefore, this report is prepared according to Article 219 of the Company Act.

Please feel free to share your views.

To

The Company's 2018 Shareholders' Meeting

Supervisor:

March 15, 2018

(IV) Consolidated Financial Statements of 2017

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: Tso Li Hsu
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.

<u>Recognition of sales</u>

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.

<u>Evaluation of goodwill</u>

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, 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.

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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

<u>Notice to Readers</u>

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)

	Equity attributable to owners of parent									
			Retained earnings		Other equity					
Account	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	Non-controlling interests	Total equity
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-controlling 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. Derivative financial instruments and hedge accounting

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) Measurement of Fair Value

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). When measuring fair value, an entity uses the assumptions that 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) Provision

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the 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) Treasury Stock

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) Employee Benefits

Short-term employee benefits

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

Retirement benefits

For 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	December 31 2017	December 31 2016
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

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

TABLE 2

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.

TABLE 3

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

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2017			
				Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value
The Company	Listed stock-O Commercial Bank	Non-related party	Financial assets at FVTPL-current	3,015,000	26,864	0.12%	26,864
	Beneficiary certificate-ETF, CFA 50	"	"	30,000	636	-	636
	Beneficiary certificate-(open type) Shin Kong Global Tech. Fund	"	"	479,386	5,153	-	5,153
	Beneficiary certificate-(open type) Franklin Templeton SinoAM New World Fund	"	"	390,320	5,788	-	5,788
	Beneficiary certificate-(open type) UPAMC Global Innovative Tech. Fund	"	"	250,000	3,543	-	3,543
	Beneficiary certificate-(open type) Prudential Currency Market Fund	"	"	3,184,308	50,066	-	50,066
	Beneficiary certificate-(open type) UPAMC Great China Fund	"	"	197,006	5,045	-	5,045
	Beneficiary certificate-(open type) Shin Kong China Growth Fund	"	"	401,929	5,217	-	5,217
	Beneficiary certificate-(open type) Union Money Market Fund	"	"	3,810,104	50,022	-	50,022
	Beneficiary certificate-(open type) RSIT Enhanced Money Market Fund	"	"	4,201,398	50,005	-	50,005
	Beneficiary certificate-(open type) UPAMC Dyna Strategy Global multi-Asset Fund	"	"	30,052	8,863	-	8,863
	Listed stock-O Commercial Bank	"	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%	-

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)

TABLE 6

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	-

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

TABLE 7

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.

TABLE 8

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)

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.

(V) Parent Company Only Financial Statements of 2017

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INDEPENDENT AUDITORS' REPORT

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

Opinion

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

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

Basis for Opinion

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

Russell Bedford

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Key Audit Matters

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

<u>Recognition of sales</u>

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

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

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

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

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

In preparing the parent company only financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, 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 Parent company only Financial Statements

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

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

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

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

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

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

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

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

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

A member of Russell Bedford International
Taipei, Taiwan (Republic of China)
March 15, 2018

Notice to Readers

The accompanying parent company only financial statements are intended only to present the parent company only financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such parent company only financial statements are those generally accepted and applied in the Republic of China.
For the convenience of readers, the independent auditors' report and the accompanying parent company only financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and parent company only financial statements shall prevail.

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

			31-Dec-17		31-Dec-16	
Code	Account	Note	Amount	%	Amount	%
11xx	Current assets					
1100	Cash and cash equivalents	6(1)	$ 823,662	5	1,353,550	8
1110	Financial asset at fair value through profit or loss	6(2)	211,202	1	406,969	2
1125	Available-for-sale financial assets	6(2)	95,957	1	-	-
1150	Note receivable, net	6(3)	205,249	1	212,497	2
1170	Accounts receivable, net	6(3)	1,035,155	7	1,001,654	6
1200	Other receivables		3,324	-	12,090	-
130x	Inventories	6(4)	1,194,172	8	1,081,088	7
1410	Prepayments	6(5)	14,180	-	11,000	-
1460	Non-current assets held for sale	6(6)	-	-	-	-
1470	Other current assets		686	-	-	-
11xx	Total current assets		3,563,587	23	4,078,848	25
15xx	Non-current assets					
1543	Non-current financial assets at cost	6(8)	86,557	1	286,557	2
1550	Investments accounted for using equity method	6(9)	9,087,814	60	9,381,336	57
1600	Property, plant and equipment	6(10)	1,386,582	9	1,302,883	8
1760	Investment property, net	6(11)	940,807	6	986,156	6
1780	Intangible assets	6(12)	7,806	-	8,226	-
1840	Deferred income tax assets	6(20)	147,788	1	307,290	2
1915	Prepayments for equipment	6(10)	17,023	-	23,375	-
1920	Refundable deposits	6(7)	49,880	-	41,618	-
1990	Advances to employees and official business		4,413	-	7,710	-
1990	Other non-current assets, others	12(1)	5,520	-	11,040	-
15xx	Total non-current assets		11,734,190	77	12,356,191	75
1xxx	Total assets		$ 15,317,777	100	16,435,039	100

(Continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(Continued)

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

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

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

Yungtay Engineering Co., Ltd.
Notes to Parent Company Only Financial Statements
For the years ended December 31, 2017 and 2016
(Amounts in Thousands of New Taiwan Dollars, unless specified otherwise)

1. GENERAL

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

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

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

a. IFRS 9 "Financial Instruments" and related amendments

Classification, measurement and impairment of financial assets

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

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

(a) If the objective of the Company's business model is to hold the financial asset to collect the contractual cash flows, such assets are measured at the amortized cost. Interest revenue should be recognized in profit or loss by using the effective interest method, continuously assessed for impairment and the impairment loss or reversal of impairment loss should be recognized in profit and loss.

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

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

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

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

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

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

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

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

As listed shares, with carrying amount of NT$95,957 thousand, that were previously classified as available-for-sale financial assets under IAS 39 are not held for trading, the Company 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 Company 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 Company's current hedging relationships indicates that they will qualify as continuing hedging relationships under IFRS 9. The Company will prospectively apply the requirements for hedge accounting upon initial application of IFRS 9.

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

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

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

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

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

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

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

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

c. IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

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

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

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

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

New, Revised or Amended Standards and Interpretations	Effective 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 Company is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the parent company only balance sheets except for low-value and short-term leases. The Company may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the parent company only statements of comprehensive income, the Company should present the depreciation expense charged on the right-of-use asset and the interest expense accrued on the lease liability that is computed by using effective interest method. On the parent company only statements of cash flows, cash payments for the principal of the lease liability and interest expense should present within financing activities.

