

TON YI INDUSTRIAL CORP.
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND REPORT OF INDEPENDENT
ACCOUNTANTS
DECEMBER 31, 2017 AND 2016

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Ton Yi Industrial Corp.

Opinion

We have audited the accompanying parent company only balance sheets of Ton Yi Industrial Corp. as of December 31, 2017 and 2016, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of Ton Yi Industrial Corp. in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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 Ton Yi Industrial Corp. parent company only financial statements of 2017. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Existence of sales revenues

Description

Refer to Note 4(27) for the accounting policy on revenue recognition. The Company's sales revenues for the year ended December 31, 2017 was NT\$17,001,461 thousand.

The primary business of Ton Yi Industrial Corp. is selling Tin Plate products. The Company has a large volume of transactions from sales of numerous kinds of products to a wide range of customers in many different countries such as Taiwan, Asia, Europe, America, etc. For the customers and dealers who are from remote districts, the substantive of sales revenue need more time for verification. This matter also exists in the subsidiaries of Ton Yi Industrial Corp. (investments accounted for under equity method). Thus, the existence of sales revenue has been identified as a key audit matter.

How our audit addressed the matter

Our key audit procedures performed in respect of the above key audit matter included the following:

1. Inspecting whether approved additions to the merchandise master file data had been correctly entered in the merchandise master file which include basic information of customers, such as name of representative, location of company, amount of capital and scope of business for evaluating the creditworthiness of buyers.
2. Understanding, evaluating and validating management's controls in respect of the Company's sales transactions from customer order's approval, goods delivery, sales recording, reconciliation of cash receipts and customer's records to subsequent settlement of trade receivables. In addition, testing the internal control environment of the Company's effectiveness of revenue recognition.
3. Performing substantive test on selected sales transactions including confirming orders, shipping documents, invoices and cash receipts to verify the existence of sale revenues.

Inventory evaluation

Description

Please refer to Note 4(7) for accounting policy on inventory valuation, Notes 5(2) A for the accounting estimates and assumption uncertainty in relation to inventory valuation and Notes 6(4) for details of inventories. For the year ended December 31, 2017, inventory and allowance to reduce inventory to market amounted to NT\$2,065,127 thousand and NT\$58,000 thousand, respectively.

The Company's raw materials are often subject to fluctuation in the international steel prices. However, as the Tin Plate products are for necessities, such price changes may not be immediately reflected in material costs immediately. In addition, the competition landscape within the steel industry in China will continue to affect the price of raw materials that would impact the estimation of net realizable value of inventory. This matter also applies the subsidiaries of Ton Yi Industrial Corp. (investments accounted for under equity method). Thus, the inventory evaluation has been identified as a key audit matter.

How our audit addressed the matter

Our key audit procedures performed in respect of the above key audit matter included the following:

1. Evaluating the adequacy of allowance for inventory and the consistency of provision policy.
2. Assessing the reasonableness of the estimation of net realizable value of Tin plate products and discussing with management and examining related documents to confirm the adequacy of allowance for price decline.

Responsibilities of management and those charged with governance for the parent company only financial statements

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

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

Those charged with governance, including audit committee, are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the parent company only financial statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's 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 parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, including audit committee, 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, including audit committee, 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, including audit committee, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

Lin, Tzu-Shu

Independent Accountants

Lee, Ming-Hsien

PricewaterhouseCoopers, Taiwan

Republic of China

March 23, 2018

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

TON YI INDUSTRIAL CORP.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2017		December 31, 2016	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 38,005	-	\$ 9,114	-
1150	Notes receivable, net	6(2)(3)	118,803	1	97,510	-
1170	Accounts receivable, net	6(3)	516,317	2	481,737	2
1180	Accounts receivable - related parties	6(3) and 7	928,225	3	714,160	3
1200	Other receivables		100,885	-	97,350	-
1220	Current income tax assets	6(25)	27,587	-	-	-
130X	Inventory	5(2) and 6(4)	2,007,127	7	2,027,218	8
1410	Prepayments		148,442	1	169,847	1
1476	Other current financial assets		997	-	-	-
11XX	Total current assets		3,886,388	14	3,596,936	14
Non-current assets						
1523	Available-for-sale financial assets - non-current	6(5)	178,731	1	122,642	1
1543	Financial assets carried at cost - non-current	6(6)	501,050	2	501,050	2
1550	Investments accounted for under equity method	6(7) and 7	12,205,536	44	9,265,305	36
1600	Property, plant and equipment	6(8)(27)	10,983,360	39	11,927,726	47
1760	Investment property - net	6(9)	5,914	-	5,914	-
1840	Deferred income tax assets	6(25)	102,145	-	122,221	-
1915	Prepayments for business facilities	6(8)(27)	-	-	60	-
1920	Guarantee deposits paid		2,933	-	6,257	-
1985	Long-term prepaid rents	6(11)	61,226	-	65,177	-
1990	Other non-current assets		3,251	-	8,185	-
15XX	Total non-current assets		24,044,146	86	22,024,537	86
1XXX	Total assets		\$ 27,930,534	100	\$ 25,621,473	100

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TON YI INDUSTRIAL CORP.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2017		December 31, 2016	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(12)	\$ 787,165	3	\$ 1,023,800	4
2110	Short-term notes and bills payable	6(13)	699,816	2	349,838	1
2150	Notes payable		23,659	-	13,325	-
2170	Accounts payable		255,238	1	405,078	2
2200	Other payables	6(27)	527,661	2	615,068	3
2230	Current income tax liabilities	6(25)	-	-	86,683	-
2305	Other current financial liabilities		2,300	-	-	-
2310	Advance receipts		54,476	-	42,059	-
21XX	Total current liabilities		2,350,315	8	2,535,851	10
Non-current liabilities						
2540	Long-term borrowings	6(14) and 9	6,500,000	23	4,159,550	16
2550	Provisions for liabilities - non-current	6(15)(22)	76,802	-	75,389	-
2570	Deferred income tax liabilities	6(25)	204,498	1	205,489	1
2640	Accrued pension liabilities	5(2) and 6(16)	360,381	2	459,460	2
2645	Guarantee deposits received		6,510	-	5,500	-
25XX	Total non-current liabilities		7,148,191	26	4,905,388	19
2XXX	Total liabilities		9,498,506	34	7,441,239	29
Equity						
Share capital						
3110	Share capital - common stock	6(17)	15,791,453	57	15,791,453	62
3200	Capital surplus	6(18)	230,047	1	228,178	1
Retained earnings						
3310	Legal reserve	6(19)(25)	1,536,659	5	1,439,699	5
3320	Special reserve		1,075,145	4	826,453	3
3350	Unappropriated retained earnings		659,405	2	969,596	4
3400	Other equity interest		(860,681)	(3)	(1,075,145)	(4)
3XXX	Total equity		18,432,028	66	18,180,234	71
Significant contingent liabilities and unrecognized contract commitments						
Significant events after the balance sheet date						
3X2X	Total liabilities and equity		\$ 27,930,534	100	\$ 25,621,473	100

The accompanying notes are an integral part of these parent company only financial statements.

TON YI INDUSTRIAL CORP.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars, except earning per share)

			Year ended December 31			
Items		Notes	2017		2016	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	7	\$ 17,001,461	100	\$ 15,914,109	100
5000	Operating costs	6(4)(10)(11)(16)(23)(24), 7 and 9	(15,593,830)	(92)	(13,778,246)	(86)
5900	Net operating margin		1,407,631	8	2,135,863	14
5910	Unrealized profit from sales	6(7) and 7	(60,386)	-	(142,201)	(1)
5920	Realized profit from sales	6(7) and 7	142,201	1	44,739	-
5950	Net operating margin		1,489,446	9	2,038,401	13
	Operating expenses	6(3)(16)(23)(24), 7 and 9				
6100	Selling expenses		(757,834)	(5)	(735,863)	(5)
6200	General and administrative expenses		(337,199)	(2)	(412,466)	(2)
6000	Total operating expenses		(1,095,033)	(7)	(1,148,329)	(7)
6900	Operating profit		394,413	2	890,072	6
	Non-operating income and expenses					
7010	Other income	6(20) and 7	53,142	-	39,929	-
7020	Other gains and losses	6(21) and 12	(78,603)	-	21,498	-
7050	Finance costs	6(8)(15)(22)	(89,649)	-	(88,419)	-
7070	Share of profit of associates and joint ventures accounted for using equity method, net	6(7)	375,937	2	364,045	2
7000	Total non-operating income and expenses		260,827	2	337,053	2
7900	Profit before income tax		655,240	4	1,227,125	8
7950	Income tax expense	6(25)	(55,136)	-	(157,984)	(1)
8200	Profit for the year		\$ 600,104	4	\$ 1,069,141	7
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Actuarial gain (loss) on defined benefit plan	6(16)	\$ 42,688	-	(\$ 149,591)	(1)
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(25)	(7,256)	-	25,430	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(7)	157,305	1	(998,623)	(6)
8362	Unrealized gain (loss) on valuation of available-for-sale financial assets	6(5)	56,089	-	(8,254)	-
8399	Income tax relating to the components of other comprehensive income	6(25)	1,070	-	(112)	-
8300	Other comprehensive income (loss) for the year		\$ 249,896	1	(\$ 1,131,150)	(7)
8500	Total comprehensive income (loss) for the year		\$ 850,000	5	(\$ 62,009)	-
	Earnings per share					
9750	Basic earnings per share	6(26)	\$ 0.38		\$ 0.68	
	Diluted earnings per share					
9850	Diluted earnings per share	6(26)	\$ 0.38		\$ 0.67	

The accompanying notes are an integral part of these parent company only financial statements.

