BizLink Holding Inc. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2017 and 2016 and Independent Auditors' Report

Deloitte.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
BizLink Holding Inc.

Opinion

We have audited the accompanying consolidated financial statements of BizLink Holding Inc. and its subsidiaries (collectively referred to as the "Company"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and 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 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 standards are further described in the 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 audit 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.

Key audit matters for the Company's consolidated financial statements for the year ended December 31, 2017 are stated as follows:

<u>Occurrence and Authenticity of Revenue from Major Customers</u>

The Company's operating revenue stems from a small number of customers. During 2017, the revenue from the top 20 revenue-contributing, new customers and the sales to customers that increased by more than 20% amounted to 44% of the consolidated operating revenue. In addition, as the management may have pressure to achieve sales targets, the inherent risk of fraud in revenue recognition has increased. Therefore, we identified the risk in revenue recognition related to the actual occurrence of the sales transactions with the top 20 revenue-contributing, new customers and the customers whose sales increased by more than 20% as a key audit matter.

In response, we performed the following audit procedures:

1. We understood the internal controls over major customers' sales transactions and assessed the effectiveness of the design and implementation thereof.

2. We examined the Company's background checks performed on the top 20 revenue-contributing, new customers and the customers whose sales increased by more than 20% and evaluated whether the transaction amounts and customer credit limits granted were reasonably compatible with the respective customers' sizes.

3. We performed substantive testing on the transactions with the top 20 revenue-contributing, new customers and the customers whose sales increased by more than 20% by inspecting third-party shipping documents, the customers' receipts of delivery and cash payments in order to verify the occurrence of the transactions.

Impairment of Tangible and Intangible Assets and Goodwill from the Home Appliances Division Acquisition

During 2017, BizLink acquired Leoni AG Electrical Appliance Assemblies business group ("BizLink Home Appliances Division"). As of the acquisition date, BizLink has obtained property, plant and equipment, intangible assets and goodwill in a total amount of NT$1,306,478 thousand, as disclosed in Note 30 of the consolidated financial statements. As of December 31, 2017, the book values of property, plant and equipment, intangible assets and goodwill of BizLink Home Appliances Divisions were NT$572,390 thousand, NT$388,492 thousand and NT$373,094 thousand, respectively.

The assumptions adopted in the preparation of the future cash flows of BizLink Home Appliance Division might be subjective and contain a high degree of uncertainty. This may significantly influence the evaluation results of the recoverable amounts of the aforementioned assets and goodwill, which could further affect their estimated year-end impairment amounts. Therefore, we identified the impairment assessment of the tangible and intangible assets and goodwill from the Company's BizLink Home Appliance Division acquisition as a key audit matter.

Regarding the accounting policies for the impairment of tangible and intangible assets and goodwill, refer to Notes 4 (k) and 4 (m) to the consolidated financial statements. As for the related accounting estimations and uncertainty of assumptions, refer to Note 5 of the consolidated financial statements.

In response to this key audit matter, we performed the following audit procedures:

1. We acquired evaluation reports issued by the Company to assess the process and basis of management's forecasted sales growth rate and profit margins for the future operating cash flows and whether they considered the current operating conditions, historical trends, industry-specific situation, etc., and were updated in due course.

2. We appointed a valuation specialist from our Deloitte firm to assist in evaluating whether the weighted average cost of capital used by the management, including the risk-free interest rates, volatility and risk premiums, is comparable with those of BizLink Home Appliance Division's present and industry-specific situation, and we re-performed and verified the calculation.

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 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, 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, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, 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 regarding the financial information of entities or business activities within 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.

We also provide those charged with governance with a statement 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 consolidated financial statements for the year ended December 31, 2017 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 Chung Chen Chen and Cheng Chuan Yu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 13, 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 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. Also, as stated in Note 4 to the consolidated financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

BIZLINK HOLDING INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017		2016	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 1,684,418	12	$ 2,417,539	24
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	20,352	-	2,227	-
Debt investments with no active market - current (Notes 4 and 9)	36,236	-	1,194,508	12
Notes receivable from unrelated parties (Notes 4 and 10)	178,592	1	3,410	-
Trade receivables from unrelated parties (Notes 4 and 10)	4,339,752	31	2,101,403	21
Trade receivables from related parties (Notes 4 and 35)	-	-	1,230	-
Other receivables (Note 10)	142,882	1	69,643	1
Current tax assets (Notes 4 and 27)	8,082	-	19,242	-
Inventories (Notes 4 and 11)	3,240,166	24	1,674,051	17
Prepayments (Notes 18 and 19)	217,310	2	144,985	2
Other financial assets - current (Notes 4 and 36)	19,975	-	1,438	-
Other current assets (Note 19)	2,126	-	-	-
Total current assets	9,889,891	71	7,629,676	77
NON-CURRENT ASSETS				
Financial assets measured at cost - non-current (Notes 4 and 8)	239,640	2	152,054	2
Investments accounted for using equity method (Notes 4 and 13)	18,792	-	3,209	-
Property, plant and equipment (Notes 4, 14 and 36)	2,095,113	15	1,554,399	16
Investment properties (Notes 4, 15 and 36)	205,337	1	130,956	1
Goodwill (Notes 4, 16 and 30)	373,094	3	-	-
Other intangible assets (Notes 4 and 17)	515,408	4	117,869	1
Deferred tax assets (Notes 4 and 27)	118,571	1	131,648	1
Other financial assets - non-current (Notes 4 and 36)	210,970	2	76,200	1
Long-term prepayments for leases (Notes 4 and 18)	38,605	-	40,673	-
Other non-current assets (Notes 19 and 35)	143,632	1	109,748	1
Total non-current assets	3,959,162	29	2,316,756	23
TOTAL	$ 13,849,053	100	$ 9,946,432	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 20 and 36)	$ 905,922	7	$ 64,500	1
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 21)	-	-	5,521	-
Notes payable (Note 22)	186,066	1	10,836	-
Trade payables (Note 22)	3,248,355	24	1,281,330	13
Other payables (Note 23)	1,152,196	8	805,178	8
Current tax liabilities (Notes 4 and 27)	133,133	1	86,095	1
Current portion of long-term borrowings (Notes 20 and 36)	125,944	1	31,721	-
Other current liabilities (Note 23)	23,161	-	17,843	-
Total current liabilities	5,774,777	42	2,303,024	23
NON-CURRENT LIABILITIES				
Bonds payable (Notes 4 and 21)	-	-	1,859,265	18
Long-term borrowings (Notes 20 and 36)	404,297	3	373,982	4
Deferred tax liabilities (Notes 4 and 27)	48,998	-	69,639	1
Net defined benefit liabilities - non-current (Notes 4 and 24)	4,394	-	3,873	-
Other non-current liabilities (Note 23)	27,688	-	5,096	-
Total non-current liabilities	485,377	3	2,311,855	23
Total liabilities	6,260,154	45	4,614,879	46
EQUITY ATTRIBUTABLE TO OWNERS OF BIZLINK (Notes 4 and 25)				
Capital stock				
Common stocks	1,155,664	8	1,029,593	10
Capital surplus	4,130,734	30	2,277,793	23
Retained earnings				
Legal reserve	371,593	3	280,598	3
Special reserve	304,631	2	298,638	3
Unappropriated earnings	2,323,255	17	1,978,609	20
Total retained earnings	2,999,479	22	2,557,845	26
Other equity	(696,978)	(5)	(533,678)	(5)
Total equity	7,588,899	55	5,331,553	54
TOTAL	$ 13,849,053	100	$ 9,946,432	100

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

BIZLINK HOLDING INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 35)				
Sales	$ 15,599,207	100	$ 9,208,059	100
OPERATING COSTS (Notes 11, 26 and 35)				
Cost of goods sold	11,793,802	76	6,464,482	70
GROSS PROFIT	3,805,405	24	2,743,577	30
OPERATING EXPENSES (Notes 26 and 35)				
Selling and marketing expenses	693,813	4	425,898	5
General and administrative expenses	1,180,334	8	1,068,672	12
Research and development expenses	383,040	2	230,928	2
Total operating expenses	2,257,187	14	1,725,498	19
PROFIT FROM OPERATIONS	1,548,218	10	1,018,079	11
NON-OPERATING INCOME AND EXPENSES				
Gain from bargain purchases - acquisition of subsidiaries (Notes 4 and 30)	-	-	14,131	-
Other income (Notes 4 and 26)	67,378	-	56,996	1
Other gains and (losses) (Notes 4, 8, 13, 19 and 26)	(76,555)	-	118,008	1
Finance costs (Notes 20 and 26)	(33,111)	-	(44,425)	-
Share of loss of associates (Notes 4 and 13)	(886)	-	(520)	-
Total non-operating income and expenses	(43,174)	-	144,190	2
PROFIT BEFORE INCOME TAX FROM OPERATIONS	1,505,044	10	1,162,269	13
INCOME TAX EXPENSE (Notes 4 and 27)	342,579	2	252,324	3
NET PROFIT FOR THE YEAR	1,162,465	8	909,945	10

(Continued)

BIZLINK HOLDING INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Actuarial loss arising from defined benefit plans (Notes 4 and 24)	$ (435)	-	$ (1,002)	-
Exchange differences on translation to the presentation currency (Notes 4 and 25)	(674,701)	(4)	(122,159)	(2)
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 27)	74	-	170	-
	(675,062)	(4)	(122,991)	(2)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Notes 4 and 25)	374,774	2	(284,818)	(3)
Other comprehensive loss for the year, net of income tax	(300,288)	(2)	(407,809)	(5)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 862,177	6	$ 502,136	5
EARNINGS PER SHARE (Note 28)				
Basic	$10.68		$9.23	
Diluted	$10.20		$8.29	

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

BIZLINK HOLDING INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

			Retained Earnings			Other Equity		
	Capital Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Others	Total Equity
BALANCE AT JANUARY 1, 2016	$ 918,191	$ 1,165,845	$ 204,603	$ 298,638	$ 1,696,406	$ 102,346	$ -	$ 4,386,029
Appropriation of the 2015 earnings (Note 25)								
Legal reserve	-	-	75,995	-	(75,995)	-	-	-
Cash dividends distributed by BizLink	-	-	-	-	(505,005)	-	-	(505,005)
Stock dividends distributed by BizLink	45,910	-	-	-	(45,910)	-	-	-
Equity component of convertible bonds (Notes 4, 21 and 25)	-	158,954	-	-	-	-	-	158,954
Convertible bonds converted to common stocks (Notes 4, 21 and 25)	48,627	721,988	-	-	-	-	-	770,615
Issue of common stock under employee stock options (Notes 4, 25 and 29)	16,865	231,006	-	-	-	-	(229,047)	18,824
Net profit for the year ended December 31, 2016	-	-	-	-	909,945	-	-	909,945
Other comprehensive loss for the year ended December 31, 2016, net of income tax	-	-	-	-	(832)	(406,977)	-	(407,809)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	909,113	(406,977)	-	502,136
BALANCE AT DECEMBER 31, 2016	1,029,593	2,277,793	280,598	298,638	1,978,609	(304,631)	(229,047)	5,331,553
Appropriation of the 2016 earnings (Note 25)								
Legal reserve	-	-	90,995	-	(90,995)	-	-	-
Special reserve	-	-	-	5,993	(5,993)	-	-	-
Cash dividends distributed by BizLink	-	-	-	-	(720,715)	-	-	(720,715)
Convertible bonds converted to common stocks (Notes 4, 21 and 25)	126,421	1,840,154	-	-	-	-	-	1,966,575
Stock-based payment arrangements (Notes 4, 25 and 29)	(350)	12,787	-	-	245	-	136,627	149,309
Net profit for the year ended December 31, 2017	-	-	-	-	1,162,465	-	-	1,162,465
Other comprehensive loss for the year ended December 31, 2017, net of income tax	-	-	-	-	(361)	(299,927)	-	(300,288)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	1,162,104	(299,927)	-	862,177
BALANCE AT DECEMBER 31, 2017	$ 1,155,664	$ 4,130,734	$ 371,593	$ 304,631	$ 2,323,255	$ (604,558)	$ (92,420)	$ 7,588,899

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

BIZLINK HOLDING INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 1,505,044	$ 1,162,269
Adjustments for:		
Impairment loss recognized on trade receivables	12,871	1,515
Depreciation expenses	274,435	197,819
Amortization expenses	68,565	23,931
Amortization of prepayments for leases	1,095	451
Gain from bargain purchases	-	(14,131)
Net (gain) loss on fair value change of financial assets and liabilities designated as at fair value through profit or loss	(34,777)	22,736
Financial costs	33,111	44,425
Interest income	(17,946)	(31,364)
Compensation cost of employee stock options	149,309	11,703
Share of loss of associates	886	520
Loss on disposal of property, plant and equipment	6,187	9,679
Loss on disposal of intangible assets	32	-
Loss on disposal of associates accounted for using equity method	1,517	-
Impairment loss recognized on financial assets	-	22,696
Write-downs of inventories	64,641	16,794
Net loss on foreign currency exchange	108,444	7,909
Gain on reacquisition of bonds	-	(42)
Changes in operating assets and liabilities		
Decrease in financial assets held for trading	9,269	-
(Increase) decrease in notes receivable	(172,972)	9,387
Increase in trade receivables	(1,316,832)	(181,867)
Decrease in trade receivables from related parties	1,161	1,472
Increase in other receivables	(816)	(43,246)
Increase in inventories	(1,221,446)	(103,784)
Increase in prepayments	(57,496)	(7,530)
(Increase) decrease in other current assets	(2,175)	45
Decrease in financial liabilities held for trading	-	(6,654)
Decrease in notes payable	(59,972)	(10,158)
Increase in trade payables	1,245,322	65,793
(Decrease) increase in other payables	(172,589)	182,223
Increase in deferred revenue	17,870	-
Increase in net defined benefit liabilities	86	62
(Decrease) increase in other current liabilities	(740)	4,165
Decrease in other operating liabilities	1,462	-
Cash generated from operations	443,546	1,386,818
Interest received	17,946	31,364
Interest paid	(19,322)	(9,425)
Income tax paid	(316,734)	(250,165)
Net cash generated from operating activities	125,436	1,158,592