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

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

b. IFRIC 23 "Uncertainty Over Income Tax Treatments

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies are summarized as follows:

(1) Statement of Compliance

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

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

(2) Basis of Preparation

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

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

(3) Foreign Currencies

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

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

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

(4) Classification of Current and Noncurrent Assets and Liabilities

Current assets include:

a. Assets held primarily for the purpose of trading;

b. Assets expected to be realized within twelve months after the reporting period; and

c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

a. Liabilities held primarily for the purpose of trading;

b. Liabilities due to be settled within twelve months after the reporting period; and

c. Liabilities for which the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

(5) Cash Equivalents

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

(6) Financial Instruments

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

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

a. Financial Assets

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

Financial assets at fair value through profit or loss

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

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

Available-for-sale financial assets

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

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

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

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

Loans and receivables

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

Impairment of financial assets

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

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

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

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

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

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

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

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

Derecognition of financial assets

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

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

b. Financial Liabilities and Equity Instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

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

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

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

Derecognition of financial liabilities

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

Offsetting of financial assets and liabilities

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

c. Derivative financial instruments and hedge accounting

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

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

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

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

(7) <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 Company revokes the designated hedging relationship, or when the hedging instruments expire or are sold, terminated, or exercised, or no longer meet the criteria for hedge accounting.

(8) Inventories

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

(9) Non-current Assets Held for Sale

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

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

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

(10) Investments Accounted for Using Equity Method

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

Investment in subsidiaries

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

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

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

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

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

Investment in associates

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

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

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

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

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

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

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

(11) Property, Plant and Equipment

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

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

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

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

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

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

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

(12) Investment Properties

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

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

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

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

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

(13) Leases

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

The Company as lessor

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

The Company as lessee

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

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

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

(14) Intangible Assets

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

(15) Impairment of Tangible and Intangible Assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

(16) <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 Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

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

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

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

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

(18) Employee Benefits

Short-term employee benefits

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

Retirement benefits

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

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

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

(19) Revenue Recognition

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

Sale of goods

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

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

goods sold;

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

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

Services, dividend and interest income

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

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

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

(20) Taxation

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

Current tax

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

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

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the parent company only financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, net operating loss carryforwards and tax credits for research and development expenses to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

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

Current and deferred tax for the year

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

(21) Earnings per share

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

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

(22) Information of the segment reporting

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

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

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

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

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

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

(2) Impairment Assessment on Investment Using Equity Method

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

(3) Realization of Deferred Income Tax Assets

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

(4) Valuation of Inventory

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

Due to the rapid technological changes, the Company estimates the net realizable value of inventory for obsolescence and unmarketable items at the end of reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon.

6. Description of Major Accounting Items

(1) Cash and cash equivalents

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

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

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

(2) Financial instruments-assets (liabilities)

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

		December 31 2017	December 31 2016
Current	$	306,473	406,969
Non-current		-	-
Total	$	306,473	406,969

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

b. Outstanding forward exchange contracts consisted of the following:

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

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

d. The Company's financial assets were not pledged as collateral, please refer to Note 8.

(3) <u>Notes and Accounts Receivable, net</u>

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

Movement in the allowance for doubtful accounts was as follows:

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

a. The Company collects the amount of sales by individual contract in accordance with the customer's credit rating, during which period the Company collect 90% of total sales within the normal collection of payment before delivering vehicle, and the rest balance is collected by issuing the invoice after completing the procedures of check. Normally, the rest balance is paid within 3 months. The provision of the allowance for doubtful accounts is based on the customer's credit rating and past history of default.

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

(4) Inventories

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

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

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

(5) Prepayments

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

(6) Non-current assets held for sale

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

Cost		
Balance at January 1, 2017	$	-
Additions		-
Transfer in		-
Balance at December 31, 2017	$	-
Balance at January 1, 2016	$	53,310
Additions		-
Transfer in		(53,310)
Balance at December 31, 2016	$	-
Impairment Loss		
Balance at January 1, 2017	$	-
Reversal of impairment loss		-
Effect of exchange rate changes		-
Balance at December 31, 2017	$	-
Balance at January 1, 2016	$	(19,627)
Reversal of impairment loss		-
Effect of exchange rate changes		19,627
Balance at December 31, 2016	$	-
Carrying amount		
Balance at December 31, 2017	$	-
Balance at December 31, 2016	$	-

(7) Refundable deposits

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

Rental deposit		473	-
Depository court deposit		2,039	2,321
Others		872	2,184
Subtotle		51,680	43,418
Less: accumulated impairment loss		(1,800)	(1,800)
Total	$	49,880	41,618

		December 31 2017	December 31 2016
Current	$	-	-
Non-current		49,880	41,618
Total	$	49,880	41,618

a. The Company provided bank savings to be collateral of contract security deposit and bank acceptance bill please refer to related disclosure in Note 8.

b. Accumulated impairment loss refers to the impairment loss of the golf card owned by the Company.

(8) Non-current financial assets at cost

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

a. Since there is a wide range of estimated fair values of the Company's investments in non-publicly traded stocks, the Company concludes that the fair value cannot be reliably measured and therefore should be measured at the cost less any impairment.

b. The stocks of O-Bank were approved to list in May 2017. Accordingly, the Company reclassified 10,000,000 shares from financial assets carried at cost to financial assets at fair value through profit or loss, and the rest 10,769,539 shares, with amount of NT$95,957 thousand, were reclassified to available-for-sale financial assets. The aforementioned investment of 10,000,000 shares were disposed 6,985,000 shares, there still had 3,015,000shares as at December 31, 2017.

(9) Investments accounted for using equity method

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

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

b. Investment in subsidiaries

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

Subsidiaries-% of Ownership and Voting Rights Held by the Comapny		
Yingtay Engineering Co. (H.K.)	78.72%	78.72%
Yungjiun Investment Co., Ltd.	100.00%	100.00%
Yungtay-Hitachi Construction Machinery Co., Ltd.	51.00%	51.00%
Better Win Investment Co. (SAMOA)	100.00%	100.00%

c. Investment in associates

(a) Material associates: None.