TON YI INDUSTRIAL CORP.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

	Notes	Capital Reserves					Retained Earnings		Other Equity Interest			Total equity
		Share capital - common stock	Capital surplus, additional paid-in capital	Treasury stock transactions	Donated assets received	Others	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	
<u>2016</u>												
Balance at January 1, 2016		\$ 15,791,453	\$ 58,271	\$ 169,088	\$ 819	\$ -	\$ 1,379,732	\$ 826,453	\$ 589,910	\$ 179,865	(\$ 248,021)	\$ 18,747,570
Distribution of 2015 net income (Note)												
Legal reserve		-	-	-	-	-	59,967	-	(59,967)	-	-	-
Cash dividends	6(19)	-	-	-	-	-	-	-	(505,327)	-	-	(505,327)
Profit for the year		-	-	-	-	-	-	-	1,069,141	-	-	1,069,141
Other comprehensive loss for the year	6(5)	-	-	-	-	-	-	-	(124,161)	(998,735)	(8,254)	(1,131,150)
Balance at December 31, 2016		<u>\$ 15,791,453</u>	<u>\$ 58,271</u>	<u>\$ 169,088</u>	<u>\$ 819</u>	<u>\$ -</u>	<u>\$ 1,439,699</u>	<u>\$ 826,453</u>	<u>\$ 969,596</u>	<u>(\$ 818,870)</u>	<u>(\$ 256,275)</u>	<u>\$ 18,180,234</u>
<u>2017</u>												
Balance at January 1, 2017		\$ 15,791,453	\$ 58,271	\$ 169,088	\$ 819	\$ -	\$ 1,439,699	\$ 826,453	\$ 969,596	(\$ 818,870)	(\$ 256,275)	\$ 18,180,234
Distribution of 2016 net income (Note)												
Legal reserve		-	-	-	-	-	96,960	-	(96,960)	-	-	-
Special reserve		-	-	-	-	-	-	248,692	(248,692)	-	-	-
Cash dividends	6(19)	-	-	-	-	-	-	-	(600,075)	-	-	(600,075)
Profit for the year		-	-	-	-	-	-	-	600,104	-	-	600,104
Other comprehensive income for the year	6(5)	-	-	-	-	-	-	-	35,432	158,375	56,089	249,896
Capital surplus - unclaimed cash dividends		-	-	-	-	1,869	-	-	-	-	-	1,869
Balance at December 31, 2017		<u>\$ 15,791,453</u>	<u>\$ 58,271</u>	<u>\$ 169,088</u>	<u>\$ 819</u>	<u>\$ 1,869</u>	<u>\$ 1,536,659</u>	<u>\$ 1,075,145</u>	<u>\$ 659,405</u>	<u>(\$ 660,495)</u>	<u>(\$ 200,186)</u>	<u>\$ 18,432,028</u>

(Note) The employees' bonuses and directors' remuneration were \$43,984 and \$70,068 in 2015 and 2016, respectively, which had been deducted from net income for the year.

The accompanying notes are an integral part of these parent company only financial statements.

TON YI INDUSTRIAL CORP.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

	Notes	2017	2016
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 655,240	\$ 1,227,125
Adjustments			
Adjustments to reconcile profit (loss)			
Provision for doubtful accounts	6(3)	868	383
Provision (reversal of provision) for inventory market price decline	6(4)	50,000	(149,000)
Share of profit of associates and joint ventures	6(7)	(375,937)	(364,045)
Unrealized profit from sales	6(7)	60,386	142,201
Realized profit from sales	6(7)	(142,201)	(44,739)
Depreciation on property, plant and equipment	6(8)(23)	996,406	1,017,305
Loss on disposal of property, plant and equipment	6(21)	27,185	51
Gain on disposal of investment property	6(21)	-	(5,993)
Amortization	6(10)(23)	-	35,319
Amortization of long-term prepaid rent	6(11)	3,951	2,866
Dividend income	6(20)	(18,439)	(5,152)
Interest income	6(20)	(456)	(138)
Interest expense	6(22)	89,649	88,419
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(21,508)	63,778
Accounts receivable		(35,233)	(130,143)
Accounts receivable - related parties		(214,065)	(4,668)
Other receivables		(3,535)	(34,253)
Other payables - related parties		-	7,627
Inventories		(29,909)	(306,821)
Prepayments		21,405	(6,148)
Changes in operating liabilities			
Notes payable		10,334	(10,749)
Accounts payable		(149,840)	183,541
Other payables		(83,173)	20,792
Advance receipts		12,417	(7,397)
Accrued pension liabilities - non-current		(56,391)	(55,898)
Cash inflow generated from operations		797,154	1,664,263
Dividends received		18,439	5,152
Interest received		456	138
Interest paid		(89,004)	(89,151)
Income tax paid		(156,507)	(100,262)
Net cash flows from operating activities		<u>570,538</u>	<u>1,480,140</u>

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TON YI INDUSTRIAL CORP.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in other financial assets - current		(\$ 997)	\$ -
Acquisition of investments accounted for under the equity method - subsidiaries	6(7) and 7	(2,325,174)	-
Acquisition of property, plant and equipment	6(27)	(13,271)	(16,871)
Proceeds from disposal of property, plant and equipment		64	587
Proceeds from disposal of investment property		-	10,178
Increase in prepayments for equipment		(68,323)	(57,270)
Interest paid for prepayments for equipment	6(8)(22)	(1,123)	(869)
Decrease (increase) in guarantee deposits paid		3,324	(4,851)
Increase in long-term prepaid rent		-	(24,201)
Decrease in other non-current assets		<u>4,934</u>	<u>1,222</u>
Net cash flows used in investing activities		(<u>2,400,566</u>)	(<u>92,075</u>)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
(Decrease) increase in short-term borrowings		(236,635)	1,005,395
Increase in notes and bills payable		350,000	350,000
Increase in other financial liabilities - current		2,300	-
Increase in long-term borrowings		5,100,000	8,543,966
Decrease in long-term borrowings		(2,759,550)	(10,777,786)
Increase in guarantee deposits received		1,010	-
Cash dividends paid	6(19)	(600,075)	(505,327)
Reversal of unclaimed cash dividends		<u>1,869</u>	<u>-</u>
Net cash flows from (used in) financing activities		<u>1,858,919</u>	(<u>1,383,752</u>)
Net increase in cash and cash equivalents		28,891	4,313
Cash and cash equivalents at beginning of year	6(1)	<u>9,114</u>	<u>4,801</u>
Cash and cash equivalents at end of year	6(1)	<u>\$ 38,005</u>	<u>\$ 9,114</u>

The accompanying notes are an integral part of these parent company only financial statements.

TON YI INDUSTRIAL CORP.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(Expressed in thousands of New Taiwan dollars, except as otherwise Indicated)

1. HISTORY AND ORGANIZATION

- (1) Ton Yi Industrial Corp. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) on April 14, 1969. The Company is primarily engaged in the manufacture, processing and sales of various cans of steel and tin plate.
- (2) The common shares of the Company have been listed on the Taiwan Stock Exchange since January 1991.
- (3) Uni-President Enterprises Corp. holds 45.55% equity interest in the Company and is the ultimate parent company.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These parent company only financial statements were authorized for issuance by the Board of Directors on March 23, 2018.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 36, ‘Recoverable amount disclosures for non-financial assets’	January 1, 2014
Amendments to IAS 39, ‘Novation of derivatives and continuation of hedge accounting’	January 1, 2014
IFRIC 21, ‘Levies’	January 1, 2014
Amendments to IAS 19, ‘Defined benefit plans: employee contributions’	July 1, 2014
Annual improvements to IFRSs 2010-2012 cycle	July 1, 2014
Annual improvements to IFRSs 2011-2013 cycle	July 1, 2014
Amendments to IFRS 10, IFRS 12 and IAS 28, ‘Investment entities: applying the consolidation exception’	January 1, 2016
Amendments to IFRS 11, ‘Accounting for acquisition of interests in joint operations’	January 1, 2016
IFRS 14, ‘Regulatory deferral accounts’	January 1, 2016
Amendments to IAS 1, ‘Disclosure initiative’	January 1, 2016
Amendments to IAS 16 and IAS 38, ‘Clarification of acceptable methods of depreciation and amortisation’	January 1, 2016

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 16 and IAS 41, 'Agriculture: bearer plants'	January 1, 2016
Amendments to IAS 27, 'Equity method in separate financial statements'	January 1, 2016
Annual improvements to IFRSs 2012-2014 cycle	January 1, 2016

The above standards and interpretations have no significant impact to the Company's financial performance and financial position based on the Company's assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments as endorsed by FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
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
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

The above standards and interpretations have no significant impact to the Company's financial condition and operating results based on the Company's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019
IFRS 17, 'Insurance contracts'	January 1, 2021
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 International Accounting Standards Board

Except for the following, the above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognize a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

These parent company only financial statements are prepared by the Company have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

(2) Basis of preparation

A. Except for the following items, the parent company only financial statements have been prepared under the historical cost convention:

- Financial assets (including derivative instruments) at fair value through profit or loss.
- Available-for-sale financial assets measured at fair value.
- Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting

Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5. Critical accounting judgements, estimates and key sources of assumption uncertainty.

(3) Foreign currency translation

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the “functional currency”). The parent company only financial statements are presented in New Taiwan Dollars, which is the Company’s functional and presentation currency.

- A. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- B. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- C. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- D. All foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within other gains and losses.

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realized within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to

be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be paid off within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. 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.

(5) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges. Financial assets that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

- (a) Hybrid (combined) contracts;
- (b) They eliminate or significantly reduce a measurement or recognition inconsistency; or
- (c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy or investment strategy.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.

C. Financial assets at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognized in profit or loss.

(6) Loans and receivables

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. However, for short-term accounts receivable which are not interest bearing, as the effect of discounting is insignificant, they are measured subsequently at the original invoice amount.

(7) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the

weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost to completion and applicable variable selling expenses. When the cost of inventory is lower than net realizable value, a write down is provided and recognized in operating costs. If the circumstances that caused the write-down cease to exist, such that all or part of the write down is no longer needed, it should be reversed to that extent and recognized as deduction of operating costs.

(8) Available-for-sale financial assets

- A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.
- B. For regular way purchase or sale, available-for-sale financial assets are recognized and derecognized using trade date accounting.
- C. Available-for-sale financial assets are initially recognized at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets carried at cost'.

(9) Impairment of financial assets

- A. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.
- B. The criteria that the Company uses to determine whether there is objective evidence of an impairment loss is as follows:
 - (a) Significant financial difficulty of the issuer or debtor;
 - (b) A breach of contract, such as a default or delinquency in interest or principal payments;
 - (c) The disappearance of an active market for that financial asset because of financial difficulties;
 - (d) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;
 - (e) Information about significant changes with an adverse effect that have taken place in the

technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the equity investment may not be recovered;

- (f) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C. When the Company assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting treatment for impairment is as follows:

- (a) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognized, then such impairment loss is reversed through profit or loss. Impairment loss of an equity instrument recognized in profit or loss shall not be reversed through profit or loss. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

- (b) Financial assets carried at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market rate of return of similar financial asset, and is recognized in profit or loss. Impairment loss recognized for this category shall not be reversed subsequently. Impairment loss is recognized by adjusting the carrying amount of the asset through the use of an impairment allowance account.

- (c) Financial assets measured at amortized cost

The amount of the impairment loss is measured as 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, and is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost that would have been at the date of reversal had the impairment loss not been recognized previously. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(10) Derecognition of financial assets

The Company derecognizes a financial asset when one of the following conditions is met:

- A. The contractual rights to receive cash flows from the financial asset expire.