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BIZLINK HOLDING INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of financial assets designated as at fair value through profit or loss	$ (213,894)	$ -
Proceeds from financial assets designated as at fair value through profit or loss	208,471	-
Purchases of debt investments with no active market	-	(1,000,193)
Proceeds from the sale of debt investments with no active market	1,090,460	95,638
Acquisitions of associates accounted for using equity method	(20,000)	-
Proceeds from associates accounted for using equity method	1,457	-
Net cash outflow on acquisition of subsidiaries	(1,186,566)	(83,842)
Purchases of financial assets measured at cost	(100,978)	-
Payments for property, plant and equipment	(290,529)	(535,975)
Proceeds from disposal of property, plant and equipment	9,482	6,265
Payments for intangible assets	(20,393)	(30,178)
Increase in refundable deposits	(5,059)	(15,518)
Decrease in refundable deposits	2,607	775
Increase in other financial assets	(184,055)	(63,296)
Decrease in other financial assets	36,174	-
Increase in other non-current assets	(33,790)	-
Increase in prepayments for equipment	(92,108)	(41,081)
Net cash used in investing activities	(798,721)	(1,667,405)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of convertible bonds	-	2,670,600
Repayments of bonds payable	-	(100)
Payments for transaction costs attributable to issue of debt instruments	-	(61,709)
Proceeds from short-term borrowings	573,785	-
Repayments of short-term borrowings	-	(129,060)
Proceeds from long-term borrowings	153,567	238,030
Repayments of long-term borrowings	(11,469)	(133,623)
Proceeds from guarantee deposits received	4,181	1,940
Dividends paid to owners of BizLink	(720,715)	(505,005)
Proceeds from exercise of employee stock options	-	7,121
Net cash (used in) generated from financing activities	(651)	2,088,194
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(59,185)	(355,913)

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BIZLINK HOLDING INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	$ (733,121)	$ 1,223,468
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	2,417,539	1,194,071
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 1,684,418	$ 2,417,539

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

1. GENERAL INFORMATION

BizLink Holding Inc. ("BizLink") was incorporated in Cayman Islands in June 2000. The major operating activities of BizLink include designing, manufacturing, and selling of cable assemblies, connectors, power cords, fiber optical passive components and computer peripheral products.

BizLink's stocks have been listed on the Taiwan Stock Exchange since April 2011.

The functional currency of BizLink is U.S. dollars. For greater comparability and consistency of financial reporting, the consolidated financial statements are presented in New Taiwan dollars since BizLink's stocks are listed on the Taiwan Stock Exchange.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements of BizLink and its subsidiaries, collectively referred to as the "Company", were approved by BizLink's board of directors on March 13, 2018.

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

a. 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), Interpretations of IFRS (IFRIC) and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

   Except for the following, 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 Financial Supervisory Commission FSC did not have any material impact on the Company's accounting policies:

   1) Annual Improvements to IFRSs 2010-2012 Cycle

      IFRS 3 "Business Combinations" was amended in this annual improvement.

      IFRS 3 was amended to clarify that contingent consideration should be measured at fair value, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39. Changes in fair value should be recognized in profit or loss. The amendment will be applied prospectively to business combinations with acquisition dates on or after January 1, 2017. For related disclosures, refer to Note 30.

2) Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed and issued into effect by the FSC. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include an emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president of the Company, or is the spouse or second immediate family of the chairman of the board of directors or president of the Company are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationships with whom the Company has significant transactions. If the transaction amount or balance with a specific related party is 10% or more of the Company's respective total transactions or balance, such transactions should be separately disclosed by the name of each related party.

The amendments also require additional disclosures if there is a significant difference between the actual operation conditions after business combinations and the expected benefits on the acquisition dates.

When the amendments are applied retrospectively starting from January 1, 2017, the disclosures of related party transactions are enhanced. Refer to Note 35 for the related disclosures.

b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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
Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	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 IFRS 15 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 amendments to IAS 28 are retrospectively applied for annual periods beginning on or after January 1, 2018.

1) IFRS 9 "Financial Instruments" and related amendments

Classification, measurement and impairment of financial assets

With regard to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Company's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

a) For debt instruments, if they are held within a business model whose objective is to collect contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with any impairment loss recognized in profit or loss. Interest revenue is recognized in profit or loss by using the effective interest method; and

b) For debt instruments, if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gains or losses shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Company may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally 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 the assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9:

a) Unlisted stocks measured at cost will be measured at fair value instead. The fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal.

b) Debt investments classified as debt investments with no active market and measured at amortized cost will be classified as measured at amortized cost because, on initial recognition, the contractual cash flows that are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is to collect contractual cash flows.

IFRS 9 requires impairment loss on financial assets to be recognized by using the "Expected Credit Losses Model". A loss allowance is required for financial assets measured at amortized cost, investments in debt instruments measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 "Revenue from Contracts with Customers", certain written loan commitments and financial guarantee contracts. A loss allowance for 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 a preliminary assessment in which it will apply the simplified approach to recognize full-lifetime expected credit losses for trade receivables. In relation to debt instrument investments and financial guarantee contracts, the Company will assess whether there has been a significant increase in credit risk to determine whether to recognize 12-month or full-lifetime expected credit losses. In general, the Company anticipates that the application of the expected credit losses model of IFRS 9 will result in an earlier recognition of credit losses for financial assets.

The Company elects not to restate prior reporting periods when applying the requirements for the classification, 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.

The anticipated impact on assets, liabilities and equity of retrospective application of the requirements for the classification, measurement and impairment of financial assets as of January 1, 2018 is set out below:

	Carrying Amount as of December 31, 2017	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2018**
Impact on assets, liabilities and equity			
Debt investments with no active market - current	$ 36,236	$ (36,236)	$ -
Financial assets measured at amortized cost - current	-	36,236	36,236
Financial assets measured at cost - non-current	239,640	(239,640)	-
Financial assets at fair value through other comprehensive income - non-current	-	227,319	227,319
Total effect on assets	$ 275,876	$ (12,321)	$ 263,555
Retained earnings	$ 2,999,479	$ 32,012	$ 3,031,491
Other equity	(696,978)	(44,333)	(741,311)
Total effect on equity	$ 2,302,501	$ (12,321)	$ 2,290,180

2) 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 recognizes 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 Company satisfies a performance obligation.

There would be no material impact on the Company's consolidated financial statements if the Company were to retrospectively apply IFRS 15.

3) 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 the Company 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 Company 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 consolidated financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will not have on the Company's consolidated financial position and financial performance and will disclose the relevant impact when the assessment is completed.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 16 "Leases"	January 1, 2019 (Note 3)
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 4)
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.

Note 4: The Company shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The amendments stipulate that, when the Company sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Company loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Company sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors' interest in the associate or joint venture, i.e. the Company's share of the gain or loss is eliminated. Also, when the Company loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors' interest in the associate or joint venture, i.e. the Company's share of the gain or loss is eliminated.

2) 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 consolidated 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 leases under IAS 17 to low-value and short-term leases. On the consolidated statements of comprehensive income, the Company should present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed by using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating 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.

3) IFRIC 23 "Uncertainty Over Income Tax Treatments"

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Company should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Company concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Company should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Company should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the Company expects to better predict the resolution of the uncertainty. The Company has to reassess its judgments and estimates if facts and circumstances change.

On initial application, the Company shall apply IFRIC 23 either retrospectively to each prior reporting period presented, if this is possible without the use of hindsight, or retrospectively with the cumulative effect of the initial application of IFRIC 23 recognized at the date of initial application.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will not have significant impact to the Company's consolidated financial position and financial performance.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China (ROC). 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 consolidated financial statements shall prevail. However, the consolidated financial statements do not include the English translation of the additional footnote disclosures that are not required under IFRSs but are required by the FSC for their oversight purposes.

a. 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 and issued into effect by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that 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.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs, are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) 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:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period; and

3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 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.

d. Basis of consolidation

Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of BizLink and the entities controlled by BizLink (i.e. its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of BizLink and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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 non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of BizLink.

See Note 12 for the detailed information of subsidiaries (including the percentages of ownership and main businesses).

e. Business combinations

The acquisition of businesses is accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred and the fair value of the acquirer's previously held interests in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation may be initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. Other types of non-controlling interests are measured at fair value.

Where the consideration the Company transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gains on bargain purchases. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. The measurement period does not exceed 1 year from the acquisition date.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

f. Foreign currencies

In preparing the financial statements of each individual entity within the Company, transactions in currencies other than the entity's functional currency (i.e. 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. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period.

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 arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from 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 at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company and its foreign operations (including of the subsidiaries, associates or branches operating in other countries or currencies used are different from BizLink's currency) are translated into New Taiwan dollars 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, and the resulting currency translation differences are recognized in other comprehensive income.

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in BizLink losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

g. Inventories

Inventories of raw materials, work in progress and finished goods and merchandise are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to Company similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

h. Investment in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The Company uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of equity of associates.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company subscribes for additional new stocks of the 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 associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in the Company's share of the equity of associates. If the Company's ownership interest is reduced due to the additional subscription of the new stocks of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Company's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from 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 on which an investee ceases to be an associate. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Company continues to apply the equity method and does not remeasure the retained interest.

When an entity within the Company transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company's consolidated financial statements only to the extent of interests in the associate of entities that are not related to the Company.

i. Property, plant and equipment

Property, plant and equipment are stated at cost less recognized accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

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.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

k. Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

l. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date. Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

m. 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.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. 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, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

n. Financial instruments

Financial assets and financial liabilities are recognized when an entity within the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. 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.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement category

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

i. Financial assets at fair value through profit or loss

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

A financial asset may be designated as at fair value through profit or loss upon initial recognition if:

i) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

ii) The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and has performance evaluated on a fair value basis in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

iii) The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at fair value through profit or loss.

Fair value is determined in the manner described in Note 34.

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. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on the financial asset.

Fair value is determined in the manner described in Note 34.

ii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amounts of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method 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 and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

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 investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

iii. Loans and receivables

Loans and receivables (including trade receivables, cash and cash equivalents, debt investments with no active market and other financial assets) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalents include time deposits with original maturities within three months from the date of acquisition, highly liquid, readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. 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 asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, such as trade receivables, debt investments with no active market or other financial assets, such assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized 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 was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as default or delinquency in interest or principal payments, it becomes probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for that financial asset because of financial difficulties.

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 period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, the impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For financial assets that are 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. Trade receivables that are considered uncollectible are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible trade receivables and other receivables that are written off against the allowance account.

c) Derecognition of financial assets

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

On derecognition of a financial asset in its entirety, the difference between the 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 is recognized in profit or loss.

2) Equity instruments

Debt and equity instruments issued by an entity within 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 issued by an entity within the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of BizLink's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of BizLink's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except the following situations, all financial liabilities are carried at amortized cost using the effective interest method:

<u>Financial liabilities at fair value through profit or loss</u>

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

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any interest or dividends paid on the financial liability. Fair value is determined in the manner described in Note 34.

b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4) Convertible bonds

a) The component parts of overseas convertible bonds issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to capital surplus - share premium. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premium.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

b) The conversion options component of the domestic convertible bonds issued by the Company that will be settled other than by the exchange of a fixed amount of cash or other financial asset for a fixed number of the Company's own equity instruments is classified as derivative financial liabilities.

On initial recognition, the derivative financial liabilities component of the convertible bonds is recognized at fair value, and the initial carrying amount of the component of non-derivative financial liabilities is determined by deducting the amount of derivative financial liabilities from the fair value of the hybrid instrument as a whole. In subsequent periods, the non-derivative financial liabilities component of the convertible bonds is measured at amortized cost using the effective interest method. The derivative financial liabilities component is measured at fair value and the changes in fair value are recognized in profit or loss.

Transaction costs that relate to the issue of the convertible notes are allocated to the derivative financial liabilities component and the non-derivative financial liabilities component in proportion to their relative fair values. Transaction costs relating to the derivative financial liabilities component are recognized immediately in profit or loss. Transaction costs relating to the non-derivative financial liabilities component are included in the carrying amount of the liability component.

5) Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, and raw materials price valuation risks, including foreign exchange forward contracts and copper futures contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at fair value through profit or loss.

o. 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. Sales returns are recognized at the time of sale provided the seller can reliably estimate future returns and recognizes a liability for returns based on previous experience and other relevant factors.

1) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

a) The Company has transferred to the buyer the significant risks and rewards of ownership of goods;

b) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c) The amount of revenue can be measured reliably;

d) It is probable that the economic benefits associated with the transaction will flow to the Company; and

e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Company does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve transfer of risks and rewards of materials ownership.

2) Dividend and interest income

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 the effective interest rate applicable.

p. Leasing

Leases are classified as finance leases 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.

1) The Company as lessor

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

Lease incentives included in the operating lease are recognized as an asset. The aggregate cost of incentives is recognized as a reduction of rental income on a straight-line basis.

2) The Company as lessee

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

3) Leasehold land for own use

When a lease includes both land and building elements, the Company assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Company. The minimum lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

q. Government grants

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

r. Employee benefits

1) 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 the related service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

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, the effect of the changes to the asset ceiling 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 (asset) represents the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

s. Stock-based payment arrangements

Employee stock options granted to employee

The fair value at the grant date of the employee stock options is expensed on a straight-line basis over the vesting period, based on the Company's best estimates of the number of stocks or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee stock options. It is recognized as an expense in full at the grant date if vesting immediately.

At the end of each reporting period, the Company revises its estimate of the number of employee stock options expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital surplus - employee stock options.