(b) Summarized information of individually immaterial associates:

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

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

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

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

(i) Name of Associate

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

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

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

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

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

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

(10) Property, plant and equipment

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

Balance at Jan. 1, 2016	$	917,119	869,920	548,526	337,557	2,673,122
Additions		-	45,164	2,348	16,239	63,751
Disposals		-	(788)	(2,226)	(4,994)	(8,008)
Transfers		-	1,189	(344)	2,134	2,979
Balance at Dec. 31, 2016	$	917,119	915,485	548,304	350,936	2,731,844
Accumulated depreciation and impairment						
Balance at Jan. 1, 2017			$ (649,611)	(467,617)	(311,733)	(1,428,961)
Additions			(16,841)	(19,437)	(9,915)	(46,193)
Disposals			-	53,564	3,676	57,240
Transfers			(10,159)	-	(802)	(10,961)
Balance at Dec. 31, 2017			$ (676,611)	(433,490)	(318,774)	(1,428,875)
Balance at Jan. 1, 2016			$ (635,903)	(452,459)	(306,426)	(1,394,788)
Additions			(14,337)	(18,594)	(9,040)	(41,971)
Disposals			629	2,226	4,943	7,798
Transfers			-	1,210	(1,210)	-
Balance at Dec. 31, 2016			$ (649,611)	(467,617)	(311,733)	(1,428,961)
Carrying amounts						
Dec. 31, 2017	$	942,803	264,586	142,004	37,189	1,386,582
Dec. 31, 2016	$	917,119	265,874	80,687	39,203	1,302,883

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

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

c. The significant part of the aforementioned property, plant and equipment is depreciated using the straight-line method over their estimated useful lives, please refer to Note 4(11).

(11) Investment properties, net

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

Balance at Jan. 1, 2016	$	745,629	451,177	1,196,806
Disposals		-	(371)	(371)
Transfers		33,093	20,217	53,310
Balance at Dec. 31, 2016	$	778,722	471,023	1,249,745
Accumulated depreciation and impairment				
Balance at Jan. 1, 2017	$	(818)	(262,771)	(263,589)
Depreciation expense		-	(6,023)	(6,023)
Disposals		-	-	-
Transfers of impairment loss		-	10,961	10,961
Balance at Dec. 31, 2017	$	(818)	(257,833)	(258,651)
Balance at Jan. 1, 2016	$	(818)	(237,015)	(237,833)
Depreciation expense		-	(6,421)	(6,421)
Disposals		-	292	292
Transfers of impairment loss		-	(19,627)	(19,627)
Balance at Dec. 31, 2016	$	(818)	(262,771)	(263,589)
Carrying amounts				
Dec. 31, 2017	$	750,662	190,145	940,807
Dec. 31, 2016	$	777,904	208,252	986,156

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

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

b. There is no Significant part of the aforesaid investment properties, and the related depreciation is calculated using the estimated useful lives, please refer to Note 4(12).

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

(12) Intangible assets

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

(13) Other payables

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

(14) Advances received

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

(15) Employees' retirement benefit plans

a. Defined benefit plans

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

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

The Company has defined benefit plans under the R.O.C. Labor Standards Law that provide benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement. The Company contributes an amount equal to 15% of salaries paid each month to their respective pension funds (the Funds) in 2017 and 2016, which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee's name in the Bank of Taiwan. Before the end of each year, the Company assesses the balance in the Funds. If the amount of the balance in the Funds is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in once or several times appropriation. The Funds are operated and managed by the government's designated authorities; as such, the Company does not have any right to intervene in the investments of the Funds.

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

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

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

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

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

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

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

b. Defined contribution plans

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

c. Short-term paid leave payable

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

(16) Equity

a. Capital stock

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

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

b. Capital surplus

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

c. Retained earnings and dividend policy

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

(a) Legal reserve at 10% of the remaining profit;

(b) Special reserve in accordance with the resolution in the shareholders' meeting;

(c) Any balance remaining shall be allocated according to the resolution in the shareholders' meeting.

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

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

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

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

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

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

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

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

d. Employees' compensation and remuneration to directors and supervisors

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

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

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

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

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

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

e. Other equity

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

	Year Ended December 31, 2016		
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

(17) Operating revenue

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

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

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

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

(18) Non-operating income and expenses

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

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

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

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

(20) Income tax

a. Income tax expense consisted of the following:

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

b. Income tax expense recognized in other comprehensive income

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

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

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

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

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

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

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

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

e. Current income tax assets (liabilities)

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

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

		December 31 2017	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.

(21) Earnings per share

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

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

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

Only partial cash paid in investing activities:

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

7. RELATED PARTY TRANSACTIONS

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

(1) Related party name and categories

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

(2) Significant transactions with related parties:

a. Net revenue

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

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

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

b. Repair and maintenance revenue

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

c. Rental income

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

d. Purchases

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

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

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

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

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

Other receivables			
YHCMC	$	50	48
Evest		186	191
Total	$	236	239
Accounts payable			
TWNCAL	$	689	1,398
YEEC-China		24,453	4,525
JEC-Shanghai		-	13,242
Total	$	25,142	19,165
Other payables			
YHCMC	$	-	6
Deposit received			
YHCMC	$	894	894
Evest		577	577
Total	$	1,471	1,471

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

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

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

g. Other income

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

h. Property transactions

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

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

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

i. Compensation of directors, supervisors and key management personnel

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

8. Pledged (Mortgaged) assets

The Company provided the following assets as collaterals:

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

9. Significant contingent liabilities and unrecognized contract commitments

(1) Lessee's lease arrangements

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

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

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

(2) Lessor's lease arrangements

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

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

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

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

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

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

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

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

10. Significant loss from disaster: Nil.

11. Significant subsequent events: Nil.

12. Others

(1) Financial instruments

a. Categories of financial instruments

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

Note: Including financial assets carried at cost.

b. Credit risk

(a) Exposure of credit risk

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

(b) Evaluation of impairment loss

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

c. Liquidity risk

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

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

December 31, 2017		Carrying Amount	Contractual Cash Flows	Less Than 1 Year	1~2 Years	2~Years
Non-derivative financial liabilities						
Notes payable	$	286,593	286,593	286,593	-	-
Accounts payable		447,072	447,072	447,072	-	-
Other payables		227,461	227,461	227,461	-	-
Current income tax liabilities		2,247	2,247	2,247	-	-
Net defined benefit liabilities-non current		716,714	716,714	-	-	716,714
Deposits received		5,277	5,277	-	-	5,277