- B. The contractual rights to receive cash flows from the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows from the financial asset have been transferred, and the Company has not retained control of the financial asset.

(11) Investments accounted for using equity method / Subsidiaries

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Unrealized profit (loss) from the transactions between the Company and subsidiaries has been offset. The accounting policies of the subsidiaries have been adjusted to ensure consistency with the policies of the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognize losses proportionate to its ownership.
- D. Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.

(12) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Property, plant and equipment apply the cost model. Except for land, other property, plant and equipment are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If each component of property, plant and equipment is significant, it is depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if

appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the consumption patterns of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

<u>Asset Name</u>	<u>Useful Lives</u>
Buildings	2 ~ 55 years
Machinery and equipment	2 ~ 30 years
Transportation equipment	2 ~ 20 years
Office equipment	2 ~ 8 years
Other equipment	2 ~ 40 years

(13) Lease (Lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(14) Lease (Lessee)

Payments made under an operating lease (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the lease term.

(15) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model.

(16) Intangible assets

The intangible assets are royalties for technology transfer which are recorded at cost and amortised using the straight-line method over its useful life of 10 years.

(17) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(18) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(19) Notes and accounts payable

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. However, for short-term accounts payable which are not interest bearing, as the effect of discounting is insignificant, they are measured subsequently at the original invoice amount.

(20) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability specified in the contract is discharged, cancelled or expired.

(21) Offsetting financial instruments

Financial assets and liabilities are offset and reported at net amount on the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(22) Provision

Provision (decommissioning liabilities) is recognized when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provision is measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense.

(23) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid and should be recognized as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plan

For defined contribution plan, the contributions are recognized as pension expenses on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plan

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of the defined benefit pension plan is the present value of the defined benefit

obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

- ii. Remeasurements arising on defined benefit plan are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(24) Income tax

- A. The tax expense comprises current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which case the tax is recognized in other comprehensive income or equity.
- B. The Company's current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the shareholders resolve to retain the earnings.
- C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the non-consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable

profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.

- E. Current income tax assets and liabilities are offset and the net amount is reported on the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(25) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases its outstanding shares, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders. When such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(26) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares and share premium on the effective date of new shares issuance.

(27) Revenue recognition

The Company manufactures and sells tinplate and empty can, etc. Revenue is measured at the fair value of the consideration received or receivable taking into account the value-added tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Company's activities. Revenue arising from the sales of goods is recognized when the Company has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Company retains neither continuing managerial involvement nor effective control over the goods sold, and the customer has accepted the goods according to the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, and the related information is addressed below:

(1) Critical judgements in applying the Company's accounting policies

None.

(2) Critical accounting estimates and assumptions

A. Evaluation of inventories

- (a) As inventories are stated at the lower of cost and net realizable value, the Company must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Because of the change in market demand and the sales strategy, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on the balance sheet date, and writes down the cost of inventories to the net realizable value. Such an evaluation is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

- (b) As of December 31, 2017, the carrying amount of inventories was \$2,007,127.

B. Calculation of net defined benefit liabilities - non-current

- (a) When calculating the present value of defined pension obligations, the Company must apply judgements and estimates to determine the actuarial assumptions on the balance sheet date, including discount rates and future salary growth rate. Any change in these assumptions could significantly impact the carrying amount of defined pension obligations.

- (b) As of December 31, 2017, the carrying amount of net defined benefit liabilities - non-current was \$360,381.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Cash:		
Cash on hand and petty cash	\$ 132	\$ 36
Checking accounts and demand deposits	<u>37,873</u>	<u>9,078</u>
	<u>\$ 38,005</u>	<u>\$ 9,114</u>

- A. The Company transacts with a variety of financial institutions all with high credit rankings to diversify credit risk, so it expects that the probability of counterparty default is remote.

B. The Company has no cash pledged to others as of December 31, 2017 and 2016.

(2) Notes receivable, net

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Notes receivable	\$ 120,003	\$ 98,495
Less: Allowance for doubtful accounts	(1,200)	(985)
	<u>\$ 118,803</u>	<u>\$ 97,510</u>

A. The Company has no significant past due but not impaired notes receivable.

B. Movements of financial assets that were impaired are shown in Note 6(3).

C. The Company's notes receivable that were neither past due nor impaired were fully performing in line with the credit standards prescribed based on counterparties' industrial characteristics, scale of business and profitability.

D. The Company did not pledge notes receivable as collateral as of December 31, 2017 and 2016.

(3) Accounts receivable, net

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Accounts receivable	\$ 521,569	\$ 486,336
Less: Allowance for doubtful accounts	(5,252)	(4,599)
	<u>\$ 516,317</u>	<u>\$ 481,737</u>

A. Aging analysis of the Company's accounts receivable, including those with related party, that are past due but not impaired is as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Within 90 days	<u>\$ 196</u>	<u>\$ 10,438</u>

The above ageing analysis was based on past due date.

B. Movements of financial assets that were impaired including notes receivable and accounts receivable are as follows:

	<u>Years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
	<u>Group provision</u>	<u>Group provision</u>
At January 1	\$ 5,584	\$ 5,201
Provision for impairment	868	383
At December 31	<u>\$ 6,452</u>	<u>\$ 5,584</u>

C. The Company's accounts receivable that were neither past due nor impaired were fully performing in line with the credit standards prescribed based on counterparties' industrial characteristics, scale of business and profitability.

D. The Company did not pledge accounts receivable, including related parties, as collateral as of December 31, 2017 and 2016.

E. The Company did not hold collateral on accounts receivable, including those with related party, as of December 31, 2017 and 2016.

(4) Inventories

December 31, 2017			
	Cost	Allowance for price decline of inventories	Carrying amount
Merchandise	\$ 1, 822	\$ –	\$ 1, 822
Raw materials	734, 685	(8, 447)	726, 238
Raw materials in transit	17, 293	(57)	17, 236
Supplies	144, 166	(1, 888)	142, 278
Work in process	516, 719	(31, 828)	484, 891
Finished goods	650, 442	(15, 780)	634, 662
	<u>\$ 2, 065, 127</u>	<u>(\$ 58, 000)</u>	<u>\$ 2, 007, 127</u>
December 31, 2016			
	Cost	Allowance for price decline of inventories	Carrying amount
Raw materials	\$ 1, 074, 300	(\$ 2, 374)	\$ 1, 071, 926
Raw materials in transit	31, 057	–	31, 057
Supplies	117, 213	(1)	117, 212
Supplies in transit	27, 927	–	27, 927
Work in process	396, 324	(2, 781)	393, 543
Finished goods	388, 397	(2, 844)	385, 553
	<u>\$ 2, 035, 218</u>	<u>(\$ 8, 000)</u>	<u>\$ 2, 027, 218</u>

The cost of inventories recognized as expense for the year:

Years ended December 31,			
	2017	2016	
Cost of goods sold	\$ 15, 825, 266	\$ 14, 152, 807	
Loss on (gain on reversal of) decline in market value (Note)	50, 000	(149, 000)	
Revenue from sale of scraps	(273, 471)	(219, 977)	
Indemnities	(7, 965)	(5, 584)	
Total operating costs	<u>\$ 15, 593, 830</u>	<u>\$ 13, 778, 246</u>	

(Note) For the year 2016, the Company reversed a previous inventory write-down which was accounted for as a reduction of cost of goods sold as a result of the increase in selling prices of inventories.

(5) Available-for-sale financial assets - non-current

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Listed stocks	\$ 378,917	\$ 378,917
Adjustments for change in fair value of available-for-sale financial assets	(200,186)	(256,275)
	<u>\$ 178,731</u>	<u>\$ 122,642</u>

A. The Company recognized fair value change in other comprehensive income of \$56,089 and (\$8,254) for the years ended December 31, 2017 and 2016, respectively, and the no amount was reclassified from equity to profit or loss for both years.

B. The Company did not pledge available-for-sale financial assets-non-current as collateral as of December 31, 2017 and 2016.

(6) Financial assets carried at cost - non-current

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Unlisted stocks	\$ 501,050	\$ 501,050

A. The Company classified some of its equity investments as available-for-sale financial assets based on its intention. However, as these stocks are not traded in an active market, and there is no sufficient information of similar companies in the same industry, fair value of the investments cannot be measured reliably. Accordingly, the Company classified these stocks as financial assets carried at cost.

B. The Company had an investment in Emivest Aerospace Corporation. The carrying amount was \$— and was liquidated for the year ended December 31, 2016.

C. The Company did not pledge financial assets measured at cost - non-current as collateral as of December 31, 2017 and 2016.

(7) Investments accounted for using equity method

	<u>Years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
At January 1	\$ 9,265,305	\$ 9,997,345
Addition of investments accounted for using the equity method	2,325,174	—
Share of profit or loss of investments accounted for using the equity method	375,937	364,045
Unrealized gain from sale	(60,386)	(142,201)
Realized gain from sale	142,201	44,739
Changes in other equity items—financial statements translation differences of foreign operations	157,305	(998,623)
At December 31	<u>\$ 12,205,536</u>	<u>\$ 9,265,305</u>

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Cayman Ton Yi Industrial Holdings Ltd.	\$ 12,140,137	\$ 9,210,736
Tovecan Corp.	<u>65,399</u>	<u>54,569</u>
	<u>\$ 12,205,536</u>	<u>\$ 9,265,305</u>

Information on the Company's subsidiaries is provided in Note 4(3) Basis of consolidation in the Company's 2017 consolidated financial statements.