Restricted stocks for employees

The fair value at the grant date of the restricted stocks for employees is expensed on a straight-line basis over the vesting period, based on the Company's best estimates of the number of stocks or options that are expected to ultimately vest, with a corresponding increase in other equity - unearned employee benefit. It is recognized as an expense in full at the grant date if vesting immediately.

When restricted stocks for employees are issued, other equity - unearned employee benefits is recognized on the grant date, with a corresponding increase in capital surplus - restricted stocks for employees. If restricted stocks for employees are granted for consideration and should be returned, they are recognized as payables. Dividends paid to employees on restricted stocks that do not need to be returned if employees resign in the vesting period are recognized as expenses when the dividends are declared with a corresponding adjustment in retained earnings and capital surplus - restricted stocks for employees.

At the end of each reporting period, the Company revises its estimate of the number of restricted stocks for employees expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital surplus - restricted stocks for employees.

t. Taxation

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

1) Current tax

For the subsidiaries incorporated within the territory of the Republic of China, according to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the stockholders approve to retain the earnings.

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

2) 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, unused loss carryforward and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures 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 and interests 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 asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow 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 period in which the liabilities are settled or the assets are realized, based on tax rates 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.

3) 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. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management 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 period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Impairment of tangible and intangible assets and goodwill from home appliances division acquisition

Determining whether tangible and intangible assets and goodwill from the acquisition of the home appliances division are impaired requires an estimation of the value in use of the cash-generating units to which the assets have been allocated. The calculation of the value in use requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate their present values. Where the actual future cash flows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2017	2016
Cash on hand	$ 1,107	$ 1,675
Checking accounts and demand deposits	1,655,724	1,313,888
Cash equivalents		
Time deposits investments with original maturities of less than 3 months	27,587	1,101,976
	$ 1,684,418	$ 2,417,539

The range of interest rates for deposits in banks on the balance sheet date were as follows:

	December 31	
	2017	2016
Deposits	0%-1.76%	0.001%-3.25%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2017	2016
Financial assets - current		
Financial assets held for trading		
Derivative financial assets (not under hedge accounting)		
Copper futures contracts (a)	$ 5,987	$ -
Foreign exchange forward contract (b)	12,214	-
Non-derivative financial assets		
Domestic and foreign quoted stocks	2,151	2,227
	$ 20,352	$ 2,227
Financial liabilities - current		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Convertible bond options (Note 21)	$ -	$ 5,521

a. At the end of the reporting period, outstanding future contracts not under hedge accounting were as follows:

The Company entered into future copper contracts to avoid the risk of inventory pricing fluctuations in 2017.

	Maturity Date	Weight	Amount (In Thousands)
December 31, 2017	2018.01-2018.04	550 tons	$ 133,548 (RMB 29,255)

b. At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
December 31, 2017			
Sell	USD/RMB	2018.1-2018.4	USD26,000/RMB172,589

8. FINANCIAL ASSETS MEASURED AT COST

	December 31	
	2017	2016
Non-current		
Unlisted common stocks	$ 239,640	$ 152,054
Classified according to financial asset measurement categories		
Available-for-sale financial assets	$ 239,640	$ 152,054

Management believed that the fair value of the above unlisted equity investments held by the Company cannot be reliably measured due to the significant range of reasonable fair value estimates; therefore they were measured at cost at the end of reporting period.

The Company evaluated the financial assets measured at cost by future cash flows and recognized impairment loss of NT$12,969 thousand (US$400,000) during 2016. The impairment loss was recognized in other gains and losses in the consolidated statements of comprehensive income.

9. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	December 31	
	2017	2016
Current		
Time deposits with maturities longer than 3 months	$ 36,236	$ 1,133,141
Structured deposits	-	61,367
	$ 36,236	$ 1,194,508

a. The intervals of market interest rates of the time deposits with original maturities of more than 3 months were 0.25%-4.15% and 1.03%-3.85% per annum, respectively, as of December 31, 2017 and 2016.

b. The Company signed 181-day principal-guaranteed structured deposit contract including an embedded derivative with main contract closely, and the interest rate range was 0.00%-2.86% per annum.

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2017	2016
Notes receivable and trade receivables		
Notes receivable - operating	$ 178,592	$ 3,410
Trade receivables	$ 4,370,526	$ 2,116,562
Less: Allowance for impairment loss	(30,774)	(15,159)
	$ 4,339,752	$ 2,101,403
Other receivables		
Tax refund receivable	$ 132,395	$ 60,133
Others	10,487	9,510
	$ 142,882	$ 69,643

a. Notes receivable

The average credit period on notes receivable outstanding was 90 to 180 days. In determining the recoverability of notes receivable, the Company considered any change in the credit quality of the notes receivable since the date credit was initially granted to the end of the reporting period. Based on historical experience, the Company did not recognize any allowance for bad debts. The Company uses its past experience with counterparties and analyzes their current financial situations in order to estimate any unrecoverable amount.

There were no overdue notes receivable and no allowance for bad debts recognized on notes receivable as of December 31, 2017 and 2016.

b. Trade receivables

The average credit period on sales of goods was 0 to 120 days after the end of the month in which sales occur. The Company recognized an allowance for impairment loss of 100% against all receivables over 365 days because historical experience had been that receivables that are past due beyond 365 days were not recoverable. Allowance for impairment loss is recognized against trade receivables between 120 days and 365 days after the end of the month based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

For the trade receivables balances that were past due at the end of the reporting period (refer to the below schedule), the Company did not recognize an allowance for impairment loss because there was no significant change in the credit quality and the amounts were still considered recoverable. The Company did not hold any collateral or other credit enhancements for these balances.

The aging of accounts receivable was as follows:

	December 31	
	2017	**2016**
Not overdue	$ 3,830,917	$ 1,813,151
Past due 1-60 days	381,125	212,882
Past due 61-90 days	55,768	33,217
Past due over 90 days	102,716	57,312
	$ 4,370,526	$ 2,116,562

The above aging schedule was based on the past due days from the end of the credit term.

The aging of receivables that were past due but not impaired was as follows:

	December 31	
	2017	**2016**
Less than and including 60 days	$ 381,125	$ 212,882
61-90 days	55,768	33,217
More than 90 days	71,942	42,153
	$ 508,835	$ 288,252

The above aging schedule was based on the past due days from the end of the credit term.

Movements in the allowance for impairment loss recognized on trade receivables were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2016	$ 12,997	$ -	$ 12,997
Add: Impairment losses recognized on receivables	1,515	-	1,515
Less: Amounts written off during the period as uncollectible	(135)	-	(135)
Acquisitions through business combination	280	-	280
Foreign exchange translation gains and losses	502	-	502
Balance at December 31, 2016	$ 15,159	$ -	$ 15,159
Balance at January 1, 2017	$ 15,159	$ -	$ 15,159
Add: Impairment losses recognized on receivables	12,871	-	12,871
Less: Amounts written off during the period as uncollectible	(205)	-	(205)
Acquisitions through business combination	3,918	-	3,918
Foreign exchange translation gains and losses	(969)	-	(969)
Balance at December 31, 2017	$ 30,774	$ -	$ 30,774

The Company recognized impairment loss on trade receivables amounting NT$30,774 thousand and NT$15,159 thousand as of December 31, 2017 and 2016, respectively. The Company did not hold any collateral over these balances.

b. Other receivables

For the other receivables balances that were past due at the end of the reporting period, the Company did not recognize an allowance for impairment loss because there was no significant change in credit quality and the amounts were still considered recoverable.

11. INVENTORIES

	December 31	
	2017	2016
Raw materials	$ 1,125,421	$ 556,247
Work in progress	202,294	109,971
Finished goods and merchandise	1,912,451	1,007,833
	$ 3,240,166	$ 1,674,051

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2017 and 2016 was NT$11,793,802 thousand and NT$6,464,482 thousand, respectively. The cost of goods sold included write-down of inventories of NT$64,641 thousand and NT$16,794 thousand, respectively.

12. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

			% of Ownership December 31		
Investor	Investee	Main Business	2017	2016	Remark
BizLink Holding Inc.	BizLink Technology Inc.	(1) Wholesale and retail of cable assemblies, power cords and connectors, (2) wholesale and retail of computer peripheral products and electronic materials, and (3) international trade.	100.00	100.00	
	OptiWorks Inc.	(1) Wholesale and retail of fiber optical passive components and fiber optical cables, (2) international trade, and (3) various investment activities.	100.00	100.00	
	BizLink (BVI) Corp.	(1) Wholesale and retail of cable assemblies, connectors, power cords, (2) wholesale and retail of computer peripheral products and electronic materials, (3) international trade, and (4) various investment activities.	100.00	100.00	
	BizLink International Corp.	(1) Wholesale of cable assemblies, connectors and power cords, (2) international trade, and (3) financial center for BizLink's Asian operations.	100.00	100.00	
	Zellwood International Corp.	Various investment activities.	100.00	100.00	
	BizLink Technology (S.E.A.) Sdn. Bhd.	(1) Design, manufacture and sale of cable assemblies, power cords, and telecommunications equipment, (2) wholesale and retail of computer peripheral products and electronic materials, and (3) international trade.	100.00	100.00	
	Adel Enterprises Corp.	(1) Wholesale and retail of cable assemblies, connectors, and power cords, (2) wholesale and retail of computer peripheral products and electronic materials, and (3) international trade.	100.00	100.00	
	BizLink Tech Inc.	(1) Design, manufacture, and sale of cable assemblies, (2) wholesale and retail of computer peripheral products and electronic materials, (3) production of fiberfill moldings, and (4) international business trade.	100.00	100.00	
	Accell Corp.	(1) Wholesale and retail of brand name connectors, cables and telecommunications equipment, (2) wholesale and retail of computer peripheral products and electronic materials, and (3) its own brand name.	100.00	100.00	
	BizLink Technology (Ireland) Ltd.	(1) Wholesale and retail of cable assemblies, power cords and connectors, (2) wholesale and retail of computer peripheral products and electronic materials, and (3) international trade.	100.00	100.00	
	BizLink Japan	(1) Wholesale and retail of cable assemblies, power cords and connectors, (2) wholesale and retail of computer peripheral products and electronic materials, and (3) international trade.	100.00	100.00	
	Bizwide Limited	Various investment activities.	100.00	100.00	
	Bizconn Technology Inc.	(1) Wholesale and retail of cable assemblies, power cords and connectors, (2) wholesale and retail of computer peripheral products and electronic materials, and (3) international trade.	100.00	100.00	a
	EA Cable Assemblies (Hong Kong) Co., Limited	Various investment activities.	100.00	-	b
	EA Cable Assemblies GmbH	(1) Wholesale and retail of cable assemblies, power cords and connectors, and (2) international trade.	100.00	-	b
	BizLink Technology (Belgium) NV	(1) Wholesale and retail of cable assemblies, power cords and connectors, and (2) international trade.	100.00	-	b
	BizLink Technology (Slovakia) S.R.O.	(1) Manufacture and assembly of cable harnesses for electrical appliance, and (2) wholesale and retail of cable assemblies and power cords.	100.00	-	b
	OW Holding Inc.	Various investment activities.	100.00	-	c
BizLink Technology Inc.	Bobi, LLC	Various leasing activities.	100.00	100.00	
OptiWorks, Inc.	OptiWorks (Shanghai) Limited	(1) Manufacture, wholesale and retail of fiber optical passive components and fiber optical cables, and (2) international trade.	100.00	100.00	
	OptiWorks (Kunshan) Limited	(1) Production and development of optical communications optoelectronic devices, components and modules, and (2) sale of own products.	100.00	100.00	
BizLink (BVI) Corp.	Hwa Zhan Electronics Corp. (Shen Zhen)	Production and operations of computers and communications cables, connectors and fiber jumpers.	100.00	100.00	
	Jo Yeh Company Limited	(1) Wholesale and retail of connectors, and (2) international trade.	100.00	100.00	d
Jo Yeh Company Limited	Foshan Nanhai Jo Yeh Electronic Co., Ltd.	Production and operations of electrical appliances, electronic equipment, and plug-in connectors.	100.00	100.00	d

(Continued)

Investor	Investee	Main Business	% of Ownership December 31 2017	2016	Remark
Zellwood International Corp.	Bizconn International Corp. (Samoa)	Various investment activities.	100.00	100.00	
	BizLink International Electronics (Shen Zhen) Co., Ltd.	Design, manufacture, sale and assembly of connectors, cables assemblies.	-	100.00	e
	BizLink (Kun Shan) Co., Ltd.	Design, manufacture and sale of cable assemblies, connectors and power cords.	100.00	100.00	
Bizconn International Corp.	Bizconn International Corp. (China)	Design, manufacture, sale and assembly of connectors, tooling and cable assemblies.	100.00	100.00	
Adel Enterprise Corp.	BizLink Electronics (Xiamen) Co., Ltd.	Manufacture and assembly of power cords and cables.	100.00	100.00	
	Asia Wick Ltd.	Various investment activities.	100.00	100.00	
Asia Wick Ltd.	TongYing Electronics (Shen Zhen) Ltd.	Manufacture of wire extrusions and cable assemblies.	100.00	100.00	
Bizwide Limited	Xiang Yao Electronics (Shen Zhen) Co., Ltd.	Design, manufacture and sale of cable assemblies, power cords, and connectors.	100.00	100.00	
BizLink Technology (S.E.A.) Sdn. Bhd.	BizLink Interconnect Technology (India) Private Limited	(1) Design, manufacture, and sale of cable assemblies, power cords, and telecommunications equipment. (2) wholesale and retail of computer peripheral products and electronic materials, and (3) international trade.	100.00	100.00	
BizLink Technology (Slovakia) S.R.O.	BizLink Technology SRB D.O.O.	(1) Manufacture and assembly of connectors and cable assemblies, and (2) wholesale and retail of cable assemblies, connectors and power cords.	100.00	-	b
EA Cable Assemblies (Hong Kong) CO., Limited	BizLink Technology (Chang Zhou) Limited	(1) Manufacture of smart instrumentational sensors, instrumentational connectors and instrumentational functional materials, (2) sale of own products, and (3) import and export business.	100.00	-	b
	BizLink Technology (Xiamen) Limited	(1) Manufacture of smart instrumentational sensors, instrumentational connectors, and instrumentational functional materials, (2) sale of own products, and (3) import and export business.	100.00	-	b

(Concluded)

a. Bizconn Technology Inc. is not yet in operation.

b. EA Cable Assemblies (Hong Kong) Co., Limited, EA Cable Assemblies GmbH, BizLink Technology (Belgium) NV, BizLink Technology (Slovakia) S.R.O., BizLink Technology SRB D.O.O., BizLink Technology (Chang Zhou) Limited and BizLink Technology (Xiamen) Limited were acquired in May 2017.

c. OW Holding Inc. was established in July 2017.

d. Jo Yeh Company Limited and Foshan Nanhai Jo Yeh Electronic Co., Ltd. were acquired in November 2016.

e. BizLink International Electronics (Shen Zhen) Co., Ltd. was liquidated in September 2017.