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

d. Exchange rate risk

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

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

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

- Sensitivity analysis

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

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

f. Fair value of financial instruments

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

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

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

Fair value hierarchy

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

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

	December 31, 2017			
	Level 1	Level 2	Level 3	Level 4
Financial assets at FVTPL				
Fund investments	$ 406,969	-	-	406,969

(2) Financial risk management objectives

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

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

(3) Capital management

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

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

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

13. Additional disclosures

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

a. Financings provided: None;

b. Endorsement/guarantee provided: None;

c. Marketable securities held (excluding investments in subsidiaries and associates): Please see Table 1 attached;

d. Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: None;

e. Acquisition of individual real estate properties at costs of at least NT$300 million or 20% of the paid-in capital: None;

f. Disposal of individual real estate properties at prices of at least NT$300 million or 20% of the paid-in capital: None;

g. Total purchases from or sales to related parties of at least NT$100 million or 20% of the paid-in capital: Please see Table 2 attached;

h. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None;

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

j. Names, locations, and related information of investees over which the Company exercises significant influence (excluding information on investment in Mainland China): Please see Table 3 attached;

(3) Information on investment in Mainland China

a. The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits/losses of investee, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table 4 attached.

b. Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: Please see Table 7(2) attached.

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

TABLE 1

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%	-

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

TABLE 2

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

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 3

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 4

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

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

(VI) Impacts of Latest Financial Difficulties Encountered by Company and Its Associated Enterprises on Company's Financial Standing in the Most Recent Year and Up to the Date the Annual Report Was Printed:

Not applicable.

VII. Review, Analysis, and Risks of Financial Conditions and Performances

(I) Financial Status Review and Analysis

Unit: NTD thousand

Year / Items	2016	2017	Difference	
			Amount	%
Current Assets	18,453,359	15,523,043	-2,930,316	-15.88%
Real estate, manufacturing facilities and equipment	6,138,314	5,811,956	-326,358	-5.32%
Intangible Assets	284,841	185,577	-99,264	-34.85%
Other Assets	3,019,554	2,408,261	-611,293	-20.24%
Total assets	27,896,068	23,928,837	-3,967,231	-14.22%
Current Liabilities	14,200,765	11,199,914	-3,000,851	-21.13%
Non-current Liabilities	1,784,798	963,987	-820,811	-45.99%
Total liabilities	15,985,563	12,163,901	-3,821,662	-23.91%
Capital Shares	4,108,200	4,108,200	0	0.00%
Capital reserve	256,332	264,835	8,503	3.32%
Retained earnings	7,073,078	7,133,037	59,959	0.85%
Total equity	11,910,505	11,764,936	-145,569	-1.22%

Increase/decrease change analysis description: (analysis of the rate of increase/decrease that was over 20% and the amount of change was NT$10 million)

1. Intangible assets: Mainly due to the decline of reputation in the 2017.
2. Other assets: The increase was mainly due to the increase in the retirement of pension funds in Taiwan for 2017 from the previous period, resulting in a decrease of the related deferred income tax assets.
3. Current liabilities: Mainly due to the decline in turnover during the current period. Both the shipments and bookings have decreased compared to those of last year. As a result, the amount of payables and advance receipts have decreased over the previous year.
4. Non-current liabilities: Mainly due to the fact that the amount of additional pension expenses to be deposited in special accounts for banks in Taiwan was increased this year. The drastically reduced net is determined to have been caused by welfare liabilities - non-current.

(II) Financial Performance Review and Analysis

	2016	2017		
	Amount	Amount	Amount Increase (Decrease)	Change Ratio
Operating Revenues	19,581,652	16,752,217	(2,829,435)	-14.45%
Operating cost	(13,934,011)	(12,297,354)	1,636,657	11.75%
Gross Margin	5,647,641	4,454,863	(1,192,778)	-21.12%
Operating Expenses	(3,509,672)	(2,975,940)	533,732	15.21%
Operating Interests	2,137,969	1,478,923	(659,046)	-30.83%
Non-business income and expenditure	47,182	69,980	22,798	48.32%
Continuing Sales Department Pre-tax Net Profit	2,185,151	1,548,903	(636,248)	-29.12%
Income Tax (Expenses) Benefits	(600,662)	(391,734)	208,928	34.78%
Continuing Sales Department Post-tax Net Profit	1,584,489	1,157,169	(427,320)	-26.97%
Other Comprehensive Net Profit and Loss (Post-tax)	(756,421)	(298,728)	457,693	60.51%
Total Consolidated Gains and Losses for the Current Period	828,068	858,441	30,373	3.67%

1. Increase/decrease ratio change analysis description: (analysis of the rate of change that was over 20%)
   (1) The decrease in operating profit and operating profit: Mainly caused by the decrease in the number of sales units. As a result, operating margins and benefits were lower than those of last year.
   (2) The increase in non-operating income and expenses: Mainly due to the inability to transfer the forfeited contract deposits from purchase returns as other income this year as well as the substantial increase in mainland government subsidies.
   (3) Pre- and post-tax net profit declines from the Continuing Sales Department: Mainly due to the decline in revenue and decrease in gross profit that resulted in a decrease in profit for the current period compared to that of last year.
   (4) Reduced income tax (expense) benefits: Mainly because the decline in turnover has let to a reduction in the pre-tax net profit, which reduced the income tax expenses.
   (5) Other comprehensive net profit and loss (post-tax): same as description (3).
2. Reasons for changes in the company's main business content: None.
3. Expectations and their basis and the main influencing factors for the company's expected sales growth to continue to grow or decline:

Items	Expected Sales Volume for the Next Year	Rationale
Elevators (Escalators)	14,628 units	The sales volume is estimated based on the existing installation contracts in 2018 that has not yet been shipped, the business climate, the market competition status, and the historical sales records; which should be more stable compared to that of the previous year.

(III) Cash Flow Review and Analysis

1. Cash Flow Change Analysis for the Current Year

Items \ Year	2016	2017	Increase (Decrease) Changes Ratio
Cash Flow Ratio	15.00%	8.37%	-44.2%
Cash Flow Allowance Ratio	84.03%	89.52%	6.53%
Cash Reinvestment Ratio	6.17%	-0.45%	-107.29%

Increase/decrease ratio change analysis description:

(1) The decline in revenue for the current term resulted in the reduced net cash flow available for operational activities. This is why both the cash flow ratio and the cash reinvestment ratio dropped from the previous term.