(8) Property, plant and equipment

	Land	Buildings	Machinery	Vehicles	Office equipment	Others	Construction in progress and equipment to be inspected	Total
<u>At January 1, 2017</u>								
Cost	\$ 615,892	\$ 5,057,037	\$ 27,657,135	\$ 217,758	\$ 5,175	\$ 3,087,798	\$ 79,230	\$ 36,720,025
Accumulated depreciation	—	(3,174,821)	(19,329,879)	(195,643)	(5,157)	(2,086,799)	—	(24,792,299)
	<u>\$ 615,892</u>	<u>\$ 1,882,216</u>	<u>\$ 8,327,256</u>	<u>\$ 22,115</u>	<u>\$ 18</u>	<u>\$ 1,000,999</u>	<u>\$ 79,230</u>	<u>\$ 11,927,726</u>
<u>2017</u>								
At January 1	\$ 615,892	\$ 1,882,216	\$ 8,327,256	\$ 22,115	\$ 18	\$ 1,000,999	\$ 79,230	\$ 11,927,726
Additions - Cost	—	1,600	1,712	1,000	—	5,471	—	9,783
Transferred - Cost	—	5,781	98,310	570	—	2,584	(37,739)	69,506 (note)
Transferred - Accumulated depreciation	—	—	570	(570)	—	—	—	—
Depreciation charge	—	(110,820)	(782,795)	(5,926)	(6)	(96,859)	—	(996,406)
Disposal - Cost	—	(117)	(112,573)	(635)	(84)	(14,823)	—	(128,232)
Disposal - Accumulated depreciation	—	117	85,338	629	84	14,815	—	100,983
At December 31	<u>\$ 615,892</u>	<u>\$ 1,778,777</u>	<u>\$ 7,617,818</u>	<u>\$ 17,183</u>	<u>\$ 12</u>	<u>\$ 912,187</u>	<u>\$ 41,491</u>	<u>\$ 10,983,360</u>
<u>At December 31, 2017</u>								
Cost	\$ 615,892	\$ 5,064,301	\$ 27,644,584	\$ 218,693	\$ 5,091	\$ 3,081,030	\$ 41,491	\$ 36,671,082
Accumulated depreciation	—	(3,285,524)	(20,026,766)	(201,510)	(5,079)	(2,168,843)	—	(25,687,722)
	<u>\$ 615,892</u>	<u>\$ 1,778,777</u>	<u>\$ 7,617,818</u>	<u>\$ 17,183</u>	<u>\$ 12</u>	<u>\$ 912,187</u>	<u>\$ 41,491</u>	<u>\$ 10,983,360</u>

(note) Including transfers from prepayments for equipment.

	Land	Buildings	Machinery	Vehicles	Office equipment	Others	Construction in progress and equipment to be inspected	Total
<u>At January 1, 2016</u>								
Cost	\$ 615,892	\$ 5,169,144	\$ 27,627,858	\$ 210,248	\$ 5,263	\$ 3,095,749	\$ 51,279	\$ 36,775,433
Accumulated depreciation	—	(3,162,754)	(18,557,658)	(184,616)	(5,238)	(2,000,851)	—	(23,911,117)
	<u>\$ 615,892</u>	<u>\$ 2,006,390</u>	<u>\$ 9,070,200</u>	<u>\$ 25,632</u>	<u>\$ 25</u>	<u>\$ 1,094,898</u>	<u>\$ 51,279</u>	<u>\$ 12,864,316</u>
<u>2016</u>								
At January 1	\$ 615,892	\$ 2,006,390	\$ 9,070,200	\$ 25,632	\$ 25	\$ 1,094,898	\$ 51,279	\$ 12,864,316
Additions - Cost	—	—	7,345	8,710	—	4,304	—	20,359
Transfer from prepayments for business facilities	—	—	33,043	—	—	—	27,951	60,994
Depreciation charge	—	(124,174)	(783,319)	(11,611)	(7)	(98,194)	—	(1,017,305)
Disposal - Cost	—	(112,107)	(11,111)	(1,200)	(88)	(12,255)	—	(136,761)
Disposal - Accumulated depreciation	—	112,107	11,098	584	88	12,246	—	136,123
At December 31	<u>\$ 615,892</u>	<u>\$ 1,882,216</u>	<u>\$ 8,327,256</u>	<u>\$ 22,115</u>	<u>\$ 18</u>	<u>\$ 1,000,999</u>	<u>\$ 79,230</u>	<u>\$ 11,927,726</u>
<u>At December 31, 2016</u>								
Cost	\$ 615,892	\$ 5,057,037	\$ 27,657,135	\$ 217,758	\$ 5,175	\$ 3,087,798	\$ 79,230	\$ 36,720,025
Accumulated depreciation	—	(3,174,821)	(19,329,879)	(195,643)	(5,157)	(2,086,799)	—	(24,792,299)
	<u>\$ 615,892</u>	<u>\$ 1,882,216</u>	<u>\$ 8,327,256</u>	<u>\$ 22,115</u>	<u>\$ 18</u>	<u>\$ 1,000,999</u>	<u>\$ 79,230</u>	<u>\$ 11,927,726</u>

- A. Amount of borrowing costs capitalized as part of property, plant and equipment and the range of the interest rates for such capitalization are as follows:

	Years ended December 31,	
	2017	2016
Amount capitalized	\$ 1,123	\$ 869
Interest rate	1.30%	1.30%

- B. The Company did not pledge property, plant and equipment as collateral as of December 31, 2017 and 2016.

(9) Investment property

Land	Years ended December 31,	
	2017	2016
At January 1		
Cost	\$ 26,892	\$ 41,638
Accumulated impairment	(20,978)	(31,539)
	<u>\$ 5,914</u>	<u>\$ 10,099</u>
Opening net book amount	\$ 5,914	\$ 10,099
Disposal - Cost	–	(14,746)
Disposal - Accumulated depreciation	–	10,561
Closing net book value	<u>\$ 5,914</u>	<u>\$ 5,914</u>
At December 31		
Cost	\$ 26,892	\$ 26,892
Accumulated impairment	(20,978)	(20,978)
	<u>\$ 5,914</u>	<u>\$ 5,914</u>

- A. The fair values of the investment property held by the Company as of December 31, 2017 and 2016 were \$7,320 and \$8,114, respectively. Land is valued according to Current Land Value announced by the Department of Land Administration.
- B. The Company purchased an agricultural purpose land in the amount of \$23,108 but was registered in the name of a natural person. Before changing the land registration, the land will be mortgaged to the Company. The decision on the purpose of the land has not yet been decided; thus, this was recognized as Investment property.
- C. As of December 31, 2017 and 2016, no investment property held by the Company was pledged to others.

(10)Intangible assets

	<u>Year ended December 31,</u> <u>2016</u>
<u>Royalties</u>	
At January 1	
Cost	\$ 387,569
Accumulated amortization	(352,250)
	<u>\$ 35,319</u>
Net value at January 1	\$ 35,319
Amortization	(35,319)
Transfer - Cost	(387,569)
Transfer - Accumulated amortization	<u>387,569</u>
Net value at December 31	<u>\$ -</u>
At December 31	
Cost	\$ -
Accumulated amortization	<u>-</u>
	<u>\$ -</u>

A. No intangible assets of December 31, 2017.

B. No borrowing costs were capitalized as part of intangible assets as of December 31, 2016.

C. For the year ended December 31, 2016, the amortization of intangible assets (under operating cost) was \$35,319.

(11)Long-term prepaid rent

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Land use right	<u>\$ 61,226</u>	<u>\$ 65,177</u>

The Company entered into a land lease agreement with Taiwan Sugar Corporation for use of property located in Yong-Kang District, Tainan and the lease period is 50 years. The Company recognized \$3,951 and \$2,866 of rental expense (under operating cost) for the years ended December 31, 2017 and 2016, respectively.

(12)Short-term borrowings

<u>Nature</u>	<u>December 31, 2017</u>	<u>Interest rate</u>	<u>Collateral</u>
Unsecured bank borrowings	<u>\$ 787,165</u>	0.82%~1.00%	None
<u>Nature</u>	<u>December 31, 2016</u>	<u>Interest rate</u>	<u>Collateral</u>
Unsecured bank borrowings	<u>\$ 1,023,800</u>	0.71%~0.98%	None

(13)Short-term commercial paper

	<u>December 31, 2017</u>	<u>Interest rate</u>	<u>Collateral</u>
Commercial paper payable	\$ 700, 000	0. 90%~0. 94%	None
Less: Unamortized discount	(184)		
	<u>\$ 699, 816</u>		
	<u>December 31, 2016</u>	<u>Interest rate</u>	<u>Collateral</u>
Commercial paper payable	\$ 350, 000	0. 94%	None
Less: Unamortized discount	(162)		
	<u>\$ 349, 838</u>		

The above commercial paper was issued and secured by International Bills Finance Co., Ltd and China Bills Finance Co., Ltd. for short-term financing.

(14)Long-term borrowings

<u>Nature</u>	<u>Range of maturity dates</u>	<u>Range of interest rates</u>	<u>Collateral</u>	<u>December 31, 2017</u>
Unsecured bank borrowings	2019. 03. 24~ 2020. 09. 22	1. 04%~1. 32%	None	<u>\$ 6, 500, 000</u>
<u>Nature</u>	<u>Range of maturity dates</u>	<u>Range of interest rates</u>	<u>Collateral</u>	<u>December 31, 2016</u>
Unsecured bank borrowings	2018. 04. 22~ 2020. 11. 25	1. 04%~1. 79%	None	<u>\$ 4, 159, 550</u>

For information on the terms and conditions of all the loan contracts the Company entered into with financial institutions, please refer to Note 9(4), "Significant contingent liabilities and unrecognized contract commitments".

(15)Provision - non-current

	<u>Years ended December 31,</u>	
<u>Decommissioning liabilities</u>	<u>2017</u>	<u>2016</u>
At January 1	\$ 75, 389	\$ 74, 001
Unwinding of discount	<u>1, 413</u>	<u>1, 388</u>
At December 31	<u>\$ 76, 802</u>	<u>\$ 75, 389</u>

According to the policy published, applicable agreement or the law and regulation, the Company has obligations to restore certain property, plant and equipment located in Yong-Kang District, Tainan City in the future. A provision is recognized for the present value of costs to be incurred for dismantling, removing the asset and restoring the site. It is expected that the provision will be settled within 50 years from the beginning of contract.

(16) Pensions

A.(a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 14% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contribution for the deficit by next March.