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in Associate

	December 31 2017	2016
Non-public company	$ 18,792	$ 3,209

Aggregate information of associates that are not individually material:

	For the Year Ended December 31	
	2017	2016
The Company's share of:		
Loss from continuing operations	$ (886)	$ (520)
Total comprehensive loss for the year	$ (886)	$ (520)

In April of 2013, the Company subscribed 923 stocks of Arise Solution Inc. through a private placement for cash of US$96 thousand; after the subscription, the Company's percentage of ownership in Arise Solution Inc. was 48% and the Company was able to exercise significant influence over Arise Solution Inc. Included in the cost of investment in associates was goodwill of NT$1,210 thousand which arose from the acquisition of Arise Solution Inc.

In October of 2017, the Company subscribed 2,000,000 stocks for additional new stocks of Siriustek Inc. through a private placement for cash of NT$20,000 thousand; after the subscription, the Company's percentage of ownership in Siriustek Inc. was 40% and the Company was able to exercise significant influence over Siriustek Inc. Included in the cost of investment in associates was goodwill of NT$6,991 thousand recognized from the acquisition of Siriustek Inc.

In 2016, the Company held a 48% interest in Arise Solution Inc. and accounted for the investment as an associate. In April 2017, the Company sold 100% of its interest to a third party for proceeds of NT$1,457 thousand (received in May 2017) and thus ceased to have significant influence. This transaction resulted in the recognition of a loss in profit or loss, calculated as follows:

Proceeds of disposal	$ 1,457
Less: Carrying amount of investment on the date of disposal	(2,974)
Loss recognized	$ (1,517)

The investments accounted for by the equity method and the share of profit or loss and other comprehensive income of the investment were calculated based on the financial statements that have not been audited. Management believes there is no material impact on the equity method accounting or the calculation of the share of profit or loss and other comprehensive income from the financial statements of Arise Solution Inc. and Siriustek Inc. that have not been audited.

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Transportation	Other Equipment	Total
Cost						
Balance at January 1, 2016	$ 236,618	$ 637,791	$ 1,101,861	$ 19,264	$ 209,641	$ 2,205,175
Additions	219,888	154,933	101,274	3,186	56,694	535,975
Disposals	-	(2,317)	(43,258)	(2,466)	(24,522)	(72,563)
Reclassification (a)	-	53,416	7,955	-	364	61,735
Acquisitions through business combination	-	48,334	19,543	1,063	3,354	72,294
Effect of foreign currency exchange differences	(3,331)	(26,275)	(90,826)	(1,449)	(14,806)	(136,687)
Transfer to investment property	(43,735)	(108,062)	-	-	-	(151,797)
Balance at December 31, 2016	$ 409,440	$ 757,820	$ 1,096,549	$ 19,598	$ 230,725	$ 2,514,132

(Continued)

	Freehold Land	Buildings	Machinery and Equipment	Transportation	Other Equipment	Total
Accumulated depreciation and impairment						
Balance at January 1, 2016	$ -	$ 199,499	$ 548,049	$ 9,639	$ 129,921	$ 887,108
Disposals	-	(528)	(32,955)	(1,244)	(21,892)	(56,619)
Depreciation expense	-	33,642	131,604	2,364	28,824	196,434
Acquisitions through business combination	-	6,110	15,036	980	2,789	24,915
Effect of foreign currency exchange differences	-	(13,623)	(49,100)	(772)	(9,214)	(72,709)
Transfer to investment property	-	(19,396)	-	-	-	(19,396)
Balance at December 31, 2016	$ -	$ 205,704	$ 612,634	$ 10,967	$ 130,428	$ 959,733
Carrying amounts at December 31, 2016	$ 409,440	$ 552,116	$ 483,915	$ 8,631	$ 100,297	$ 1,554,399
Cost						
Balance at January 1, 2017	$ 409,440	$ 757,820	$ 1,096,549	$ 19,598	$ 230,725	$ 2,514,132
Additions	-	59,769	133,693	1,326	95,741	290,529
Disposals	-	(427)	(61,646)	(844)	(19,228)	(82,145)
Reclassification (b)	-	41,451	29,933	611	11,512	83,507
Acquisitions through business combination	-	-	876,757	-	233,348	1,110,105
Effect of foreign currency exchange differences	(10,536)	(30,313)	32,179	(369)	3,925	(5,114)
Transfer to investment property	(51,120)	(50,707)	-	-	-	(101,827)
Balance at December 31, 2017	$ 347,784	$ 777,593	$ 2,107,465	$ 20,322	$ 556,023	$ 3,809,187
Accumulated depreciation and impairment						
Balance at January 1, 2017	$ -	$ 205,704	$ 612,634	$ 10,967	$ 130,428	$ 959,733
Disposals	-	(427)	(48,487)	(719)	(16,843)	(66,476)
Depreciation expense	-	31,397	175,384	2,050	61,865	270,696
Reclassification	-	-	(1,325)	-	1,325	-
Acquisitions through business combination	-	-	422,555	-	118,617	541,172
Effect of foreign currency exchange differences	-	(5,609)	24,638	(192)	4,001	22,838
Transfer to investment property	-	(13,889)	-	-	-	(13,889)
Balance at December 31, 2017	$ -	$ 217,176	$ 1,185,399	$ 12,106	$ 299,393	$ 1,714,074
Carrying amounts at December 31, 2017	$ 347,784	$ 560,417	$ 922,066	$ 8,216	$ 256,630	$ 2,095,113

(Concluded)

a. Reclassified from other non-current assets - prepayments for equipment to property, plant and equipment in the amount of NT$61,735 thousand for the year ended December 31, 2016.

b. Reclassified from other non-current assets - prepayments for equipment and inventory to property, plant and equipment in the amount of NT$72,159 thousand and NT$11,348 thousand, respectively, for the years ended December 31, 2017 and 2016.

No impairment assessment was performed for the years ended December 31, 2017 and 2016 as there was no indication of impairment.

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the asset as follows:

Buildings	
Main buildings	20-55 years
Construction appurtenances	2-20 years
Machinery and equipment	2-23 years
Transportation	2-10 years
Other equipment	2-10 years

Refer to Note 36 for the carrying amount of property, plant and equipment pledged by the Company to secure borrowings granted to the Company.

15. INVESTMENT PROPERTIES

	Freehold Land	Buildings	Total
Cost			
Balance at January 1, 2016	$ -	$ -	$ -
Transferred from property, plant and equipment	43,735	108,062	151,797
Effect of foreign currency exchange differences	(20)	(49)	(69)
Balance at December 31, 2016	$ 43,715	$ 108,013	$ 151,728
Accumulated depreciation and impairment			
Balance at January 1, 2016	$ -	$ -	$ -
Depreciation expense	-	1,385	1,385
Transferred from property, plant and equipment	-	19,396	19,396
Effect of foreign currency exchange differences	-	(9)	(9)
Balance at December 31, 2016	$ -	$ 20,772	$ 20,772
Carrying amounts at December 31, 2016	$ 43,715	$ 87,241	$ 130,956
Cost			
Balance at January 1, 2017	$ 43,715	$ 108,013	$ 151,728
Transferred from property, plant and equipment	51,120	50,707	101,827
Effect of foreign currency exchange differences	(3,375)	(8,083)	(11,458)
Balance at December 31, 2017	$ 91,460	$ 150,637	$ 242,097
Accumulated depreciation and impairment			
Balance at January 1, 2017	$ -	$ 20,772	$ 20,772
Depreciation expense	-	3,739	3,739
Transferred from property, plant and equipment	-	13,889	13,889
Effect of foreign currency exchange differences	-	(1,640)	(1,640)
Balance at December 31, 2017	$ -	$ 36,760	$ 36,760
Carrying amounts at December 31, 2017	$ 91,460	$ 113,877	$ 205,337

The above items of investment properties are depreciated on a straight-line basis over the estimated useful life of the asset as follows:

Building	
Main buildings	39-55 years
Construction appurtenance	5-10 years

The determination of fair value was performed by the management of the Company by using the valuation model that market participants would use in determining the fair value. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

	December 31	
	2017	2016
Fair value	$ 309,421	$ 168,592

Refer to Note 36 for the carrying amount of investment properties pledged by the Company to secure borrowings granted.

16. GOODWILL

	For the Year Ended December 31, 2017
Cost	
Balance at January 1	$ -
Additional amounts recognized from business combinations occurring during the period (Note 30)	325,731
Effects of foreign currency exchange differences	47,363
Balance at December 31	$ 373,094
Accumulated impairment losses	
Balance at January 1	$ -
Effects of foreign currency exchange differences	-
Balance at December 31	$ -
Carrying amounts at January 1	$ -
Carrying amounts at December 31	$ 373,094

In January 2017, the board of directors resolved to acquire Leoni AG's Electrical Appliance Assemblies business group on May 2, 2017 and recognized goodwill of EUR10,489 thousand (translated into NT$373,094 thousand on December 31, 2017). Any excess of the cost of acquisition over the Company's share of the net fair value of the obtained identifiable assets and liabilities is recognized as goodwill on the acquisition date with provisional prices determined based on the purchase pricing allocation report. The Company will conduct impairment tests on goodwill related to the identified cash generating units regularly in accordance with the recoverable amount based on a discounted cash flow analysis.

17. OTHER INTANGIBLE ASSETS

	Patent	Computer Software	Trademark	Customer Relationships	Core Technology	Total
Cost						
Balance at January 1, 2016	$ 16,430	$ 159,895	$ 63	$ -	$ -	$ 176,388
Additions	9,679	20,499	-	-	-	30,178
Reclassification (a)	-	24,755	-	-	-	24,755
Effect of foreign currency exchange differences	(309)	(13,305)	-	-	-	(13,614)
Balance at December 31, 2016	$ 25,800	$ 191,844	$ 63	$ -	$ -	$ 217,707
Accumulated depreciation and impairment						
Balance at January 1, 2016	$ 15,910	$ 65,557	$ 46	$ -	$ -	$ 81,513
Amortization expense	1,519	22,406	6	-	-	23,931
Effect of foreign currency exchange differences	(296)	(5,310)	-	-	-	(5,606)
Balance at December 31, 2016	$ 17,133	$ 82,653	$ 52	$ -	$ -	$ 99,838
Carrying amounts at December 31, 2016	$ 8,667	$ 109,191	$ 11	$ -	$ -	$ 117,869
Cost						
Balance at January 1, 2017	$ 25,800	$ 191,844	$ 63	$ -	$ -	$ 217,707
Additions	-	20,393	-	-	-	20,393
Acquisition through business combination	-	22,210	-	236,808	167,739	426,757
Reclassification (b)	-	12,541	-	-	-	12,541
Disposals	-	(1,988)	-	-	-	(1,988)
Effect of foreign currency exchange differences	(1,992)	(3,115)	-	14,985	9,522	19,400
Balance at December 31, 2017	$ 23,808	$ 241,885	$ 63	$ 251,793	$ 177,261	$ 694,810
Accumulated depreciation and impairment						
Balance at January 1, 2017	$ 17,133	$ 82,653	$ 52	$ -	$ -	$ 99,838
Amortization expense	1,826	27,026	6	25,085	14,622	68,565
Acquisition through business combination	-	14,843	-	-	-	14,843
Disposals	-	(1,956)	-	-	-	(1,956)
Effect of foreign currency exchange differences	(1,363)	(1,380)	-	548	307	(1,888)
Balance at December 31, 2017	$ 17,596	$ 121,186	$ 58	$ 25,633	$ 14,929	$ 179,402
Carrying amounts at December 31, 2017	$ 6,212	$ 120,699	$ 5	$ 226,160	$ 162,332	$ 515,408

a. Reclassified other non-current assets - prepayments for equipment to intangible assets in the amount of NT$24,755 thousand for the year ended December 31, 2016.

b. Reclassified other non-current assets - prepayments for equipment to intangible assets in the amount of NT$12,541 thousand for the year ended December 31, 2017.

The above items of intangible assets are amortized on a straight-line basis over the estimated useful life of the asset as follows:

Patent	5 years
Computer software	3-10 years
Trademark	10 years
Customer relationships	7.5 years
Core technology	6.5 years

18. PREPAYMENTS FOR LEASES

	December 31	
	2017	2016
Current assets (included in prepayments)	$ 1,251	$ 1,346
Non-current assets	38,605	40,673
	$ 39,856	$ 42,019

As of December 31, 2017 and 2016, prepaid lease payments included land use rights with carrying amounts of NT$39,586 thousand and NT$42,019 thousand, respectively, which are located in mainland China.