(2) Cash flow adequacy ratio: The issuance of cash dividends and the decreased expenditure on purchasing related equipment during the current term resulted in the relatively increased cash flow adequacy ratio from the previous term.

2. Cash flow analysis for the next year:

Cash balance at the beginning of the period ①	Annual net cash flow from operational activities ②	Annual cash outflow ③	Remaining cash (Insufficient) Amount ①+②-③	Insufficient Cash Amount Remedy Measure	
				Investment plan	Financial management plan
4,135,644	721,492	686,181	4,170,955	—	—

(1) Business activities: China's real estate investment has slowed down in 2018. The demand from the elevator market has fallen, the price competition has become fierce, and the product profits have fallen as raw material prices have increased. The cash inflows from operating activities are expected to decrease in the coming year.

(2)Investment activities: The company's old production equipment and factory buildings have been renovated and there are necessary expenditures for elevator project security deposits. The investment activity cash flow for 2018 is anticipated to be net outflow.

(3) Fund-raising activities: The surplus distribution of the reinvestment companies will be repatriated. However, due to the distribution of cash dividends and withdrawal of retirement reserves, cash flow from financing activities in 2018 will be net outflow.

3. Insufficient cash remedial measures and liquidity analysis: Not applicable.

(IV) The Major Impacts of Annual Capital Expenditure on Financial Operations during the Most Recent Fiscal Year:

Yungtay (China) Sichuan Plant was completed in 2016. All construction-related amounts and costs of manufacturing facilities and equipment have been paid off. The capital expenditure in 2017 was mainly on the replacement of production equipment and repairs of manufacturing facilities. They had no impacts on the financial standing of the Company.

(V) Reinvestment Policy for the Most Recent Year, the Main Reasons for the Profits/Losses Generated, the Improvement Plans, and the Investment Plans for the Coming Year.

1. The most recent annual reinvestment policy:

   The company's reinvestment policy is based on the elevator-related mechanical and electrical industries. The main investment in 2016 was the construction of the Yungtay (China) Sichuan Plant.

2. Main reasons for profit:

   Yungtay (China) Sichuan Plant completed construction in 2016 and went into production during the fourth quarter. In 2017, the Chinese Government strengthened it financial supervision to prevent the real estate bubble risk. So the elevator sales decreased, the production capacity cannot reach the full scale, and there were necessary expenses and depreciation amortization. In the future, Yungtay will respond by continuing to strengthen sales and increase production capacity.

3. Investment Plans for the Coming Year:

   There is no clear investment plan at present.

(VI) Risk items

(1) The effects that interest, exchange, fluctuation, and inflation rates have on the profits and losses of the company as well as the future response measures:

Items	Effects to the Company's Profit and Loss	Future Response Measures
Interest Rate changes	The net income from interest for the Company in 2017 was NT$27,175 thousand, accounting for 0.16% of the annual business revenue and 1.84% of business profits. The percentages were extremely low. Besides, the Company has no loans. Therefore, the change in the interest rate had no effects on the Company's profits and losses.	No response measure is needed currently.
Exchange Rate Fluctuation	1. Yungtay (China) 2017 annual revenue accounted for 63% of the its consolidated financial statement. As the functional currency of the company's consolidated financial statement is in NTD, the exchange rate fluctuation of RMB against NTD will affect the company's profit and loss. 2. Some of the company's procurement activities are made in foreign currencies, so the exchange rate fluctuations will also affect the profit and loss of the company.	1. Maintain close ties with the foreign exchange departments of the financial institutions, and collect relevant information on exchange rate changes at any time. In the future, Yungtay (China) will repatriate the surplus in order to properly hedge in the event of expected adverse effects from exchange rate changes. 2. Properly use the derivative financial instruments such as forward foreign exchange contracts to avoid exchange rate risks.
Inflation	The increase of the prices of raw materials such as steel and rare earth that account for a large proportion of production costs will have an adverse effect on elevator cost control and corporate profitability.	Continuing to control raw material supply sources and inventory levels and sign purchase negotiation contracts to reduce the impact of fluctuations in raw material prices during company operations.

(2) Main policies for engaging in high-risk engagements, highly leveraged investments, endorsement guarantees, and derivative transaction policies; main reasons for profits and losses; and future response measures.

1. High risk and high leverage investments:

   This company does not engage in high risk and high leverage investments.

2. Money loaned to others and endorsement guarantees:

   Among the subsidiaries whereby the company directly or indirectly holds 100% of the voting shares, the funding or endorsement of funds due to actual operational needs are implemented after submitting to the Board of Directors for resolution in accordance with the "Financing and Fund Operation Endorsement Procedures."

3. Derivative commodity trading:

   The company's derivative commodity transactions primarily consisted of forward foreign exchange contracts that circumvent the risk foreign currency exchange rate fluctuations, and are implemented after submitting to the Board of Directors for resolution in accordance with the "Financing and Fund Operation Endorsement Procedures."

(3) Future R&D plans and anticipated investments in R&D expenses:

Unit: NTD thousand

No.	Theme of Plan	Expected Investments in R&D Expenses:
1	Long barrel type PM heavy load machine-room-less	2,000
2	High-speed Ladder PM Host Machine Integration Development (180~240m/min)	500
3	High-speed Ladder PM Host Machine Development (180~240m/min)	2,000
4	NEW CNS Regulations (EN) Correspondence	3,800
5	CPS F-3000 Development	500
6	Elevator Movement Dynamic Analysis & Vibration Research	500
7	UAY Primary Cable Break Detection Function Development	100
8	Second Generation Machine-room-less Elevator	1,000
9	120m/min Machine System	300
10	Replacement Host Machine 1000 kg Development (R1:1)	2,000
11	Locking Door blade (Door Slamming Prevention Device)	100
12	Strain Gauge Pressure Sensor (Scale Device) Development	100
13	MPU H8 to RX63N Conversion Development	500
14	FT-3X (Single Panel) Group Management System Integration Development	300
15	Elevator Movement Vibration Suppression Technology Development	300
16	Y12 Series (EN) Control Panel Development	1,000
17	YHVF M701 to SP5402 Replacement Integration Development	1,000

No.	Theme of Plan	Expected Investments in R&D Expenses:
18	PCB Electromagnetic Interference Suppression Technology R&D	500
19	Upper Controller Program Architecture Development	2,000
20	Computerized Test Bench	300
21	Y12 Control Series Development	300
22	Service System SMART PHONE APP Development	100
23	Yungtay Central Surveillance System	100
24	High-speed Elevator Continual Improvement	900
25	Elevator Concept Series Development	900
26	Old Elevator Reconstruction	450
27	Motor Improvement Development	200
28	Departmental Product Development	700
29	Full Machine Certification	450
30	Control Cabinet Improvement	900
31	Small Load Electronic Control System	450
32	High Speed Elevator AFE Improvement	1,800
33	Wafer Discontinuation Correspondence	700
34	Electrical Peripheral System Development	200
35	AI Related Technology Integration	1,350
	Total	28,300

Main impact factors for future R&D success:

1. Stabilized technical R&D team.
2. Reasonable and effective management system and team.
3. Annual allocation of appropriate resources.