(b) The amounts recognized in the balance sheet are as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Present value of defined benefit obligations	(\$ 1, 365, 787)	(\$ 1, 425, 701)
Fair value of plan assets	<u>1, 005, 406</u>	<u>966, 241</u>
Net defined benefit liability - non-current	<u>(\$ 360, 381)</u>	<u>(\$ 459, 460)</u>

(c) Movements in net defined benefit liabilities - non-current are as follows:

<u>Year ended December 31, 2017</u>	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
Balance at January 1	(\$ 1, 425, 701)	\$ 966, 241	(\$ 459, 460)
Current service cost	(19, 115)	-	(19, 115)
Interest (expense) income	(19, 515)	13, 708	(5, 807)
	<u>(1, 464, 331)</u>	<u>979, 949</u>	<u>(484, 382)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(4, 184)	(4, 184)
Change in financial assumptions	49, 377	-	49, 377
Experience adjustments	<u>(2, 505)</u>	<u>-</u>	<u>(2, 505)</u>
	<u>46, 872</u>	<u>(4, 184)</u>	<u>42, 688</u>
Pension fund contribution	-	81, 313	81, 313
Paid pension	<u>51, 672</u>	<u>(51, 672)</u>	<u>-</u>
Balance at December 31	<u>(\$ 1, 365, 787)</u>	<u>\$ 1, 005, 406</u>	<u>(\$ 360, 381)</u>

<u>Year ended December 31, 2016</u>	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Balance at January 1	(\$ 1, 281, 847)	\$ 916, 080	(\$ 365, 767)
Current service cost	(18, 535)	–	(18, 535)
Interest (expense) income	(23, 948)	17, 787	(6, 161)
	(1, 324, 330)	933, 867	(390, 463)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)		– (11, 129)	(11, 129)
Change in financial assumptions	(101, 210)	–	(101, 210)
Experience adjustments	(37, 252)	–	(37, 252)
	(138, 462)	(11, 129)	(149, 591)
Pension fund contribution	–	80, 594	80, 594
Paid pension	37, 091	(37, 091)	–
Balance at December 31	(\$ 1, 425, 701)	\$ 966, 241	(\$ 459, 460)

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2017 and 2016 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	<u>Years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Discount rate	<u>1.625%</u>	<u>1.375%</u>
Future salary increases	<u>3.00%</u>	<u>3.00%</u>

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience

Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
<u>December 31, 2017</u>	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>
Effect on present value of defined benefit obligation	<u>(\$ 47,302)</u>	<u>\$ 49,377</u>	<u>\$ 47,881</u>	<u>(\$ 46,133)</u>
<u>December 31, 2016</u>				
Effect on present value of defined benefit obligation	<u>(\$ 51,737)</u>	<u>\$ 54,118</u>	<u>\$ 52,386</u>	<u>(\$ 50,377)</u>

The sensitivity analysis above was arrived at based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2018 are \$77,292.

(g) As of December 31, 2017, the weighted average duration of that retirement plan is 15 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$ 7,990
2-5 years	78,220
6~10 years	<u>254,456</u>
	<u>\$ 340,666</u>

B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2017 and 2016 were \$23,904 and \$23,024, respectively.

(17) Share capital - Common stock

A. Movements in the number of the Company's ordinary shares outstanding are as follows (in thousands of shares):

	Years ended December 31,	
	2017	2016
Beginning and ending balance	<u>1, 579, 145</u>	<u>1, 579, 145</u>

B. As of December 31, 2017, the Company's authorized capital was \$17,847,009, and the paid-in capital was \$15,791,453, consisting of 1,579,145 thousand shares of ordinary stock, with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

(18)Capital surplus

Pursuant to the Company Act, capital reserve arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to offset accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital reserve should not be used to cover accumulated deficit after the legal reserve is used.

(19)Retained earnings

- A. The legal reserve shall be exclusively used to offset accumulated deficit, to issue new stocks or distribute cash to shareholders in proportion to their share ownership. The use of legal reserve for the issuance of stocks or cash dividends to shareholders in proportion to their share ownership is permitted provided that the balance of such reserve exceeds 25% of the Company's paid-in capital.
- B. According to the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve and special reserve shall be set aside or reversed in accordance with related regulations. The remaining amount plus the accumulated unappropriated earnings from prior years is the accumulated distributable earnings. Of the amount to be distributed by the Company, shareholders' dividends shall comprise 50% to 100% of the accumulated distributable earnings and cash dividends shall not be lower than 30% of the total dividends distributed. The appropriation of earnings shall be proposed by the Board of Directors and resolved by the shareholders.
- C. (a) In accordance with the regulations, the Company shall set aside special reserve arising from the debit balances in other equity items at the balance sheet date before distributing earnings. When debit balances in other equity items are reversed subsequently, an equal amount could then be used for distribution. For the decrease in the deduction amount to stockholder's equity is \$1,075,145 for the year ended December 31, 2017. In accordance with the Company Act on special reserve, no dividends shall be distributed.
- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets, those other than land, are

used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are land.

- D. The Company recognized dividends distributed to owners amounting to \$600,075 and \$505,327 (\$0.38 and \$0.32 (in dollars) per share as cash dividends, respectively) for the years ended December 31, 2017 and 2016, respectively. On March 23, 2018, total dividends for 2017 of \$789,573, constituting \$0.50 (in dollars) per share as cash dividends, was proposed by the Board of Directors.

(20) Other income

	Years ended December 31,	
	2017	2016
Dividend income	\$ 18,439	\$ 5,152
Interest income	456	138
Rental income	5,383	5,348
Other income	28,864	29,291
	<u>\$ 53,142</u>	<u>\$ 39,929</u>

(21) Other gains and losses

	Years ended December 31,	
	2016	2015
Gain on financial assets at fair value through profit or loss	\$ 1,437	\$ 210
Net gain on disposal of investment property	–	5,993
Net currency exchange (loss) gain	(52,672)	15,401
Net loss on disposal of property, plant and equipment	(27,185)	(51)
Miscellaneous expenses	(183)	(55)
	<u>(\$ 78,603)</u>	<u>\$ 21,498</u>

(22) Finance costs

	Years ended December 31,	
	2017	2016
Interest expense:		
Bank borrowings	\$ 89,359	\$ 87,900
Provisions – unwinding of discount	1,413	1,388
	90,772	89,288
Less: Capitalization of qualifying assets	(1,123)	(869)
	<u>\$ 89,649</u>	<u>\$ 88,419</u>

(23) Expenses by nature

	Year ended December 31, 2017			Year ended December 31, 2016		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee benefits expense	\$ 679,189	\$ 302,435	\$ 981,624	\$ 660,036	\$ 365,082	\$ 1,025,118
Depreciation	986,888	9,518	996,406	1,006,326	10,979	1,017,305
Amortization	—	—	—	35,319	—	35,319
	<u>\$ 1,666,077</u>	<u>\$ 311,953</u>	<u>\$ 1,978,030</u>	<u>\$ 1,701,681</u>	<u>\$ 376,061</u>	<u>\$ 2,077,742</u>

(24) Employee benefits expense

	Year ended December 31, 2017			Year ended December 31, 2016		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Wages and salaries	\$ 550,585	\$ 245,316	\$ 795,901	\$ 536,258	\$ 296,808	\$ 833,066
Labor and health insurance expense	56,342	20,220	76,562	53,353	18,589	71,942
Pension costs	35,966	12,860	48,826	35,282	12,438	47,720
Other personnel expenses	36,296	24,039	60,335	35,143	37,247	72,390
	<u>\$ 679,189</u>	<u>\$ 302,435</u>	<u>\$ 981,624</u>	<u>\$ 660,036</u>	<u>\$ 365,082</u>	<u>\$ 1,025,118</u>

- A. As of December 31, 2017 and 2016, the Company had approximately 1,214 and 1,212 employees, respectively.
- B. According to the Articles of Incorporation of the Company, a ratio of profit of the current year distributable, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 2% for employees' compensation and shall not be higher than 2% for directors' and supervisors' remuneration.
- C. For the years ended December 31, 2017 and 2016, employees' compensation was accrued at \$30,836 and \$58,081, respectively, while directors' and supervisors' remuneration was accrued at \$13,979 and \$19,245, respectively. The aforementioned amounts were recognized in salary expenses. The expenses recognized were accrued based on the profit of current period distributable and the percentage specified in the Articles of Incorporation of the Company for the years ended December 31, 2017 and 2016. The employees' compensation and directors' remuneration resolved by the Board of Directors were \$30,836 and \$13,979, respectively, for the year ended December 31, 2016, and the employees' compensation will be distributed in the form of cash. The difference of (\$7,258) between employees' compensation and directors' remuneration of \$58,081 and \$11,987 as resolved by the Board of Directors and the amount recognized in the 2016 financial statements had been adjusted in the 2017 statement of comprehensive income.

Information about the appropriation of employees' compensation (bonus) and directors' and supervisors' remuneration by the Company as proposed by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(25)Income tax

A. Income tax

(a)Components of income tax expense

	Years ended December 31,	
	2017	2016
Current income tax:		
Income tax incurred in current year	\$ 39,666	\$ 136,384
Additional 10% income tax imposed on unappropriated earnings	–	86
Under provision in prior years	2,571	4,818
	<u>42,237</u>	<u>141,288</u>
Deferred income tax:		
Origination and reversal of temporary differences	12,899	16,696
Income tax expense	<u>\$ 55,136</u>	<u>\$ 157,984</u>

(b)The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Years ended December 31,	
	2017	2016
Remeasurement of defined benefit obligations	\$ 7, 256	(\$ 25, 430)
Currency translation differences	(1, 070)	112
	<u>\$ 6, 186</u>	<u>(\$ 25, 318)</u>

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2017	2016
Income tax expense at the statutory tax rate	\$ 111, 391	\$ 208, 611
Effect of amount not allowed to recognise under regulations	(58, 826)	(56, 511)
Tax effect of tax exempt income	–	777
Additional 10% income tax imposed on unappropriated earnings	–	86
Under provision of prior year's income tax	2, 571	4, 818
Land value increment tax	–	203
Income tax expense	<u>\$ 55, 136</u>	<u>\$ 157, 984</u>

C. Amounts of deferred tax assets or liabilities recognized as a result of temporary differences are as follows:

	Year ended December 31, 2017			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred income tax assets				
Temporary differences:				
Unrealized sales allowance and returns	\$ 1,670	(\$ 287)	\$ –	\$ 1,383
Unrealized profit from sales	24,174	(13,908)	–	10,266
Loss on inventories from market value decline	1,360	8,500	–	9,860
Unused compensated absences	6,633	(541)	–	6,092
Unrealized provision	10,276	310	–	10,586
Pensions	22,880	(9,587)	–	13,293
Unrealized exchange loss	–	1,626	–	1,626
Remeasurement of defined benefit plan	55,228	–	(7,256)	47,972
Currency translation difference	–	–	1,067	1,067
	<u>\$ 122,221</u>	<u>(\$ 13,887)</u>	<u>(\$ 6,189)</u>	<u>\$ 102,145</u>
Deferred income tax liabilities				
Temporary differences:				
Foreign investment income	(\$ 6,968)	(\$ 491)	\$ –	(\$ 7,459)
Land value incremental tax	(197,039)	–	–	(197,039)
Unrealized exchange gain	(1,479)	1,479	–	–
Currency translation differences	(3)	–	3	–
	<u>(\$ 205,489)</u>	<u>\$ 988</u>	<u>\$ 3</u>	<u>(\$ 204,498)</u>
	<u>(\$ 83,268)</u>	<u>(\$ 12,899)</u>	<u>(\$ 6,186)</u>	<u>(\$ 102,353)</u>