19. OTHER ASSETS

	December 31	
	2017	2016
Current		
Prepayments (including prepayments for leases)	$ 217,310	$ 144,985
Others	2,126	-
	$ 219,436	$ 144,985
Non-current		
Prepayments for equipment	$ 60,031	$ 72,868
Prepayments for investments	33,034	-
Refundable deposits (Note 35)	50,567	36,880
Long-term notes receivable	-	-
	$ 143,632	$ 109,748

The Company evaluated the long-term notes receivable by future cash flows and recognized impairment loss NT$9,727 thousand (US$300,000) during 2016. The impairment loss had been recognized in other gains and losses in the consolidated statements of comprehensive income.

20. BORROWINGS

a. Short-term borrowings

	December 31 2017	December 31 2016
Secured borrowings (Note 36)		
Bank loans	$ 64,500	$ 64,500
Unsecured borrowings		
Bank loans	841,422	-
	$ 905,922	$ 64,500

The range of interest rates on bank loans was 0.31%-2.28% and 1.15%-1.40% per annum as of December 31, 2017 and 2016, respectively.

b. Long-term borrowings and current portion of long-term borrowings

	December 31 2017	December 31 2016
Secured borrowings (Note 36)		
Bank loans	$ 381,441	$ 405,703
Less: Current portion (due in one year)	(6,904)	(31,721)
	374,537	373,982
Unsecured borrowings		
Bank loans	148,800	-
Less: Current portion (due in one year)	(119,040)	-
	29,760	-
Long-term borrowings	$ 404,297	$ 373,982

In February 2016 and May 2014, the long-term secured borrowings were provided with collateral in the form of freehold land and buildings valued at NT$237,980 thousand and US$5,800 thousand, respectively. Such loans are due in January 2026 and May 2021, respectively. As of December 31, 2017 and 2016, the annual effective interest rate range was 1.41%-3.09% and 1.40%-2.56%, respectively, per annum.

21. BONDS PAYABLE

	December 31 2017	December 31 2016
Overseas unsecured bonds	$ -	$ 2,007,563
Less: Unamortized bond discount	-	(148,298)
	$ -	$ 1,859,265

a. On February 3, 2016, BizLink issued the first five-year unsecured, zero-coupon overseas convertible bonds with US$250 thousand par value, in an aggregate principal amount of US$60,000 thousand, and additionally on or before March 4, 2016 with aggregate principal amount of US$20,000 thousand.

The following items are the primary clauses in the prospectus:

1) Term

From February 3, 2016 to February 3, 2021.

2) Conversion

Conversion period

Unless previously converted, redeemed or repurchased and cancelled, the bonds may be converted into fully paid common stocks at the option of the bondholders at any time during the period from and including March 13, 2016 to and including the close of business on the tenth calendar day prior to the maturity date except during any closed period.

Conversion price and adjustments

The price used by BizLink in determining the number of common stocks to be issued upon conversion is initially NT$179.40 per share with a fixed exchange rate applicable on conversion of bonds of NT$33.62=US$1.00. The conversion price will be subject to adjustment, according to a formula stated in the prospectus, due to any change in issuance of common stocks. The conversion price as of September 30, 2017 was NT$161.30 per share.

3) Bondholders' put right

a) On February 3, 2018 (2 years after issue date), each bondholder will have the right, at such holder's option, to require BizLink to redeem in whole or in part the principal amount thereof of such holder's bonds at 102.02%.

b) In the event that the stocks cease to be listed or admitted for trading or are suspended from trading for a period equal to or exceeding 30 consecutive trading days on the TWSE, each bondholder shall have the right to require BizLink to redeem the bonds in whole or in part at their early redemption amount. Early redemption amount of a bond is determined so that it represents for the bondholders of the bonds a gross yield of 1.00% per annum, calculated on a semi-annual basis.

c) If a change of control occurs, each bondholder shall have the right at such bondholder's option to require BizLink to redeem such bondholder's bonds in whole or in part.

4) Redemption

a) BizLink may redeem the bonds in whole, but not in part, at their early redemption amount if more than 90% in principal amount of the bonds has already been converted or redeemed or repurchased and cancelled.

b) BizLink may redeem the bonds in whole, but not in part, at their early redemption amount if the Company has become obliged to pay additional amounts as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands or ROC.

5) According to IAS 32, options and liabilities are included in financial liabilities at fair value through profit or loss - current, bonds payable and capital surplus - options, respectively

6) The convertible bond has two components: The main debt contract instrument and the derivative convertible option. The main debt contract has the effective rate of 1.75%. The derivative convertible option instrument is accounted for at fair value through profit and loss (FVTPL) (Note 7).

7) For the year ended December 31, 2017, the amount of converted convertible bonds of NT$2,092,846 thousand (US$62,250 thousand) was reclassified to common stocks at NT$126,421 thousand and capital surplus - options at NT$1,966,425 thousand. Bonds payable discounts, financial liabilities at FVTPL - current and capital surplus - options on the conversion date in the amounts of NT$(126,593) thousand, NT$322 thousand and NT$123,686 thousand, respectively, were also reclassified to capital surplus - conversion of bonds. From February 3, 2016 (the issue date) to December 31, 2016, the amount of converted convertible bond of NT$596,755 thousand (US$17,750 thousand) was reclassified to common stocks NT$35,702 thousand and capital surplus - options NT$561,053 thousand. Bonds payable discount, financial liabilities at FVTPL - current and capital surplus - options on conversion date in the amounts of NT$(45,211) thousand, NT$125 thousand and NT$35,268 thousand, respectively, were also reclassified to capital surplus - conversion of bonds. For the years ended December 31, 2017 and 2016, amortization of discount on bonds payable of NT$13,789 thousand and NT$32,764 thousand was included in financial cost. By the end of December 31, 2017, the Company redeemed all of the bonds.

b. On July 30, 2014, BizLink issued the second three-year unsecured, zero-coupon overseas convertible bonds with NT$100 thousand par value, in an aggregate principal amount of NT$200,000 thousand.

The following items are the primary clauses in the prospectus:

1) Term

From July 30, 2014 to July 30, 2017.

2) Redemption

Between one month after issue date and 40 days prior to maturity date, if the closing price of BizLink's stocks reaches 30% of the conversion price for 30 consecutive trading days, BizLink may redeem the remaining bonds at fair value with cash in advance.

Between one month after issue date and 40 days prior to maturity date, if the bonds outstanding amounted to less than NT$20,000 thousand (10% of original principal amount), BizLink may redeem the remaining bonds at fair value with cash in advance.

3) Conversion

Conversion period

Bondholders may request BizLink to convert the bonds into BizLink's common stocks between August 31, 2014 (one month after issue date) and July 30, 2017 (maturity date), barring the year in which registration of stock transfer is suspended.

Conversion price and adjustments

The price used by BizLink in determining the number of common stocks to be issued upon conversion is initially NT$134.5 per share. The conversion price will be subject to adjustment, according to a formula stated in the prospectus, due to any change in issuance of common stocks.

4) The convertible bond has two components: The main debt contract instrument and the derivative convertible option. The main debt contract has the effective rate 3.91%. The derivative convertible option instrument is accounted for at fair value through profit and loss (FVTPL) (Note 7).

5) For the year ended December 31, 2016, the amount of converted convertible bond of NT$160,400 thousand was reclassified to common stock NT$12,925 thousand and capital surplus - conversion of bonds NT$147,475 thousand. Bonds payable discount and financial liabilities at FVTPL - current on conversion date in the amounts of NT$(7,356) thousand and NT$65,902 thousand, respectively, were also reclassified to capital surplus - conversion of bonds. For the year ended December 31, 2016, amortization of discount on bonds payable of NT$2,236 thousand was included in financial cost.

6) According to the prospectus of bonds payable above, the Company executed redemption in May 13, 2016, and the base date of redemption was in July 15, 2016. For the year ended December 31, 2016, the Company redeemed the bonds in whole besides NT$100 thousand and recognized NT$42 thousand as gain on reacquisition of bonds.

22. NOTES PAYABLE AND TRADE PAYABLES

	December 31	
	2017	2016
Notes payable		
Operating	$ 186,066	$ 10,821
Non-operating	-	15
	$ 186,066	$ 10,836
Trade payables		
Operating	$ 3,248,355	$ 1,281,330

The Company has financial risk management policies in place to ensure all payables are paid within the pre-agreed credit terms.

23. OTHER LIABILITIES

	December 31	
	2017	2016
Current		
Other payables		
Salaries or bonuses	$ 541,330	$ 446,810
Welfare funds	26,928	23,817
Payable for taxes	22,658	30,949
Payable for employee bonuses	76,493	60,925
Payable for remuneration to directors	9,132	10,163
Payable for professional fees	37,415	92,264
Payable for shipping	45,682	16,127
Others	392,558	124,123
	$ 1,152,196	$ 805,178

(Continued)

	December 31	
	2017	2016
Other liabilities		
Advance receipts	$ 20,928	$ 12,650
Receipts under custody	1,191	3,926
Others	1,042	1,267
	$ 23,161	$ 17,843
Non-current		
Other liabilities		
Guarantee deposits	$ 8,789	$ 5,096
Deferred revenue - government grants	17,470	-
Others	1,429	-
	$ 27,688	$ 5,096

(Concluded)

24. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

A subsidiary of the Company, BizLink International Corp., adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, the subsidiary makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. The employees of the Company in China are members of state-managed retirement benefit plans operated by the government of China. The subsidiaries are required to contribute amounts calculated at a certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Company with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

The defined benefit plan adopted by BizLink International Corp. In accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. BizLink International Corp. contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund 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 one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2017	2016
Present value of defined benefit obligation	$ 10,351	$ 10,127
Fair value of plan assets	(5,957)	(6,254)
Net defined benefit liabilities	$ 4,394	$ 3,873

Movements in net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2016	$ 8,809	$ (6,000)	$ 2,809
Service cost			
Current service cost	236	-	236
Net interest expense (income)	121	(80)	41
Recognized in profit or loss	357	(80)	277
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	41	41
Actuarial loss - changes in demographic assumptions	287	-	287
Actuarial loss - changes in financial assumptions	413	-	413
Actuarial loss - experience adjustments	261	-	261
Recognized in other comprehensive income	961	41	1,002
Contributions from the employer	-	(215)	(215)
Balance at December 31, 2016	$ 10,127	$ (6,254)	$ 3,873
Balance at January 1, 2017	$ 10,127	$ (6,254)	$ 3,873
Service cost			
Current service cost	257	-	257
Net interest expense (income)	89	(56)	33
Recognized in profit or loss	346	(56)	290
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3)	(3)
Actuarial loss - changes in demographic assumptions	488	-	488
Actuarial loss - changes in financial assumptions	(218)	-	(218)
Actuarial loss - experience adjustments	168	-	168
Recognized in other comprehensive income	438	(3)	435
Contributions from the employer	-	(204)	(204)
Benefit paid	(560)	560	-
Balance at December 31, 2017	$ 10,351	$ (5,957)	$ 4,394

Through the defined benefit plans under the Labor Standards Law, BizLink International Corp. is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2017	2016
Discount rate(s)	1.125%	0.875%
Expected rate(s) of salary increase	2.250%	2.250%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2017	2016
Discount rate(s)		
0.25% increase	$ (223)	$ (214)
0.25% decrease	$ 229	$ 222
Expected rate(s) of salary increase		
0.25% increase	$ 223	$ 215
0.25% decrease	$ (218)	$ (209)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2017	2016
The expected contributions to the plan for the next year	$ 206	$ 222
The average duration of the defined benefit obligation	8.7 years	8.7 years

25. EQUITY

a. Capital stock

1) Common stocks

	December 31	
	2017	2016
Number of stocks authorized (in thousands)	500,000	500,000
Stocks authorized	$ 5,000,000	$ 5,000,000
Number of stocks issued and fully paid (in thousands)	115,566	102,959
Stocks issued	$ 1,155,664	$ 1,029,593

Fully paid common stocks, which have a par value of NT$10, carry one vote per share and carry a right to dividends.

A reconciliation of the number of stocks outstanding was as follows:

	Number of Stocks (In Thousands of Stocks)	Capital stock
Balance at January 1, 2016	91,819	$ 918,191
Arising from employee stocks options	187	1,865
Issue of employee restricted stocks	1,500	15,000
Stock dividends	4,591	45,910
Arising from conversion of bonds	4,862	48,627
Balance at December 31, 2016	102,959	1,029,593
Retirement of recognized employee restricted stocks	(35)	(350)
Arising from conversion of bonds	12,642	126,421
Balance at December 31, 2017	115,566	$ 1,155,664

b. Capital surplus

	December 31	
	2017	2016
May be used to offset a deficit, distributed as cash dividends, or transferred to capital stock (Note 1 below)		
Stock premiums	$ 894,762	$ 827,037
Conversion of bonds	3,010,509	1,046,669
	$ 3,905,271	$ 1,873,706
May be used to offset a deficit only (Note 2 below)		
Conversion of employee stock options	$ 50,032	$ 50,032
Others - expired stock option	4,619	4,619
	$ 54,651	$ 54,651

(Continued)

	December 31	
	2017	2016
May not be used for any purpose		
Employee stock options	$ 18,055	$ -
Employee restricted stocks	152,757	225,750
Stock warrants	-	123,686
	$ 170,812	$ 349,436

(Concluded)

Note 1: Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital stock (limited to a certain percentage of the Company's capital surplus and once a year).

Note 2: When employee stock options are exercised, capital surplus - options is transferred to capital surplus - stock premiums and when the options expired, capital surplus - options is transferred to capital surplus - others.