(4) Impacts of important domestic and international policies and regulatory changes on the Company's financial performance and the countermeasures:

Internationally, the easing and low interest rate environment is becoming history. The Fed already started an interest raise last year (2017) and it is expected that additional three interest raises will occur this year (2018). In other words, our government will be pressurized to raise the domestic interest rate and an interest raise is imminent. The increased interest rate will add pressure to homeowners in paying off their mortgage and the burden for builders with civil engineering financing and loans.

(5) Effects of technological changes and industrial changes on the financial standing of the company and the countermeasures: None.

(6) Impacts of changes in the corporate image on the management of corporate risks and the countermeasures: None.

(7) Expected benefits and possible risks of mergers and acquisitions: There are no merger or acquisition plans at the moment.

(8) Expected benefits and possible risks of the expansion of manufacturing facilities: There are no expansion plans at the moment.

(9) Risks encountered with focused purchases or sales: All the goods imported by the Company are commodities with sufficient supply on the market so shortage in materials is not a concern.

(10) Impacts of transfer or exchange of stock options in large quantities by directors, supervisors, or heavyweight shareholders holding more than 10% of all shares on the Company and the risks: None.

(11) Impacts of the change in the management on the Company and the risks: None.

(12) Lawsuits and non-lawsuit events. Major lawsuits and non-lawsuits or administrative disputes with a finalized verdict or ongoing proceedings that involve the Company, the Company's directors, supervisors, general managers, actual person in charge, and shareholders holding more than 10% of all shares, and the associated companies shall be listed. If the results are likely to have significant impacts on shareholders' equity or prices of securities, the facts, target value, and start date of the lawsuit, main clients involved, and handling status as of the date of the Annual Report was printed shall be disclosed: The Company's subsidiary Yungtay-Hitachi Construction Machinery sold one crane SCX2800-2 in October 2011 to its customer Guanzong Construction Co., Ltd. ("Guanzong"). The product was sold at JPY 180,000,000 (about NT$70,562,700) and NT$ (same as below) $39,482,700 in total had been paid. The outstanding balance totaled 31,080,000, which remained unpaid. Guanzong later claimed that Yungtay-Hitachi Construction Machinery failed to deliver a crane with the free fall hook equipment and hence filed for dismissal of the sales contract according to Article 256 and Article 259 Subparagraph 1 of the Civil Code and demanded payment of NT$39,482,700 as well as the interest calculated at 5% per annum from March 4, 2012 to the pay-off date and the check in the value of $31,080,000 be returned. The first-instance verdict rendered by the Taiwan Taipei District Court on January 11, 2013 was disfavoring Yungtay-Hitachi Construction Machinery. Yungtay-Hitachi Construction Machinery, however, did not accept the verdict and appealed. The Taiwan High Court rendered a second-instance verdict on May 20, 2014 in favor of Yungtay-Hitachi Construction Machinery. Guanzong did not accept the verdict and appealed again on July 22, 2014. The Supreme Court rendered a verdict on October 30, 2015 that voided the second-instance verdict and demanded that the Taiwan High Court reconsider the case. The Taiwan High Court reconsidered the case and rendered another verdict on May 24, 2016 still in favor of Yungtay-Hitachi Construction Machinery. Guanzong still did not accept the verdict and appealed again on July 15, 2016. As of the date the Annual Report was printed, the lawsuit was ongoing.

(13) Other important risks and countermeasures: None.

(VII) Other important matters: None.

VIII. Special Notes

Declaration on Consolidating Financial Statements of Yungtay Engineering Co., Ltd.and Its Affiliated Companies

And Associated Enterprises

Companies that should be included in the compiled Consolidated Financial Statement of Associated Enterprises for 2017 (from January 1, 2017 to December 31, 2017) in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are identical to those that should be compiled in the Consolidated Statement of Parent Company and Subsidiaries as per International Financial Reporting Standard 10 and all the information that should be disclosed in the Consolidated Financial Statement of Associated Enterprises has been disclosed in the Consolidated Statement of Parent Company and Subsidiaries. Therefore, the Consolidated Financial Statement of Associated Enterprises is not prepared separately.

Please take note of the above declaration.

Name of Company: Yungtay Engineering Co., Ltd.(Seal)

Person in Charge: Tso Li Hsu (Seal)

March 15, 2018

Yungtay Engineering Co., Ltd.