Year ended December 31, 2016				
		Recognised	Recognised	
		in profit or loss	in other comprehensive income	
	January 1			December 31
Deferred income tax assets				
Temporary differences:				
Unrealized profit from sales	\$ -	\$ 1,670	\$ -	\$ 1,670
Loss on inventories from market value decline	7,606	16,568	-	24,174
Unrealized gain on disposal of plant, property and equipment	26,690	(25,330)	-	1,360
Unused compensated absences	6,080	553	-	6,633
Unrealized provision	9,953	323	-	10,276
Pensions	32,382	(9,502)	-	22,880
Remeasurement of defined benefit plan	29,798	-	25,430	55,228
Currency translation difference	109	-	(109)	-
	<u>\$ 112,618</u>	<u>(\$ 15,718)</u>	<u>\$ 25,321</u>	<u>\$ 122,221</u>
Deferred income tax liabilities				
Temporary differences:				
Foreign investment income	(\$ 6,898)	(\$ 70)	\$ -	(\$ 6,968)
Land value incremental tax	(197,039)	-	-	(197,039)
Unrealized exchange gain	(571)	(908)	-	(1,479)
Currency translation differences	-	-	(3)	(3)
	<u>(\$ 204,508)</u>	<u>(\$ 978)</u>	<u>(\$ 3)</u>	<u>(\$ 205,489)</u>
	<u>(\$ 91,890)</u>	<u>(\$ 16,696)</u>	<u>\$ 25,318</u>	<u>(\$ 83,268)</u>

- D. The Company did not recognize temporary differences arising from gain on investment in overseas subsidiaries. As of December 31, 2017 and 2016, unrecognized deferred tax liabilities were \$1,996,470 and \$1,459,821, respectively.
- E. The Company's income tax returns through 2015 have been assessed and approved by the Tax Authority. As of March 23, 2018, there was no administrative lawsuit.
- F. With the abolishment of the imputation tax system under the amendments to the Income Tax Act promulgated by the President of the Republic of China in February, 2018, the information on unappropriated retained earnings and the balance of the imputation credit account as of December 31, 2017, as well as the estimated creditable tax rate for the year ended December 31, 2017 is no longer disclosed.

	December 31, 2016
Earnings generated in and after 1998	\$ 969,596

G. As of December 31, 2016, the balance of the imputation tax credit account was \$62,823. The creditable tax rate was 19.17% for the year ended December 31, 2016.

(26) Earnings per share

	Year ended December 31, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 600,104	1,579,145	\$ 0.38
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	600,104	1,579,145	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	—	3,152	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 600,104	1,582,297	\$ 0.38

	Year ended December 31, 2016		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 1,069,141	1,579,145	\$ 0.68
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	1,069,141	1,579,145	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	—	4,785	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 1,069,141	1,583,930	\$ 0.67

(27) Supplemental cash flow information

- A. Investing activities with partial cash payments
Cash paid for acquisition of property, plant and equipment:

	Years ended December 31,	
	2017	2016
Acquisition of property, plant and equipment	\$ 9,783	\$ 20,359
Add: Opening balance of other payables	3,488	–
Less: Ending balance of other payables	–	(3,488)
Cash paid for acquisition of property, plant and equipment	<u>\$ 13,271</u>	<u>\$ 16,871</u>

B. Investing activities with no cash flow effect:

	Years ended December 31,	
	2017	2016
Prepayment for equipment	<u>\$ 69,506</u>	<u>\$ 60,994</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
Cayman Ton Yi Industrial Holdings Ltd.	Subsidiary
Tovecan Corporation Ltd.	Subsidiary
Fujian Ton Yi Tinsplate Co.,Ltd.	Subsidiary
Jiangsu Ton Yi Tinsplate Co., Ltd.	Subsidiary
TTET Union Corp.	Parent company to entity with joint control or significant influence

(2) Significant transactions and balances with related parties

A. Sales

	Years ended December 31,	
	2017	2016
Sales of goods		
Subsidiaries		
Fujian Ton Yi Tinsplate Co.,Ltd.	\$ 3,242,129	\$ 271,239
Jiangsu Ton Yi Tinsplate Co., Ltd.	2,239,105	109,022
Cayman Ton Yi Industrial Holdings Ltd.	–	4,649,906
Others	111,926	106,554
Parent company to entities with joint control or significant influence	<u>337,933</u>	<u>296,776</u>
	<u>\$ 5,931,093</u>	<u>\$ 5,433,497</u>

(a) The Company's collection terms and methods for related party are wire transfer within 30 days of monthly statements, within 50 days after packing or within 30 days after arrival at port. The collection terms are similar to that of a third party. The Company only sells to the subsidiaries; thus there is no comparable price for sales made at arm's length.

(b) The unrealized gain arising from goods sold to subsidiaries of \$60,386 and \$142,201 was

recorded as a reduction to ‘investments accounted for using equity method’ for the years ended December 31, 2017 and 2016, respectively.

B. Purchases of goods

	Years ended December 31,	
	2017	2016
Purchases of goods		
Parent company to entities with joint control or significant influence	\$ 40,097	\$ 39,068
Subsidiaries	8,104	–
	<u>\$ 48,201</u>	<u>\$ 39,068</u>

Purchase price from related party is similar to that of a third party. The payment terms are similar to those of third parties, which are 30 days of invoice receipt.

C. Outstanding balance of receivables from related parties

	December 31, 2017	December 31, 2016
Subsidiaries		
Fujian Ton Yi Tinplate Co., Ltd.	\$ 542,883	\$ 186,748
Jiangsu Ton Yi Tinplate Co., Ltd.	307,601	81,161
Cayman Ton Yi Industrial Holdings Ltd.	-	390,298
Others	15,233	24,768
	<u>865,717</u>	<u>682,975</u>
Parent company to entities with joint control or significant influence	62,508	31,185
	<u>\$ 928,225</u>	<u>\$ 714,160</u>

The receivables from related parties arise mainly from sale transactions. The receivables are unsecured in nature and bear no interest.

D. Property transactions

	Accounts	No. of shares	Objects	Year ended December 31, 2017
				Consideration
Subsidiaries	Investments accounted for under equity	7,690	Cayman Ton Yi Industrial Holdings Ltd.	<u>\$ 2,325,174</u>

No property transactions for the year ended December 31, 2016.

E. Endorsements and guarantees

(a) As of December 31, 2017 and 2016, the actual amount drawn from the endorsements and guarantees provided to related parties was both \$—.

(b) For the years ended December 31, 2017 and 2016, the Company provided endorsements and guarantees to subsidiaries and recognized income from endorsements and guarantees (shown

as ‘other income’) of \$ — and \$5,293, respectively.

(3) Key management compensation

	Years ended December 31,	
	2017	2016
Salaries and other short-term employee benefits	\$ 46,464	\$ 56,419
Retirement benefits	—	2,110
	<u>\$ 46,464</u>	<u>\$ 58,529</u>

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT

COMMITMENTS

- A. As of December 31, 2017 and 2016, the balances for contracts that the Company entered into but not yet due are \$67,711 and \$74,242, respectively.
- B. As of December 31, 2017 and 2016, the unused letters of credit amounted to \$588,335 and \$925,524, respectively.
- C. The details of endorsements and guarantees provided are described in Note 7(2) E.
- D. (a) The Company has entered into a lending agreement with CTBC Bank in 2017. In accordance with the agreement, the Company has to maintain the following financial ratios and terms: the consolidated debt-to-equity ratio of less than 180%, interest coverage ratio of over 200%, and the consolidated tangible shareholders’ equity of not less than \$15,000,000 at the annual assessment. Under the terms of the loan agreement, if any of the financial covenants were not met, and the company has not improved its financial condition, the bank has the right to cancel or reduce the credit line, shorten credit period, or principal and interest deemed as due.
- (b) The Company has entered into a lending agreement with Bank of Tokyo-Mitsubishi UFJ in 2017. In accordance with the agreement, the Company has to maintain the following financial ratios and terms: the Company has to maintain a consolidated debt-to-equity ratio of less than 180%, interest coverage ratio at over 180%, and consolidated tangible shareholders’ equity of not less than \$15,000,000 at the annual assessment. Should the Company fail to meet the above covenants, the bank has the right to demand the Company to pay off the loan balance immediately.
- (c) The Company has entered into a lending agreement with KGB Bank in 2016. In accordance with the agreement, the Company has to maintain the following financial ratios and terms: the consolidated debt-to-equity ratio of less than 180%, interest coverage ratio of over 200%, and the consolidated tangible shareholders’ equity of not less than \$15,000,000 at the annual assessment. Under the terms of the loan agreement, if any of the financial covenants were not met, the Company has to improve the conditions within four months after the release of financial reports. Should the Company fail to meet the above covenants, the bank has the right to demand the

Company to pay off the loan balance immediately.

As of December 31, 2017 and 2016, the Company's financial ratios have not violated the above covenants.

- E. The Company leases various land under lease agreements. For the years ended December 31, 2017 and 2016, rental expense recorded under Operating cost and Operating expense amounted to \$36,707 and \$31,802, respectively. The future aggregate minimum lease payments under operating leases are as follows:

	December 31, 2017	December 31, 2016
Within 1 year	\$ 29,504	\$ 41,138
Between 1 and 5 years	157,801	164,553
Over 5 years	564,452	605,715
	<u>\$ 751,757</u>	<u>\$ 811,406</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

- A. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February, 2018, the Company's applicable income tax rate will be raised from 17% to 20% effective from January 1, 2018. This will increase the Company's deferred tax assets and deferred tax liabilities by \$18,025 and \$1,315, respectively.
- B. As resolved by the Board of Directors on March 23, 2018, for the purpose of long-term development, effectively utilize assets, and maximize benefits, therefore the Company intends to sell all the shares held by the Company in President International Development Corp.

12. OTHERS

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders, maintain an optimal capital structure to both reduce the cost of capital and to meet the monetary needs of improving productivity. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instruments

A. Fair value information of financial instruments

The financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable (including related party), other receivables (including related party), refundable deposits, short-term borrowings, short-term commercial paper, notes payable, accounts payable, other payables, long-term borrowings (including current portion) and guarantee deposit received), are based on their book value as book value approximates fair value. The fair value information of financial instruments measured at fair value is provided in Note

12(3) Fair value estimation.