A reconciliation of the carrying amount for each class of capital surplus was as follows:

	Stock Premiums	Conversion of Employee Stock Options	Conversion of Bonds	Stock Warrants	Employee Restricted Stocks	Employee Stock Options	Others - Expired Stock Options	Total
Balance at January 1, 2016	$ 821,781	$ 45,491	$ 289,413	$ -	$ -	$ 4,541	$ 4,619	$ 1,165,845
Exercise of employee stock options	5,256	4,541	-	-	-	(4,541)	-	5,256
Equity component of convertible bonds	-	-	-	158,954	-	-	-	158,954
Issue of employee restricted stocks	-	-	-	-	225,750	-	-	225,750
Convertible bonds converted to common stock	-	-	757,256	(35,268)	-	-	-	721,988
Balance at December 31, 2016	827,037	50,032	1,046,669	123,686	225,750	-	4,619	2,277,793
Convertible bonds converted to common stock	-	-	1,963,840	(123,686)	-	-	-	1,840,154
Vested employee restricted stocks	67,725	-	-	-	(67,725)	-	-	-
Retirement employee restricted stocks*	-	-	-	-	(5,268)	-	-	(5,268)
Stock-based payment - issuance of common stocks for cash	-	-	-	-	-	18,055	-	18,055
Balance at December 31, 2017	$ 894,762	$ 50,032	$ 3,010,509	$ -	$ 152,757	$ 18,055	$ 4,619	$ 4,130,734

* The reversed unearned benefit of $5,618 thousand for restricted stocks was net of retired capital of $350 thousand.

c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to stockholders and do not include employees. The stockholders held their regular meeting on June 15, 2016 and, it had resolved amendments to BizLink's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on the addition of the policy on distribution of employees' compensation.

Under the dividend policy by the amended Articles, BizLink may distribute profits in accordance with a proposal for distribution of profits prepared by the directors and approved by the members by an ordinary resolution at any general meeting. The directors shall prepare such proposal as follows: (1) The proposal shall begin with BizLink's annual net income and offset its losses in previous years that have not been previously offset, then set aside a legal capital reserve at 10% of the profits left over, until the accumulated legal capital reserve has equaled to total capital of BizLink, (2) then BizLink shall set aside a special capital reserve, if one is required, in accordance with the applicable public company rules or as requested by the authorities in charge. Any balance left over may be distributed as dividends (including cash dividends or stock dividends) or bonuses in accordance with the statute and the applicable public company rules and after taking into consideration financial, business and operational factors with the amount of profits distributed to members not lower than 10% of profits after tax of the then current year and the amount of cash dividends distributed thereupon shall not be less than 10% of the profits proposed to be distributed of the then current year. Refer to "Employees' compensation and remuneration of directors and supervisors" in Note 26 (g) for details.

Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of BizLink's paid-in capital, the excess may be transferred to capital or distributed in cash.

BizLink appropriates or reverses a special reserve in accordance with Rule No. 1010012865 and issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs". Distribution can be made out of any subsequent reversal of the debit to other equity items.

The appropriations of earnings for 2016 and 2015 were approved in the annual stockholders' meetings on June 15, 2017 and June 15, 2016, respectively.

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	2016	**2015**	**2016**	**2015**
Legal reserve	$ 90,995	$ 75,995	$ -	$ -
Special reserve	5,993	-	-	-
Cash dividend	720,715	505,005	7.0	5.5
Stock dividend	-	45,910	-	0.5

The appropriation of earnings for 2017 were proposed by BizLink's board of directors on March 13, 2018. The appropriation and dividends per share were as follows:

	Appropriations of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 116,246	$ -
Special reserve	299,927	-
Cash dividends	809,210	7.0
Stock dividends	-	-

The appropriation of earnings for 2017 are subject to resolution in the stockholders' meeting to be held on June 21, 2018.

d. Other equity items

1) Exchange differences on translating foreign operations:

	For the Year Ended December 31	
	2017	2016
Balance at January 1	$ (304,631)	$ 102,346
Exchange differences on translating foreign operations	374,774	(284,818)
Exchange differences on translation to presentation currency	(674,701)	(122,159)
Balance at December 31	$ (604,558)	$ (304,631)

2) Employees' unearned benefits

In the meeting of stockholders on June 15, 2016, the stockholders approved a restricted stock plan for employees (see Note 29).

	For the Year Ended December 31	
	2017	2016
Balance at January 1	$ (229,047)	$ -
Issuance of stocks	-	(240,750)
Stock-based payment expenses recognized	131,009	11,703
Retired employee restricted stock*	5,618	-
Balance at December 31	$ (92,420)	$ (229,047)

* Deducted from unearned benefits of restricted stocks amounting to NT$5,618 thousand for the year ended December 31, 2017.

26. NET PROFIT (LOSS) FROM OPERATIONS

a. Other income

	For the Year Ended December 31	
	2017	2016
Operating lease rental income		
Investment properties	$ 19,419	$ 1,974
Others	910	333
Interest income		
Bank deposits	17,946	31,364
Government grants revenue	15,437	10,426
Others	13,666	12,899
	$ 67,378	$ 56,996

b. Other gains and losses

	For the Year Ended December 31	
	2017	2016
Loss on disposal of property, plant and equipment	$ (6,187)	$ (9,679)
Loss on disposal of intangible asset	(32)	-
Loss on disposal of associates	(1,517)	-
Net foreign exchange gains	(95,974)	175,004
Net gain on financial assets classified as held for trading	29,815	186
Net loss on financial liabilities classified as held for trading	4,962	(22,922)
Impairment loss recognized on financial assets measured at cost (Note 8)	-	(12,969)
Others	(7,622)	(11,612)
	$ (76,555)	$ 118,008

c. Finance costs

	For the Year Ended December 31	
	2017	2016
Interest on bank loans	$ (19,322)	$ (9,425)
Interest on convertible bonds	(13,789)	(35,000)
	$ (33,111)	$ (44,425)

d. Depreciation and amortization

	For the Year Ended December 31	
	2017	2016
Property, plant and equipment	$ 270,696	$ 196,434
Investment property	3,739	1,385
Intangible assets	68,565	23,931
	$ 343,000	$ 221,750
An analysis of depreciation by function		
Operating costs	$ 207,138	$ 136,812
Operating expenses	67,297	61,007
	$ 274,435	$ 197,819
An analysis of amortization by function		
Operating costs	$ 26,376	$ 586
Selling and marketing expenses	17,916	111
General and administrative expenses	21,511	20,411
Research and development expenses	2,762	2,823
	$ 68,565	$ 23,931

e. Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2017	2016
Direct operating expenses of investment properties that generated rental income		
Depreciation expense	$ 3,739	$ 1,385

f. Employee benefits expense

	For the Year Ended December 31	
	2017	2016
Short-term benefits	$ 2,580,695	$ 1,900,950
Other employee benefits	261,240	151,466
Post-employment benefits (see Note 24)		
Defined contribution plans	122,374	97,707
Defined benefit plans	290	277
	122,664	97,984
Stock-based payments*	149,309	11,703
Total employee benefits expense	$ 3,113,908	$ 2,162,103
An analysis of employee benefits expense by function		
Operating costs	$ 1,835,507	$ 1,096,258
Operating expenses	1,278,401	1,065,845
	$ 3,113,908	$ 2,162,103

* The stock-based payments included the stock-based payment of NT$149,064 thousand and withdrawn accumulative stock dividends of NT$245 thousand in 2017.

g. Employees' compensation and remuneration of directors

BizLink accrued employees' compensation at the rates of no less than 1% and no higher than 10%, and remuneration to directors at no higher than 3% of net profit before income tax. The employees' compensation and remuneration of directors for the years ended December 31, 2017 and 2016, which were approved by BizLink's board of directors on March 13, 2018 and March 8, 2017, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2017	2016
Employees' compensation	3.33%	3.58%
Remuneration of directors	0.58%	0.84%

Amount

	For the Year Ended December 31			
	2017		2016	
	Cash	Stock	Cash	Stock
Employees' compensation	$ 52,188	$ -	$ 43,566	$ -
Remuneration of directors	9,132	-	10,163	-

If there is a change in the amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

The actual amounts of the employees' compensation and remuneration of directors and supervisors paid for 2015 were different from the amounts recognized in the consolidated financial statements for the year ended December 31, 2015. The differences were adjusted to profit and loss for the year ended December 31, 2016.

	For the Year Ended December 31, 2016	
	Employees' Compensation	Remuneration of Directors
Amounts approved in the board of directors' meeting	$ 38,086	$ 8,887
Amounts recognized in the annual consolidated financial statements	$ 45,068	$ 8,887

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2017 and 2016.

Information on the employees' compensation and remuneration of directors resolved by BizLink's board of directors in 2017 and 2016 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

27. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2017	2016
Current tax		
In respect of the current year	$ 326,753	$ 237,739
Income tax on unappropriated earnings	207	891
Adjustments for prior periods	19,954	49
	346,914	238,679
Deferred tax		
In respect of the current year	(56,124)	13,645
Adjustments to deferred tax attributable to changes in tax rates and laws	51,789	-
	(4,335)	13,645
Income tax expense recognized in profit or loss	$ 342,579	$ 252,324

A reconciliation of accounting profit and income tax expense was as follows:

	For the Year Ended December 31	
	2017	2016
Profit before tax from operations	$ 1,505,044	$ 1,162,269
Income tax expense calculated at the statutory rate	$ 325,053	$ 271,385
Nondeductible expenses in determining taxable income	7,466	15,121
Tax-exempt income	(201)	(338)
Additional income tax under the Alternative Minimum Tax Act	4,916	2,771
Income tax on unappropriated earnings	207	891
Unrecognized loss carryforwards/deductible temporary differences	(14,816)	(37,555)
Adjustments to prior years' tax	19,954	49
Income tax expense recognized in profit or loss	$ 342,579	$ 252,324

The applicable tax rate used above is the corporate tax rate of 17% payable by the Company in the ROC. The applicable tax rate used by subsidiaries in China is 25% except for BizLink (Kun Shan) Co., Ltd., BizConn International Corp. (China), and Xiang Yao Electronics (Shen Zhen) Co., Ltd. in 2017 and 2016 which used tax rate of 15% due to their status as holders of high-tech enterprise certificate. The applicable tax rates used by the subsidiaries in the U.S. are 34% for Federal tax and 8.84% for California State tax. The applicable tax rate used by the subsidiaries in Ireland and Slovakia are 12.5% and 21% according to local laws. Tax rates used by other Company entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

In February 2018, it was announced that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%.

In December 2017, the United States amended Article of the Income Tax Law, which reduces a Federal tax rate from 34% to 21%, effective since 2018.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2017	2016
Deferred tax		
In respect of the current year:		
Actuarial gains and losses on defined benefit plan	$ (74)	$ (170)

c. Current tax assets and liabilities

	December 31	
	2017	2016
Current tax assets		
Tax refund receivable	$ 8,082	$ 19,242
Current tax liabilities		
Income tax payable	$ 133,133	$ 86,095

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

	For the Year Ended December 31, 2017					
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Acquisition Through Business Combination	Exchange Differences	Closing Balance
Deferred tax assets						
Temporary differences						
Property, plant and equipment	$ 261	$ (138)	$ -	$ 3,694	$ 44	$ 3,861
Payable for annual leave	14,958	548	-	-	(1,212)	14,294
Write-down of inventories	26,262	(8,664)	-	4,583	(1,726)	20,455
Defined benefit obligation	573	(15)	74	-	-	632
Unrealized profit	71,534	(9,906)	-	-	(5,302)	56,326
Others	18,060	5,781	-	143	(981)	23,003
	$ 131,648	$ (12,394)	$ 74	$ 8,420	$ (9,177)	$ 118,571
Deferred tax liabilities						
Temporary differences						
Property, plant and equipment	$ 7,806	$ (4,190)	$ -	$ 402	$ (448)	$ 3,570
Unappropriated earnings of subsidiaries	59,469	(10,479)	-	-	(4,689)	44,301
Others	2,364	(2,060)	-	815	8	1,127
	$ 69,639	$ (16,729)	$ -	$ 1,217	$ (5,129)	$ 48,998

	For the Year Ended December 31, 2016				
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Deferred tax assets					
Temporary differences					
Property, plant and equipment	$ 2,437	$ (2,132)	$ -	$ (44)	$ 261
Payable for annual leave	12,921	2,449	-	(412)	14,958
Write-down of inventories	12,234	14,325	-	(297)	26,262
Defined benefit obligation	395	8	170	-	573
Unrealized profit	52,015	20,496	-	(977)	71,534
Others	4,430	13,719	-	(89)	18,060
	$ 84,432	$ 48,865	$ 170	$ (1,819)	$ 131,648
Deferred tax liabilities					
Temporary differences					
Property, plant and equipment	$ 5,332	$ 2,574	$ -	$ (100)	$ 7,806
Unappropriated earnings of subsidiaries	-	59,454	-	15	59,469
Others	2,021	482	-	(139)	2,364
	$ 7,353	$ 62,510	$ -	$ (224)	$ 69,639

e. Deductible temporary differences, unused loss carryforwards and unused investment credits for which no deferred tax assets have been recognized in the consolidated balance sheets.

	December 31	
	2017	2016
Loss carryforwards		
Expiry in 2017	$ -	$ 5,104
Expiry in 2018	-	12,901
Expiry in 2019	-	15,535
Expiry in 2020	1,748	3,041
Expiry in 2021	-	38,961
Expiry in 2022	-	36,433
Expiry in 2023	-	29,694
Expiry in 2024	-	9,748
Expiry in 2025	-	794
Expiry in 2035	-	630
Expiry in 2036	-	1,275
Expiry after in 2037	61,012	-
	$ 62,760	$ 154,116
Investment credits	$ 10,432	$ 11,305
Deductible temporary differences	$ 135,637	$ 104,481

f. Information about unused investment credits, unused loss carryforwards and tax exemptions

As of December 31, 2017, investment tax credits were comprised of:

Tax Credit Source	Remaining Creditable Amount	Expiry Year
Research and development expenditures	$ 718	2020
	4,736	2021
	3,395	2022
	1,583	2023
	$ 10,432	

Loss carryforwards as of December 31, 2017 were comprised of:

Unused Amount	Expiry Year
$ 1,748	2020
61,012	After 2037
$ 62,760	

g. The aggregate amount of temporary difference associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2017 and 2016, the taxable temporary differences associated with investment in subsidiaries and branch for which no deferred tax liabilities have been recognized were NT$2,040,380 thousand and NT$2,110,650 thousand, respectively.

h. Income tax assessment

As of December 31, 2017, the Company has no unsettled lawsuit.