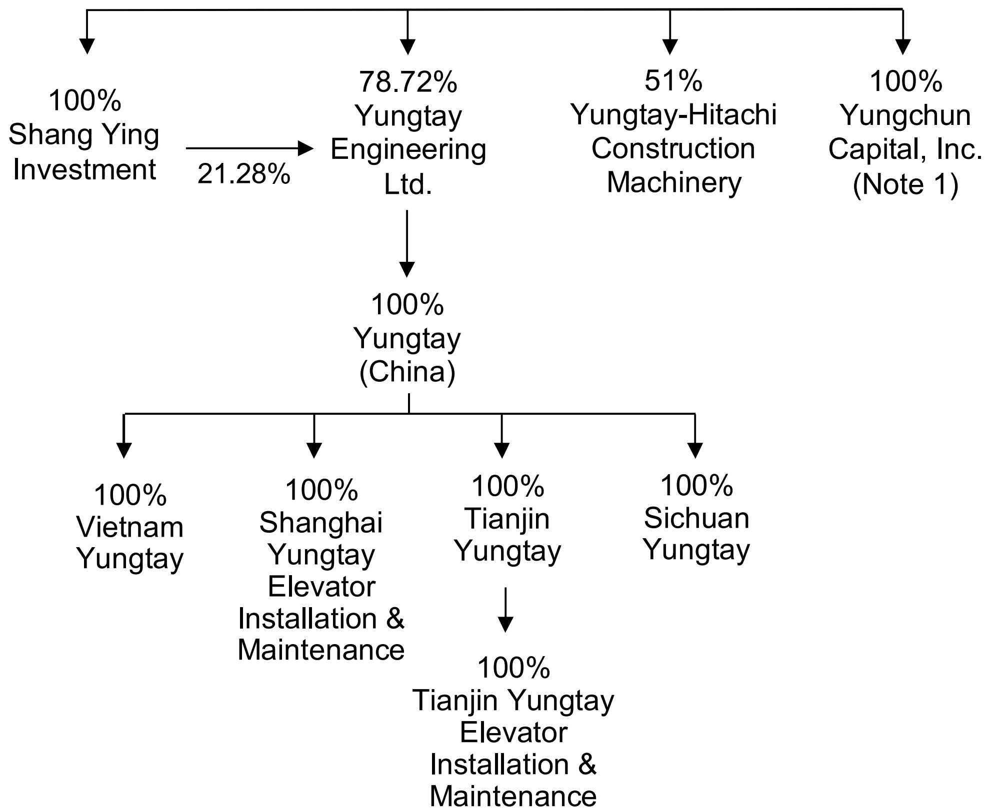
2017 Consolidated Business Report of Associated Enterprises

I. Information of associated enterprises

(I) Overview of Associated Enterprises

1. Organizational Overview of Associated Enterprises

(1) Organizational Chart of Associated Enterprises



Note 1: Yungchun Capital, Inc. holds 2,129,800 shares in Yungtay Engineering Co., Ltd. and is shown as financial assets available for sale in the book.

Note 2. The Board of Directors of Yungtay Elevator Equipment (China) Co., Ltd. decided on October 16, 2017 that it would acquire and consolidate Shanghai Gie EM Co., Ltd. Yungtay Elevator Equipment (China) Co., Ltd. will survive while Shanghai Gie will be extinguished. The base date for the consolidation is December 31, 2017.

(2) Affiliated companies whose personnel, finance, or business operation are controlled directly or indirectly by the Company as required by Article 369-2 Paragraph 2 of the Company Act: None.

2. Profile of respective associated enterprises

Unit: NTD thousand

Name of Business	Date of Establishment	Address	Paid-in capital size	Main scope of operation or production
Yungtay Engineering Ltd.	1993/3/25	54F of Hopewell Center, No. 183, Queen's Road East, Hong Kong	US$ 15,113	Investment
Yungtay Elevator Equipment (China) Co., Ltd.	1993/9/1	No. 99, Jiuxin Highway, Jiuting Township, Songjiang District, Shanghai	US$ 56,000	Manufacturing, care, and installation of elevators
Yungchun Capital, Inc.	1998/4/27	11F, No. 99, Fuxing North Road, Taipei	NT$ 85,000	General investment
Yungtay-Hitachi Construction Machinery Co., Ltd.	1998/9/25	10F, No. 99, Fuxing North Road, Songshan District, Taipei	NT$ 128,000	Dealership, repairs, and care of domestic and foreign construction machinery
Shang Ying Investment Co., Ltd.-Samoa	2007/12/5	Level 2,Lotemau Centre Vaea Street, Apia, Samoa.	US$ 33,500	Investment
Tianjin Yungtay Elevator Equipment Co., Ltd.	2008/4/3	Tianjin Pharmaceutical and Medical Equipment Industrial Park (No. 3, Yongbao Road)	RMB 200,000	Manufacturing, care, and installation of elevators
Shanghai Yungtay Elevator Installation & Maintenance Co., Ltd.	2008/7/28	Buildings 6 and 7, No. 599, Banting Road, Jiuting Township, Songjiang District, Shanghai	RMB 20,000	Care and installation of elevators
Vietnam Yungtay Elevator Co., Ltd.	2010/1/25	No 26 Duong Lam Son, Phuong 2, Quan Tan Binh, TPHCM	US$ 800	Sales, care and installation of elevators
Tianjin Yungtay Elevator Installation & Maintenance Co., Ltd.	2011/3/22	Tianjin Pharmaceutical and Medical Equipment Industrial Park (No. 3, Yongbao Road)	RMB 3,500	Care and installation of elevators
Sichuan Yungtay Elevator Equipment Co., Ltd.	2013/6/28	Puhe Road, Xindu District, Chengdu	RMB 152,000	Manufacturing, care, and installation of elevators

3. Associated enterprises with factories whose sales exceed 10% of the business revenue of the controlling company:

   Yungtay Elevator Equipment (China) Co., Ltd.

4. Data of common shareholders inferred to have control or to be in a subordinate relationship: None.

5. Industries covered in the scope of operation of associated enterprises as a whole:

   The scope of operation of the associated enterprises of the controlling company and its affiliated companies includes manufacturing, care, and installation of elevators, dealership, repairs, and care of domestic and international construction machinery, and building automatic systems and flow monitoring systems and investment, etc.

   The construction machinery and the parts sold by Yungtay-Hitachi Construction Machinery Company Limited are all purchased from Hitachi Construction Machinery Co., Ltd.

6. Profile of directors, supervisors, and general managers of individual associated enterprises:

March 31, 2018

Name of Business	Title	Name or Representative	Shares Held		Shares held by the representative	
			Quantity	Ratio	Quantity	Ratio
Yungtay Engineering Ltd.	Director	Yungtay Representative: Tso Li Hsu	11,183,510	78.72%	0	0%
	Director	Yungtay Representative: Fong Chieh Tsai			0	0%
	Director	Yungtay Representative: Shu Ping Lin			0	0%