B. Financial risk management policies

- (a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance. The Company uses derivative financial instruments to hedge specific risks. For more information about financial instruments, please refer to Note 13(1) I, Trading in derivative financial instruments undertaken during the reporting periods.
- (b) Risk management is carried out by a central treasury department (Company Finance Department) under policies approved by the board of directors. Company Finance Department identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(1) Market risk

(a) Foreign exchange risk

- i. The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.
- ii. The Company has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The Company's foreign operations are considered strategic investments; thus, no hedging for the purpose is conducted.
- iii. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2017			
(foreign currency: functional currency)	Foreign Currency		
	Amount		
	<u>(in thousands)</u>	<u>Exchange Rate</u>	<u>Book Value</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 37,748	29.76	\$ 1,123,380
EUR : NTD	2,026	35.57	72,065
<u>Investments accounted for using equity method</u>			
USD : NTD	409,457	29.76	12,185,440
VND :NTD	61,390,979	0.001311	80,484

December 31, 2016			
(foreign currency: functional currency)	Foreign Currency		
	Amount		
	<u>(in thousands)</u>	<u>Exchange Rate</u>	<u>Book Value</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 30,068	32.25	\$ 969,693
<u>Investments accounted for using equity method</u>			
USD : NTD	289,104	32.25	9,323,604
VND :NTD	59,235,755	0.001416	83,898

iv. As of December 31, 2017 and 2016, if the NTD:USD exchange rate had appreciated/depreciated by 1%, with all other factors remaining constant, the Company's post-tax profit for the years ended December 31, 2017 and 2016 would have increased/decreased by \$9,324 and \$8,048, respectively. if the NTD:EUR exchange rate had appreciated/depreciated by 1%, with all other factors remaining constant, the Company's post-tax profit for the years ended December 31, 2017 and 2016 would have increased/decreased by \$598 and \$—, respectively.

v. The total exchange gain, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2017 and 2016 amounted to (\$52,672) and \$15,401, respectively.

(b) Price risk

i. The Company is exposed to equity securities price risk because of investments held by the Company and classified on the individual balance sheet as available-for-sale. To manage its price risk arising from investments in equity securities, the Company has carefully determined its investing portfolio and has set various stop-loss points to ensure that it is not exposed to significant risks. Accordingly, no material market risk is expected.

- ii. The Company's investments in equity securities comprise domestic as well as foreign listed and unlisted stocks. The prices of equity securities would fluctuate due to the uncertainty of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, other comprehensive income for the years ended December 31, 2017 and 2016 would have increased/decreased by \$1,787 and \$1,226 as a result of valuation gains/losses on equity securities classified as available-for-sale, respectively.

(c) Interest rate risk

- i. The Company's interest rate risk arises from short-term and long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rate. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. For the years ended December 31, 2017 and 2016, the Company's borrowings at variable rate were denominated in NTD, USD and JPY.
- ii. During the years ended December 31, 2017 and 2016, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2017 and 2016 would have increased /decreased by \$742 and \$730, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(2) Credit risk

- i. Credit risk refers to the risk that the clients or counterparties of financial instruments will cause a financial loss for the Company by failing to discharge a contractual obligation. According to the Company's credit policy, the Company is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual credit limit is set by management through evaluating internal and external credit ratings. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents and outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with good ratings are accepted. The Company transacts with several banks to mitigate risk.
- ii. No credit limits were breached for the year of 2017 and 2016, and management does not expect any significant losses from non-performance by these counterparties.
- iii. The Company provides endorsements and guarantees based on the Company's policies and procedures on endorsements and guarantees. The Company only provides endorsement or guarantee for subsidiaries that the Company directly holds more than 50% ownership, or for entities that the Company holds more than 50% ownership, either directly or indirectly,

as well as the power to govern the policies. No collateral is requested for the endorsements and guarantees as the Company can control the credit risk of the subsidiary. The maximum credit risk is the guaranteed amount.

iv. For the credit ratings of the Company's financial assets, please refer to Note 6, Financial assets.

(3) Liquidity risk

- i. Finance Department monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.
- ii. Surplus cash held by the Company over and above the balance required for working capital management are transferred to the Finance Department. Finance Department invests surplus cash in interest bearing current accounts and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts.
- iii. The table below analyses the Company's non-derivative financial liabilities and relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Short-term borrowings	\$ 789,285	\$ -	\$ -	\$ -
Short-term notes and bills payable	700,000	-	-	-
Notes payable	23,659	-	-	-
Accounts payable	255,238	-	-	-
Other payables	527,661	-	-	-
Other financial liabilities - current	2,300	-	-	-
Long-term borrowings	77,753	2,816,424	3,775,289	-
Guarantee deposits received	-	6,510	-	-
December 31, 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Short-term borrowings	\$ 1,025,994	\$ -	\$ -	\$ -
Short-term notes and bills payable	350,000	-	-	-
Notes payable	13,325	-	-	-
Accounts payable	405,078	-	-	-
Other payables	615,068	-	-	-
Long-term borrowings	57,104	2,367,802	1,856,552	-
Guarantee deposits received	-	5,500	-	-

iv. The Company does not expect the maturity date to end early nor the actual cash flow to be materially different.

(3) Fair value information

A. Details of the fair value of the Company's financial assets and financial liabilities not measured at fair value is provided in Note 12(2) A "Fair value information of financial instruments". Details of the fair value of the Company's investment property measured at cost is provided in Note 6(9), "Investment property".

B. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's investment in

foreign exchange contracts is included in Level 2.

Level 3: Unobservable inputs for the asset or liability.

- C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2017 and 2016 is as follows:

<u>December 31, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Available-for-sale financial assets				
Equity securities	<u>\$ 178,731</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 178,731</u>
<u>December 31, 2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Available-for-sale financial assets				
Equity securities	<u>\$ 122,642</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 122,642</u>

- D. The methods and assumptions the Company used to measure fair value are as follows:

- (a) The instruments the Company used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed shares</u>
Market quoted price	Closing price

- (b) The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.

- E. For the years ended December 31, 2017 and 2016, there was no transfer between Level 1 and Level 2.

- F. For the years ended December 31, 2017 and 2016, there was no transfer from Level 3.

13. SUPPLEMENTARY DISCLOSURES

(According to the current regulatory requirements, the Company is only required to disclose the information for the year ended December 31, 2017. The financial information of investees was audited by the independent accountants and disclosed individually. Elimination and adjustments for consolidation were not considered.)

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: None

- C. Holding of marketable securities at the end of the period (not including subsidiaries, and associates): Please refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 3.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative financial instruments undertaken during the reporting periods:
 - (a) As of December 31, 2017, the Company has not traded any derivative financial instrument. For the year ended December 31, 2017, the net loss recognized for trading derivative instruments amounted to \$1,437.
 - (b) The subsidiaries have not traded derivative financial instruments.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 9.

14. SEGMENT INFORMATION

None.

Ton Yi Industrial Corp.
Loans to others
Year ended December 31, 2017

Table 1

Expressed in thousands of NTD

NO.	Creditor	Borrower	General ledger	Is a related party	Maximum outstanding balance during the nine-month period ended	Balance at	Actual amount	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
			account	December 31, 2017	December 31, 2017	drawn down	(Note 1)				Item	Value					
1	Wuxi Ton Yi Industrial Packing Co., Ltd.	Fujian Ton Yi Tinplate Co., Ltd.	Other receivables	Y	\$ 50,310	\$ 50,310	50,310	4.00	2	\$ -	Operational use	\$ -	-	\$ -	\$ 128,116	\$ 256,232	Note 2
1	Wuxi Ton Yi Industrial Packing Co., Ltd.	Jiangsu Ton Yi Tinplate Co., Ltd.	Other receivables	Y	50,310	50,310	36,589	4.00	2	-	Operational use	-	-	-	128,116	256,232	Note 2
1	Wuxi Ton Yi Industrial Packing Co., Ltd.	Huizhou Ton Yi Industrial Co., Ltd.	Other receivables	Y	27,442	-	-	4.00	2	-	Operational use	-	-	-	640,579	640,579	Note 2
2	Chengdu Ton Yi Industrial Packing Co., Ltd.	Chengdu Ton Yi Industrial Co., Ltd.	Other receivables	Y	365,894	182,947	182,947	4.00	2	-	Operational use	-	-	-	448,856	448,856	Note 2
2	Chengdu Ton Yi Industrial Packing Co., Ltd.	Huizhou Ton Yi Industrial Co., Ltd.	Other receivables	Y	91,474	91,474	91,474	4.00	2	-	Operational use	-	-	-	448,856	448,856	Note 2
2	Chengdu Ton Yi Industrial Packing Co., Ltd.	Beijing Ton Yi Industrial Co., Ltd.	Other receivables	Y	45,737	-	-	4.00	2	-	Operational use	-	-	-	448,856	448,856	Note 2
3	Changsha Ton Yi Industrial Co., Ltd.	Huizhou Ton Yi Industrial Co., Ltd.	Other receivables	Y	50,310	32,016	32,016	4.00	2	-	Operational use	-	-	-	215,795	215,795	Note 2
4	Ton Yi (China) Investment Co., Ltd.	Taizhou Ton Yi Industrial Co., Ltd.	Other receivables	Y	137,210	137,210	-	4.00	2	-	Operational use	-	-	-	8,433,093	8,433,093	Note 2
4	Ton Yi (China) Investment Co., Ltd.	Zhangzhou Ton Yi Industrial Co., Ltd.	Other receivables	Y	137,210	137,210	33,388	4.00	2	-	Operational use	-	-	-	8,433,093	8,433,093	Note 2
4	Ton Yi (China) Investment Co., Ltd.	Kunshan Ton Yi Industrial Co., Ltd.	Other receivables	Y	137,210	137,210	-	-	2	-	Operational use	-	-	-	8,433,093	8,433,093	Note 2
4	Ton Yi (China) Investment Co., Ltd.	Beijing Ton Yi Industrial Co., Ltd.	Other receivables	Y	137,210	137,210	-	4.00	2	-	Operational use	-	-	-	8,433,093	8,433,093	Note 2