28. EARNINGS PER SHARE

	For the Year Ended December 31	
	2017	2016
Basic earnings per share		
Net income	$ 1,162,465	$ 909,945
Weighted average number of common stocks in computation of basic earnings per share	108,850	98,626
Basic earnings per share	$ 10.68	$ 9.23
Diluted earnings per share		
Net income	$ 1,162,465	$ 909,945
Effect of potentially dilutive common stocks:		
Interest on convertible bonds (after tax)	13,789	32,764
Gain on valuation of converted bonds	(4,962)	(8,400)
Earnings used in the computation of diluted earnings per share from continuing operation	$ 1,171,292	$ 934,309
Weighted average number of common stocks in computation of basic earnings per share	108,850	98,626
Effect of potentially dilutive common stocks:		
Convertible bonds	5,209	13,670
Employees' compensation or bonuses issued to employees	231	280
Employee restricted stocks	536	10
Employee stock options	-	76
Weighted average number of common stocks in computation of diluted earnings per share	114,826	112,662
Diluted earnings per share	$ 10.20	$ 8.29

BizLink offered to settle compensation or bonuses paid to employees in cash or stocks. Therefore, BizLink assumed the entire amount of the compensation or bonuses would be settled in stocks and the resulting potential stocks were included in the weighted average number of stocks outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential stocks is included in the computation of diluted earnings per share until the stockholders resolve the number of stocks to be distributed to employees at their meeting in the following year.

29. STOCK-BASED PAYMENT ARRANGEMENTS

a. Employee stock option plan

Qualified employees of the Company were granted 3,922,000 options on October 15, 2010. Each option entitles the holder to subscribe for one common stock of BizLink. The options granted are valid for 6 years and exercisable at certain percentages after the first anniversary from the grant date. According to the regulations of stock option, the option should be granted at an exercise price no less than the net asset value per share on the grant date stated in the latest audited or reviewed consolidated financial statements. For any subsequent changes in BizLink's capital surplus, the exercise price is adjusted accordingly.

Information on employee stock options was as follows:

	For the Year Ended December 31, 2016	
	Number of Options	Weighted-average Exercise Price (NT$)
Balance at January 1	186,500	$ 40.5
Options forfeited	-	-
Options exercised	(186,500)	38.18
Balance at December 31	-	
Options exercisable, end of period	-	

The weighted-average stock price at the date of exercise of stock options for the year ended December 31, 2016 was NT$166.59.

Information about outstanding options as of December 31, 2016 was as follows:

	December 31, 2016
Range of exercise price (NT$)	$ -
Weighted-average remaining contractual life (years)	-

Options granted in October 2010 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

	October 2010
Grant-date stock price ($)*	60
Exercise price ($)	60
Expected volatility	37.19%-38.12%
Expected life (years)	4.25
Expected dividend yield	-
Risk-free interest rate	0.75%-1.07%

* Grant-date stock price was based on the fair value per share of enterprise appraisal report issued by the actuary in September 2010.

b. Restricted stocks

In the stockholders' meeting on June 15, 2016, the stockholders approved a restricted stock plan for employees with a total amount of $15,000 thousand, consisting of 1,500 thousand stocks. The subscription base date of December 9, 2016 was determined by the chairman of the board who was authorized by the board of directors on November 10, 2016. The restrictions on the rights of the employees who acquire the restricted stocks but have not met the vesting conditions are as follows:

1) Employees who acquire the restricted stocks but have not met the vesting conditions cannot sell, pledge, transfer, donate or in any other way dispose of these stocks besides inheritance.

2) The handling or execution of the related proposal, statements, voting rights and other equity-related matters are delegated to trust custody agencies.

3) Employees who acquire the restricted stocks but have not met the vesting conditions have other rights the same as the holders of the issued common stocks of the Company.

4) The stocks should be held in stock trust. The restricted stocks should be held in trust after being issued and non-refundable before meeting the vesting conditions.

If an employee fails to meet the vesting conditions, the Company will recall or buy back and cancel his/her restricted stocks.

Compensation costs of $131,009 thousand and $11,703 thousand were recognized within the vesting period for the years ended December 31, 2017 and 2016, respectively.

c. Stock issuance for cash reserve for employees

In December 2017, the Company's board of directors approved stock issuance for cash 10% reserved for employees. The grant date was the approval date and the option was available for vesting. Compensation costs recognized were $18,055 thousand in 2017.

30. BUSINESS COMBINATION

a. Subsidiaries acquired

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Leoni AG's Electrical Appliance Assemblies business group *	Wholesale, manufacture and retail of material cable assemblies, cable connectors, power cables, smart instrumentational sensors, instrumentational connectors, and instrumentational functional materials.	May 2, 2017	100	$ 1,737,961
Jo Yeh Company Limited and its subsidiary, Foshan Nanhai Jo Yeh Electronic Co., Ltd.	1) Manufacturer, wholesaler and retailer of connectors and cables assembly 2) International trade	November 1, 2016	100	$ 123,760

* Leoni AG's Electrical Appliance Assemblies business group included EA Cable Assemblies GmbH, BizLink Technology (Belgium) NV, BizLink Technology (Slovakia) S.R.O., EA Cable Assemblies (Hong Kong) Co., Limited, BizLink Technology (Xiamen) Limited, BizLink Technology (Chang Zhou) Limited, and BizLink Technology SRB D.O.O.

The Company acquired Leoni AG's Electrical Appliance Assemblies business group on May 2, 2017, in order to establish a European and Chinese production base, employees and market expansion capabilities.

Jo Yeh Company Limited and its subsidiary, Foshan Nanhai Jo Yeh Electronic Co., Ltd., were acquired in order to continue the expansion of the Company's activities in cable lines.

b. Considerations transferred

	Leoni AG's Electrical Appliance Assemblies Business Group
Cash	$ 1,737,961

	Jo Yeh Company Limited and Its Subsidiary, Foshan Nanhai Jo Yeh Electronic Co., Ltd.
Cash	$ 123,760

c. Assets acquired and liabilities assumed at the date of acquisitions

	Leoni AG's Electrical Appliance Assemblies Business Group	**Jo Yeh Company Limited and Its Subsidiary, Foshan Nanhai Jo Yeh Electronic Co., Ltd.**
Current assets		
Cash and cash equivalents	$ 554,394	$ 31,648
Trade and other receivables	1,255,543	25,456
Inventories	588,567	25,130
Prepayments and others	41,211	1,002
Non-current assets		
Property, plant and equipment	568,833	47,379
Other intangible assets	411,914	-
Prepayment for lease	-	29,805
Refundable deposits	-	196
Others	20,491	-

(Continued)

	Leoni AG's Electrical Appliance Assemblies Business Group	Jo Yeh Company Limited and Its Subsidiary, Foshan Nanhai Jo Yeh Electronic Co., Ltd.
Current liabilities		
Short-term borrowings	$ (283,479)	$ -
Financial liabilities at fair value through profit or loss - current	(1,217)	-
Trade and other payables	(1,683,673)	(21,164)
Advances receivable	-	(1,561)
Others	(44,402)	-
Non-current liabilities		
Others	(15,952)	-
	$ 1,412,230	$ 137,891

(Concluded)

The initial accounting for the acquisition of Leoni AG's Electrical Appliance Assemblies business group had only been provisionally determined at the end of the reporting period. Retroactive adjustments or recognition of additional asset or liabilities will be made during the measurement period in order to reflect the new information obtained about the facts and circumstances on the acquisition date.

d. Goodwill bargain purchases recognized on acquisitions

	Leoni AG's Electrical Appliance Assemblies Business Group	Jo Yeh Company Limited and Its Subsidiary, Foshan Nanhai Jo Yeh Electronic Co., Ltd.
Consideration transferred	$ 1,737,961	$ 123,760
Less: Fair value of identifiable net assets acquired	(1,412,230)	(137,891)
Bargain purchases recognized on acquisitions (gain from bargain purchases - acquisition of subsidiaries)	$ 325,731	$ (14,131)

The goodwill recognized in the acquisition of Leoni AG's Electrical Appliance Assemblies Group mainly represent the control premiums included in the costs of the combination.

e. Net cash outflow on acquisition of subsidiaries

	Leoni AG's Electrical Appliance Assemblies Business Group	Jo Yeh Company Limited and Its Subsidiary, Foshan Nanhai Jo Yeh Electronic Co., Ltd.
Consideration paid in cash	$ 1,737,961	$ 123,760
Less: Other payables	-	(8,270)
Less: Cash and cash equivalent balances acquired	(554,394)	(31,648)
	$ 1,183,567	$ 83,842

f. Impact of acquisitions on the results of the Company

The results of the acquired companies since the acquisition date included in the consolidated statements of comprehensive income were as follows:

	Leoni AG's Electrical Appliance Assemblies Business Group	Jo Yeh Company Limited and Its Subsidiary, Foshan Nanhai Jo Yeh Electronic Co., Ltd.
Revenue	$ 3,924,350	$ 31,295
Profit	$ 85,275	$ 6,701

Had these business combinations been in effect at the beginning of the annual reporting period, the Company's revenue from continuing operations would have been NT$17,303,228 thousand and NT$9,347,312 thousand, and the profit from continuing operations would have been NT$1,114,123 thousand and NT$940,534 thousand for the years ended December 31, 2017 and 2016, respectively. This pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Company that actually would have been achieved had the acquisition been completed on January 1, 2016, nor is it intended to be a projection of future results.

31. NON-CASH TRANSACTIONS

a. In February 2016, the Company issued the first overseas unsecured convertible bonds, and the proceeds amounted to NT$2,608,891 thousand, recognized as bonds payable of NT$2,435,681 thousand, financial liabilities at fair value through profit or loss of NT$14,256 thousand and capital surplus - stock warrants of NT$158,954 thousand.

b. There were outstanding payables of NT$5,271 thousand and NT$8,270 thousand classified as other payables related to the acquisition of Jo Yeh Company Limited and its subsidiary, Foshan Nanhai Jo Yeh Electronic Co., Ltd., as of December 31, 2017 and 2016, respectively.

32. OPERATING LEASE ARRANGEMENTS

a. The Company as lessee

Operating leases relate to leases of land with lease terms between 1 to 10 years. All operating lease contracts over 5 years contain clauses for 5-yearly market rental reviews. The Company does not have a bargain purchase option to acquire the leased land at the expiration of the lease periods.

The future minimum lease payments payable for non-cancellable operating lease commitments were as follows:

	December 31	
	2017	2016
Not later than 1 year	$ 204,789	$ 141,425
Later than 1 year and not later than 5 years	422,546	324,279
Later than 5 years	89,777	-
	$ 717,112	$ 465,704

The lease payments recognized in profit or loss for the current period were as follows:

	For the Year Ended December 31	
	2017	2016
Minimum lease payment	$ 159,781	$ 132,594

b. The Company as lessor

Operating lease relates to the leasing of investment property with lease term between 2 to 5 years, and with an option to extend for an additional 3 years. The operating lease contract contains market review clauses in the event that the lessee exercises its option to renew. The lessee does not have a bargain purchase option to acquire the property at the expiry of the lease period.

The future minimum lease payments of non-cancellable operating lease were as follows:

	December 31	
	2017	2016
Not later than 1 year	$ 17,679	$ 13,859
Later than 1 year and not later than 5 years	44,173	57,054
	$ 61,852	$ 70,913

33. CAPITAL MANAGEMENT

BizLink manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the BizLink (comprising issued capital, reserves, retained earnings and other equity).

The Company is not subject to any externally imposed capital requirements.

Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company may adjust the amount of dividends paid to stockholders, the number of new stocks issued or repurchased, or the amount of new debt issued or existing debt redeemed.

34. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

The management believes that the carrying amounts financial assets and financial liabilities not measured at fair value approximate fair value.

b. Fair value of financial instruments measured at fair value on recurring basis

1) Fair value hierarchy

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets				
Futures contracts - copper	$ 5,987	$ -	$ -	$ 5,987
Foreign exchange forward contracts	-	12,214	-	12,214
Non-derivative financial assets held for trading				
Domestic and foreign quoted stocks	2,151	-	-	2,151
	$ 8,138	$ 12,214	$ -	$ 20,352

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Non-derivative financial assets held for trading				
Domestic and foreign quoted stocks	$ 2,227	$ -	$ -	$ 2,227
Financial liabilities at FVTPL				
Derivative financial liabilities				
Convertible bonds	$ -	$ -	$ 5,521	$ 5,521

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2017

	Convertible Bonds
Financial liabilities	
Balance at January 1, 2017	$ 5,521
Recognized in profit or loss (included in other gains and losses)	
Unrealized	(4,962)
Reclassified to capital surplus	(322)
Effect of foreign currency exchange differences	(237)
Balance at December 31, 2017	$ -

For the year ended December 31, 2016

	Convertible Bonds
Financial liabilities	
Balance at January 1, 2016	$ 30,655
Issuance of bonds	14,256
Recognized in profit or loss (included in other gains and losses)	
Unrealized	26,891
Reclassified to capital surplus	(66,027)
Settlements	(46)
Effect of foreign currency exchange differences	(208)
Balance at December 31, 2016	$ 5,521

3) Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Derivatives - foreign currency forward contracts and foreign exchange options	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

4) Valuation techniques and inputs applied for Level 3 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Convertible bonds option	The binomial tree evaluation model of convertible bonds: Consideration of the duration, the stock price and volatility of the convertible bond object, conversion price, risk-free rate of interest, risk discount rate, and liquidity risk of the convertible bonds and other factors. The significant unobservable input is the stock volatility.

c. Categories of financial instruments

	December 31	
	2017	2016
Financial assets		
Fair value through profit or loss (FVTPL)		
Held for trading	$ 20,352	$ 2,227
Loans and receivables (1)	6,530,997	5,842,118
Available-for-sale financial assets (2)	239,640	152,054
Financial liabilities		
Fair value through profit or loss (FVTPL)		
Held for trading	-	5,521
Amortized cost (3)	5,355,028	3,859,244

1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, notes and trade receivables (including related parties), other receivables, other financial assets and refundable deposits (included in other non-current asset).