March 31, 2018

Name of Business	Title	Name or Representative	Shares Held		Shares held by the representative	
			Quantity	Ratio	Quantity	Ratio
Yungtay-Hitachi Construction Machinery Co., Ltd.	Chairperson	Yungtay Representative: Shui Tao Chou	6,528,000	51.00%	0	0%
	Director	Yungtay Representative: Tso Li Hsu			0	0%
	Director	Yungtay Representative: Ray Chun Su			0	0%
	Supervisor	Tung Sheng Lin	0	0%	—	—
	Director and General Manager	Hitachi Construction Machinery Representative: Takunori Tsushima	6,272,000	49.00%	0	0%
	Director	Hitachi Construction Machinery Representative: Noribumi Kobayashi			0	0%
Yungchun Capital, Inc.	Chairperson	Yungtay Representative: Tso Li Hsu	8,500,000	100.00%	0	0%
	Director	Yungtay Representative: Yu Hsin Hsu			0	0%
	Director	Yungtay Representative: Tung Sheng Lin			0	0%
	Supervisor	Feng Ming Wu	0	0%	—	—
Shang Ying Investment Co., Ltd	Director	Yungtay Representative: Tso Li Hsu	33,500,000	100.00%	0	0%
Yungtay Elevator Equipment (China) Co., Ltd.	Legal representative	Hong Kong Yungtay Representative: Tso Li Hsu	—	100.00%	—	—
	Director and General Manager	Hong Kong Yungtay Representative: Shu Ping Lin				
	Director	Hong Kong Yungtay Representative: Ray Chun Su				
	Supervisor	Hong Kong Yungtay Representative: Tung Sheng Lin				
Tianjin Yungtay Elevator Equipment Co., Ltd.	Legal Representative and General Manager	Yungtay (China) Representative: Shu Ping Lin	—	100.00%	—	—
	Director	Yungtay (China) Representative: Yu Yuan Shen				
	Director	Yungtay (China) Representative: Hung Sen Chen				
	Supervisor	Yungtay (China) Representative: Chih Ang Chen				

March 31, 2018

Name of Business	Title	Name or Representative	Shares Held		Shares held by the representative	
			Quantity	Ratio	Quantity	Ratio
Shanghai Yungtay Elevator Installation & Maintenance Co., Ltd.	Legal Representative	Yungtay (China) Representative: Ke Min Ma	—	100.00%	—	—
	Director and General Manager	Yungtay (China) Representative: Shui Tao Chou				
	Director	Yungtay (China) Representative: Ting Hsien Tsai				
	Supervisor	Yungtay (China) Representative: Chih Ang Chen				
Tianjin Yungtay Elevator Installation & Maintenance Co., Ltd	Legal Representative and General Manager	Tianjin Yungtay Representative: Chun Yung Chao	—	100.00%	—	—
	Director	Tianjin Yungtay Representative: Shui Tao Chou				
	Director	Tianjin Yungtay Representative: Ting Hsien Tsa				
	Supervisor	Tianjin Yungtay Representative: Piao Kang Lu				
Vietnam Yungtay Elevator Co., Ltd	Legal Representative	Yungtay (China) Representative: Chih Ang Chen	—	100.00%	—	—
	General Manager	Yungtay (China) Representative: Chen Ting Tseng				
Sichuan Yungtay Elevator Equipment Co., Ltd	Legal Representative and General Manager	Yungtay (China) Representative: Shu Ping Lin	—	100.00%	—	—
	Director	Yungtay (China) Representative: Hung Sen Chen				
	Director	Yungtay (China) Representative: Tzu Wen Hsu				
	Supervisor	Yungtay (China) Representative: Chih Ang Chen				

(II) Overview of individual associated enterprises' operation

Financial condition and operational accomplishments of respective associated enterprises:

Unit: NTD thousand

Name of Business	Capital	Gross assets	Total liabilities	Net worth	Operating Revenues	Operating Interests	Gains and losses of the term (after tax)	Earnings Per Share (NTD)
1. Yungtay Engineering Ltd.	406,222	16,588,654	8,201,876	8,386,778	10,855,553	260,174	333,668	-
2. Yungtay Elevator Equipment (China) Co., Ltd.	1,566,971	16,482,036	8,201,330	8,280,706	10,855,553	260,580	332,005	-
3. Yungchun Capital, Inc.	85,000	114,972	51	114,921	0	-271	4,955	0.28
4. Yungtay-Hitachi Construction Machinery Co., Ltd.	128,000	623,830	253,386	370,444	655,832	67,823	59,762	4.67
5. Shang Ying Investment Co., Ltd.-Samoa	1,045,647	1,912,752	0	1,912,752	0	0	-3,275	-
6. Tianjin Yungtay Elevator Equipment Co., Ltd.	907,680	2,123,414	446,959	1,676,455	1,771,516	17,888	40,665	-
7. Shanghai Yungtay Elevator Installation & Maintenance Co., Ltd.	95,197	747,015	216,665	530,350	459,101	18,213	19,098	-
8. Vietnam Yungtay Elevator Co., Ltd.	23,264	31,870	3,772	28,098	15,879	2,344	3,311	-
9. Tianjin Yungtay Elevator Installation & Maintenance Co., Ltd.	15,505	18,183	1,322	16,861	13,272	259	278	-
10. Sichuan Yungtay Elevator Equipment Co., Ltd.	736,573	1,311,724	751,856	559,868	726,778	-84,776	-62,971	-

Notes: 1. The financial condition and operational accomplishments of Hong Kong Yungtay Engineering and Yungtay Elevator Equipment (China) are prepared with the values shown in consolidated statements.

2. The financial statements show values in US Dollar or RMB. For assets and liabilities and profits and losses, they are converted to NTD thousand according to the spot exchange rate and mean exchange rate on the date of report.

(III) Affiliation Report: Not applicable.

II. Organization of private placement securities: None.

III. Holding or disposal of the Company's shares by its subsidiaries in the most recent year and up to the date the Annual Report was printed

Unit: NTD thousand; share

Subsidiary Name	Paid-in capital	Source of funding	The Company Ratio	Acquisition or disposal Date	Acquired shares and Amount	Disposed shares of and value	Investment gains and losses	Number of shares held as of the date the Annual Report was printed and Amount	Pledge created	The Company Value of endorsement and guarantee provided by the Company to the subsidiary	The Company Value lent by the Company to the subsidiary
Yungchun Capital, Inc.	180,000	Self-capital	100.00%	–	–	–	–	2,129,800 shares 105,958 thousand	–	–	–

Notes: 1. The shares held by the subsidiary in the parent company are considered as the treasury stock, effective 2002; therefore, they do not affect the financial performance.

2. The subsidiary listed above was established in 1998 and no capital increase has been made ever since; therefore, it does not affect the Company’s financial condition.

IV. Other matters requiring supplementary information: None.

IX. Matters with important impacts on shareholders’ equity or prices of securities as indicated in Article 36, Paragraph 3, Subparagraph 2 of the Securities Exchange Act in the most recent year and up to the date the Annual Report was printed: None.

永大機電工業股份有限公司

Chairperson Tso Li Hsu 許作立