2) The balances included the carrying amount of available-for-sale financial assets measured at cost.

3) The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, notes payable, trade payables, other payables, current portion of long-term borrowings, bonds payable, long-term borrowings, and guarantee deposit received (included in other non-current liabilities).

d. Financial risk management objectives and policies

The Company's major financial instruments included equity and debt investments, trade receivables, trade payables, bonds payable and borrowings. The Company's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Company sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Company's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Company did not enter into or trade financial instruments, including derivative financial instruments for speculative purposes.

The Corporate Treasury function reports quarterly to the board of directors, an independent body that monitors risks and policies implemented to mitigate risk exposures.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below). The Company entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk, including forward foreign exchange contracts to hedge the exchange rate risk arising on the export.

There had been no change to the Company's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

Several subsidiaries of the Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 39.

Sensitivity analysis

The Company was mainly exposed to the USD.

The following table details the sensitivity of subsidiaries using non-U.S. dollar functional currency to a 1% increase and decrease in U.S. dollars. A sensitivity rate of 1% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit when U.S. dollars weakens by 1% against the relevant currency. For a 1% strengthening of U.S. dollars against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative.

	USD Impact	
	For the Year Ended December 31	
	2017	**2016**
Profit or loss	$ 21,341	$ 28,191

This sensitivity was mainly attributable to the exposure to outstanding U.S. dollar-denominated receivables and payables which were not hedged at the end of the reporting period.

The Company's sensitivity to foreign currency decrease during the current period mainly due to increase in foreign exchange forward contracts.

b) Interest rate risk

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	For the Year Ended December 31	
	2017	2016
Interest rate risk on fair value		
Financial assets	$ 127,458	$ 2,297,922
Financial liabilities	763,646	1,923,765
Interest rate risk on cash flow		
Financial assets	1,765,994	1,361,561
Financial liabilities	672,517	405,703

Sensitivity analysis

The sensitivity analyses below were determined based on the Company's exposure to interest rates of non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 100-basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2017 and 2016 would have increased/decreased by NT$10,953 thousand and NT$9,559 thousand, respectively, which was mainly attributable to the Company's exposure to interest rates on its floating interest rate bank deposits and bank borrowings.

The Company's sensitivity to interest rates increased during the current period mainly due to the increase in floating interest rate cash in banks.

c) Other price risk

The Company did not have significant risk exposed to equity price risk through its investments in listed equity securities because the amounts of investment were considered immaterial.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure of counterparties to discharge an obligation would arise from the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

The Company adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

In order to minimize credit risk, management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. In this regard, management believes the Company's credit risk was significantly reduced.

The credit risk on liquid funds and derivatives was limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Company's concentration of credit risk of 39% and 31% of total trade receivables as of December 31, 2017 and 2016, respectively, was related to the Company's three largest revenue-contributing customers.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2017 and 2016, the Company had available unutilized short-term bank loan facilities set out below.

a) Liquidity and interest rate risk table for non-derivative financial liabilities

The following tables show details of the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The tables included both interest and principal cash flows.

Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates of other non-derivative financial liabilities were based on the agreed repayment dates.

To the extent that interest flows are floating rate, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

December 31, 2017

	Less Than 3 Month	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities				
Non-interest bearing liabilities	$ 3,890,397	$ 19,679	$ 8,789	$ -
Borrowings at floating interest rates	294,917	10,990	291,248	105,184
Borrowings at fixed interest rates	645,775	90,710	29,919	-
	$ 4,831,089	$ 121,379	$ 329,956	$ 105,184

December 31, 2016

	Less Than 3 Month	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities				
Non-interest bearing liabilities	$ 1,460,127	$ 64,553	$ 5,096	$ -
Borrowings at floating interest rates	8,183	30,957	288,069	111,148
Borrowings at fixed interest rates	64,656	-	2,048,115	-
	$ 1,532,966	$ 95,510	$ 2,341,280	$ 111,148

b) Liquidity and interest risk rate tables for derivative financial liabilities

The following table detailed the Company's liquidity analysis for its derivative financial instruments. The table was based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

December 31 2017

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Net settled					
Futures contracts - copper	$ 2,704	$ 3,283	$ -	$ -	$ -
Gross settled					
Foreign exchange forward contracts					
Inflow	$ 304,203	$ 481,771	$ -	$ -	$ -
Outflow	(297,600)	(476,160)	-	-	-
	$ 6,603	$ 5,611	$ -	$ -	$ -

c) Financing facilities

	December 31	
	2017	2016
Secured bank loan facilities:		
Amount used	$ 445,941	$ 470,203
Amount unused	25,240	19,828
	$ 471,181	$ 490,031
Unsecured bank loan facilities:		
Amount used	$ 990,222	$ -
Amount unused	3,111,205	1,432,924
	$ 4,101,427	$ 1,432,924

35. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between BizLink and its subsidiaries, which were related parties of BizLink, had been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties are disclosed below.

a. Related party name and categories

Related Party Name	Related Party Categories
Arise Solution Inc.	Associates
Kunshan Xianglian Construction Development Limited	Substantive related party

b. Sales of goods

Line Items	Related Party Categories	For the Year Ended December 31 2017	2016
Sales	Associates	$ 17,293	$ 25,212

The selling price for related party is set by agreement of both parties. The credit period for related party was 30 days after the end of the month. The credit period for third parties was 0 to 120 days after the end of the month.

c. Trade receivables from related parties

Line Items	Related Party Categories	For the Year Ended December 31 2017	2016
Trade receivables from related parties	Associates	$ -	$ 1,230

The outstanding trade receivables from related parties are unsecured and will be settled in cash. For the years ended December 31, 2017 and 2016, no impairment loss was recognized for trade receivables from related parties.

d. Other transactions with related parties

Line Items	Related Party Categories/ Names	December 31	
		2017	2016
Refundable deposits (included in other current assets)	Other related parties - Arise Solution Inc.	$ 15,139	$ 14,400

Line Items	Related Party Categories/ Names	For the Year Ended December 31	
		2017	2016
Rental expenses (recorded as cost of goods sold - manufacturing expenses)*	Other related parties - Kunshan Xianglian Construction Development Limited	$ 34,258	$ 38,742
Rental expenses (recorded as operating expenses)*	Other related parties - Kunshan Xianglian Construction Development Limited	$ 23,111	$ 24,040

* The rental expenses were based on active market prices and were paid quarterly.

e. Compensation of key management personnel

For the years ended December 31, 2017 and 2016, the types and amounts of the remuneration of directors and other members of key management personnel were as follows:

	For the Year Ended December 31	
	2017	2016
Short-term employee benefits	$ 69,021	$ 51,942
Stock-based payments	38,429	3,433
	$ 107,450	$ 55,375

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

36. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	December 31	
	2017	2016
Pledged deposits (classified as other financial assets - current)	$ 1,465	$ 1,438
Pledged deposits (classified as other financial assets - non-current)	62,170	74,385
Bank deposits (classified as other financial assets - current)	18,510	-
Bank deposits (classified as other financial assets - non-current)	148,800	1,815
Freehold land (classified as property, plant and equipment)	295,441	352,717
Buildings (classified as property, plant and equipment)	238,983	288,031
Freehold land (classified as investment properties)	51,120	-
Buildings (classified as investment properties)	29,954	-
	$ 846,443	$ 718,386

37. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company as of December 31, 2017 and 2016 were as follows:

Significant Commitments

Unrecognized commitments are as follows:

	December 31	
	2017	2016
Acquisition of property, plant and equipment	$ 57,161	$ 15,918
Acquisition of intangible assets	-	268
	$ 57,161	$ 16,186

38. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

a. On January 25, 2018, BizLink issued its second overseas unsecured convertible bonds, and the proceeds amounted to US$100,000 thousand, which were fully issued on February 1, 2018.

b. On September 20, 2017, BizLink's board of directors approved a stock issuance for cash amounting to 3,000 thousand units of common stocks, with a par value of NT$210 and a paid-in capital of NT$630,000 thousand; the listing date of the new stocks was January 18, 2018.

c. On January 12, 2018, BizLink's board of directors resolved to acquire a 100%-equity interest in OW Holding Inc. by assigning the 100%-equity interest (US$13,000 thousand) of Optiworks, Inc. to OW Holding Inc.

39. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

In Thousands of U.S. Dollars and Foreign Currencies

	December 31, 2017		
	Foreign Currencies	**Exchange Rate**	**Carrying Amount (NT$)**
Financial assets			
Monetary items			
USD	$ 163,307	6.5359 (USD:RMB)	$ 4,860,009
USD	3,887	7.8169 (USD:HKD)	115,677
USD	20,695	0.8367 (USD:EUR)	615,882
USD	8,515	4.0620 (USD:MYR)	253,406
Financial liabilities			
Monetary items			
USD	66,770	6.5359 (USD:RMB)	1,987,072
USD	1,362	7.8169 (USD:HKD)	40,533
USD	31,491	0.8367 (USD:EUR)	937,171

In Thousands of U.S. Dollars and Foreign Currencies

	December 31, 2016		
	Foreign Currencies	**Exchange Rate**	**Carrying Amount (NT$)**
Financial assets			
Monetary items			
USD	$ 108,100	6.9348 (USD:RMB)	$ 3,486,225
USD	6,556	7.7551 (USD:HKD)	211,431
USD	11,015	0.9513 (USD:EUR)	355,234
USD	6,550	4.4860 (USD:MYR)	211,238
Financial liabilities			
Monetary items			
USD	33,312	6.9348 (USD:RMB)	1,074,312
USD	1,476	7.7551 (USD:HKD)	47,601
USD	8,521	0.9513 (USD:EUR)	274,802

For the years ended December 31, 2017 and 2016, realized and unrealized net foreign exchange gains (losses) are described in Note 26. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the entities within the Company.

40. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Company's reportable segments are the computer related products segment, fiber optics segment, home appliances segment and others segment. The related information was as follows:

a. Information of reportable segment's gain or loss

	For the Year Ended December 31, 2017				
	Computer Related Products	Fiber Optics	Home Appliances	Others	Total
Revenue from external customers	$ 11,282,243	$ 430,537	$ 3,837,712	$ 48,715	$ 15,599,207
Intersegment revenue	19,266,840	569,009	476,492	221,613	20,533,954
Segment revenue	30,549,083	999,546	4,314,204	270,328	36,133,161
Eliminations					(20,533,954)
Consolidated revenue					15,599,207
Segment income	$ 1,250,470	$ 279,162	$ 77,910	$ 48,126	1,655,668
Reportable segment other income					67,378
Reportable segment other gains and losses					(76,555)
Reportable segment compensation of management personnel					(107,450)
Reportable segment financial cost					(33,111)
Share of profit of associates accounted for using the equity method					(886)
Reportable segment income before income tax					$ 1,505,044

	For the Year Ended December 31, 2016				
	Computer Related Products	Fiber Optics	Home Appliances	Others	Total
Revenue from external customers	$ 8,746,100	$ 433,137	$ -	$ 28,822	$ 9,208,059
Intersegment revenue	13,465,055	694,137	-	175,168	14,334,360
Segment revenue	22,211,155	1,127,274	-	203,990	23,542,419
Eliminations					(14,344,360)
Consolidated revenue					9,208,059
Segment income	$ 1,017,483	$ 42,726	$ -	$ 13,245	1,073,454
Reportable segment other income					56,996
Gain from bargain purchases - acquisition of subsidiaries					14,131
Reportable segment other gains and losses					118,008
Reportable segment compensation of management personnel					(55,375)
Reportable segment financial cost					(44,425)
Share of profit of associates accounted for using the equity method					(520)
Reportable segment income before income tax					$ 1,162,269

As shown on the table above, segment income is the income before tax of each segment without allocation of central administration costs and directors' salaries, share of profit of associates, other income, other gains and losses, finance costs, gain from bargain purchases - acquisition of subsidiaries and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

Segment total assets and liabilities were not disclosed because information was not provided to the chief operating decision maker.

c. Revenue from major products and services

The following is an analysis of the Company's revenue from operations by major products and services.

	For the Year Ended December 31	
	2017	2016
Computer related products	$ 11,282,243	$ 8,746,100
Fiber optics	430,537	433,137
Home appliances	3,837,712	-
Others	48,715	28,822
	$ 15,599,207	$ 9,208,059

d. Geographical information

The Company operates in the following principal geographical areas: The United States (USA), China and Germany.

The Company's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2017	2016	2017	2016
USA	$ 4,974,035	$ 3,772,932	$ 791,995	$ 668,545
China	3,972,992	2,344,360	1,445,987	817,474
Germany	2,448,836	1,417,568	-	-
Others	4,203,344	1,673,199	971,083	543,826
	$ 15,599,207	$ 9,208,059	$ 3,209,065	$ 2,029,845

Non-current assets exclude non-current assets classified as deferred tax assets, financial assets measured at cost - non-current, goodwill, and investments accounted for using the equity method.

e. Information about major customers

The information on customers who contributed 10% or more to the Company's revenue is as follows:

	For the Year Ended December 31	
	2017	**2016**
Customer A (1)	$ 2,470,306	$ - (2)

1) Revenue from sales of computer related products.

2) Less than 10% of the Company's revenue.