NO.	Creditor	Borrower	General	Is a	Maximum outstanding	Balance at	Actual amount	Interest rate	Nature of	Amount of	Reason for	Allowance	Collateral		Limit on loans	Ceiling on total	Footnote
			ledger	related	balance during the nine-month period ended								Item	Value			
			account	party	December 31, 2017	December 31, 2017	drawn down		(Note 1)	borrower	financing	accounts			a single party	loans granted	
4	Ton Yi (China) Investment Co., Ltd.	Huizhou Ton Yi Industrial Co., Ltd.	Other receivables	Y	\$ 137,210	\$ 137,210	\$ 86,900	4.00	2	\$ -	Operational use	\$ -	-	\$ -	\$ 8,433,093	\$ 8,433,093	Note 2
4	Ton Yi (China) Investment Co., Ltd.	Chengdu Ton Yi Industrial Co., Ltd.	Other receivables	Y	137,210	137,210	21,422	4.00	2	-	Operational use	-	-	-	8,433,093	8,433,093	Note 2
4	Ton Yi (China) Investment Co., Ltd.	Sichuan Ton Yi Industrial Co., Ltd.	Other receivables	Y	137,210	137,210	23,326	4.00	2	-	Operational use	-	-	-	8,433,093	8,433,093	Note 2
4	Ton Yi (China) Investment Co., Ltd.	Zhanjiang Ton Yi Industrial Co., Ltd.	Other receivables	Y	137,210	137,210	-	-	2	-	Operational use	-	-	-	8,433,093	8,433,093	Note 2
5	Taizhou Ton Yi Industrial Co., Ltd.	Zhangzhou Ton Yi Industrial Co., Ltd.	Other receivables	Y	182,947	182,947	182,947	4.00	2	-	Operational use	-	-	-	1,838,842	1,838,842	Note 2
5	Taizhou Ton Yi Industrial Co., Ltd.	Ton Yi (China) Investment Co., Ltd.	Other receivables	Y	137,210	137,210	34,760	3.00	2	-	Operational use	-	-	-	1,838,842	1,838,842	Note 2
5	Taizhou Ton Yi Industrial Co., Ltd.	Huizhou Ton Yi Industrial Co., Ltd.	Other receivables	Y	68,605	68,605	68,605	4.00	2	-	Operational use	-	-	-	1,838,842	1,838,842	Note 2
6	Zhangzhou Ton Yi Industrial Co., Ltd.	Ton Yi (China) Investment Co., Ltd.	Other receivables	Y	137,210	137,210	-	-	2	-	Operational use	-	-	-	1,389,568	1,389,568	Note 2
7	Kunshan Ton Yi Industrial Co., Ltd.	Fujian Ton Yi Tinsplate Co., Ltd.	Other receivables	Y	137,210	137,210	137,210	4.00	2	-	Operational use	-	-	-	239,244	478,488	Note 2
7	Kunshan Ton Yi Industrial Co., Ltd.	Beijing Ton Yi Industrial Co., Ltd.	Other receivables	Y	274,421	137,210	137,210	4.00	2	-	Operational use	-	-	-	1,196,221	1,196,221	Note 2
7	Kunshan Ton Yi Industrial Co., Ltd.	Ton Yi (China) Investment Co., Ltd.	Other receivables	Y	137,210	137,210	64,488	3.00	2	-	Operational use	-	-	-	1,196,221	1,196,221	Note 2
7	Kunshan Ton Yi Industrial Co., Ltd.	Chengdu Ton Yi Industrial Co., Ltd.	Other receivables	Y	137,210	-	-	4.00	2	-	Operational use	-	-	-	1,196,221	1,196,221	Note 2
8	Beijing Ton Yi Industrial Co., Ltd.	Ton Yi (China) Investment Co., Ltd.	Other receivables	Y	137,210	137,210	15,551	3.00	2	-	Operational use	-	-	-	801,857	801,857	Note 2
9	Huizhou Ton Yi Industrial Co., Ltd.	Ton Yi (China) Investment Co., Ltd.	Other receivables	Y	137,210	137,210	-	3.00	2	-	Operational use	-	-	-	849,805	849,805	Note 2
10	Chengdu Ton Yi Industrial Co., Ltd.	Ton Yi (China) Investment Co., Ltd.	Other receivables	Y	137,210	137,210	-	3.00	2	-	Operational use	-	-	-	758,904	758,904	Note 2

NO.	Creditor	Borrower	General	Is a related party	Maximum outstanding balance during the nine-month period ended	Balance at	Actual amount		Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted		Footnote
			ledger account		December 31, 2017	December 31, 2017	drawn down	Interest rate					Item	Value				
11	Sichuan Ton Yi Industrial Co., Ltd.	Chengdu Ton Yi Industrial Co., Ltd.	Other receivables	Y	\$ 320,157	\$ 228,684	\$ 228,684	4.00	2	-	Operational use	\$ -	-	\$ -	\$ 844,016	\$ 844,016		Note 2
11	Sichuan Ton Yi Industrial Co., Ltd.	Ton Yi (China) Investment Co., Ltd.	Other receivables	Y	137,210	137,210	-	3.00	2	-	Operational use	-	-	-	844,016	844,016		Note 2
11	Sichuan Ton Yi Industrial Co., Ltd.	Beijing Ton Yi Industrial Co., Ltd.	Other receivables	Y	182,947	91,474	22,868	4.00	2	-	Operational use	-	-	-	844,016	844,016		Note 2
11	Sichuan Ton Yi Industrial Co., Ltd.	Zhangzhou Ton Yi Industrial Co., Ltd.	Other receivables	Y	91,474	45,737	45,737	4.00	2	-	Operational use	-	-	-	844,016	844,016		Note 2
12	Zhanjiang Ton Yi Industrial Co., Ltd.	Zhangzhou Ton Yi Industrial Co., Ltd.	Other receivables	Y	182,947	182,947	182,947	4.00	2	-	Operational use	-	-	-	715,776	715,776		Note 2
12	Zhanjiang Ton Yi Industrial Co., Ltd.	Ton Yi (China) Investment Co., Ltd.	Other receivables	Y	137,210	137,210	6,861	3.00	2	-	Operational use	-	-	-	715,776	715,776		Note 2
12	Zhanjiang Ton Yi Industrial Co., Ltd.	Beijing Ton Yi Industrial Co., Ltd.	Other receivables	Y	137,210	68,605	68,605	4.00	2	-	Operational use	-	-	-	715,776	715,776		Note 2

(Note 1) Nature of loans to others is filled as follows:

- (1) For trading partner.
- (2) For short-term financing.

(Note 2) The maximum loan amount is 40% of its net assets.

- (1) Trading partner: The maximum amount for individual trading partner shall not exceed the higher of total purchase or sale transactions during the reporting period or the most recent year.
- (2) Short-term financing: The maximum amount for short-term financing is 20% of the Company's net assets; If the Company loans to foreign subsidiaries, which the Company holds 100% ownership directly or indirectly, the maximum amount for the subsidiary is 100% of the Company's net assets.

(Note 3) Foreign currency was translated into New Taiwan Dollars with exchange rate as of December 31, 2017 as follows: CNY:NTD 1 : 4.573677.

Ton Yi Industrial Corp.

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2017

Table 2

Expressed in thousands of NTD

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account (Note)	As of December 31, 2017				Footnote
				Number of shares (in thousands)	Book value	Ownership (%)	Fair value	
Ton-Yi Industrial Corp.	Stocks:							
	JFE Holdings Inc.	—	1	250	\$ 178,731	0.04	\$ 178,731	—
	President International Development Corp.	Same Chairman	2	44,100	500,000	3.33	—	—
	Grand Bills Finance Co.	Same director	2	108	1,050	0.02	—	—

(Note) The code number explanation is as follows:

- 1.Available-for-sale financial assets - non-current
- 2.Financial assets carried at cost - non-current

Ton Yi Industrial Corp.

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital

Year ended December 31, 2017

Table 3

Expressed in thousands of NTD

													Gain (loss) as at					
					Balance as at January 1, 2017		Addition		Disposal				December 31, 2017		Balance as at December 31, 2017			
	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Selling price	Book value	Gain (loss) on disposal	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount		
Investor																		
	Stock:																	
Ton-Yi Industrial Corp.	Cayman Ton Yi Industrial Holdings Ltd.	Note 1	Capital increase	Subsidiaries	25,310	\$ 9,210,736	7,690	\$ 2,325,174	-	\$ -	\$ -	\$ -	-	\$ 604,227	33,000	\$ 12,140,137		

(Note 1) Long-term equity investments accounted for under the equity method.

(Note 2) Foreign currencies were translated into New Taiwan Dollars with exchange rate as of December 31, 2017 as follows: USD:NTD 1:29.76.

Ton Yi Industrial Corp.

Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more

Year ended December 31, 2017

Table 4

Expressed in thousands of NTD

								Description and reasons for difference in transaction terms compared to third party transactions				
			Transaction						Notes/accounts receivable (payable)			
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote	
Ton Yi Industrial Corp.	Tovecan Co., Ltd.	An investee company accounted for under the equity method	(Sales)	(\$ 111, 900)	(1)	30 days after arrival at port			\$ 15, 233	1		
Ton Yi Industrial Corp.	Fujian Ton Yi Tinplate Co., Ltd.	An investee company of Cayman Fujian Ton Yi Industrial Holding Ltd. accounted for under the equity method	(Sales)	(3, 242, 129)	(19)	50 days after shipping	-	—	542, 883	35	—	
Ton Yi Industrial Corp.	Jiangsu Ton Yi Tinplate Co., Ltd.	An investee company of Cayman Jiangsu Ton Yi Industrial Holding Ltd. accounted for under the equity method	(Sales)	(2, 239, 105)	(13)	50 days after shipping	-	—	307, 601	20	—	
Ton Yi Industrial Corp.	TTET Union Corp.	An investee company of parent company (Uni-President Enterprises Corp.) has joint control or significant influence	(Sales)	(312, 597)	(2)	Monthly - closing basis on 30th next month, T/T	-	—	58, 251	4	—	
Tovecan Co., Ltd.	Ton Yi Industrial Corp.	The Company	Purchases	111, 900	73	30 days after arrival at port	-	—	(15, 233)	(100)	—	
Wuxi Ton Yi Industrial Packing Co., Ltd.	Jiangsu Ton Yi Tinplate Co., Ltd.	An investee company of Cayman Jiangsu Ton Yi Industrial Holding Ltd. accounted for under the equity method	Purchases	358, 958	54	67 days after invoice date, T/T	-	—	(43, 871)	(33)	—	
Wuxi Ton Yi Industrial Packing Co., Ltd.	Fujian Ton Yi Tinplate Co., Ltd.	An investee company of Cayman Fujian Ton Yi Industrial Holding Ltd. accounted for under the equity method	Purchases	200, 094	30	67 days after invoice date, T/T	-	—	(61, 280)	(46)	—	
Chengdu Ton Yi Industrial Packing Co., Ltd.	Fujian Ton Yi Tinplate Co., Ltd.	An investee company of Cayman Fujian Ton Yi Industrial Holding Ltd. accounted for under the equity method	Purchases	139, 767	60	67 days after invoice date, T/T	-	—	(12, 450)	(36)	—	
Fujian Ton Yi Tinplate Co., Ltd.	Ton Yi Industrial Corp.	The Company	Purchases	3, 242, 129	90	50 days after shipping	-	—	(542, 883)	(90)	—	

			Description and reasons for difference in transaction terms compared to third party									
			Transaction				transactions		Notes/accounts receivable (payable)			
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote	
Fujian Ton Yi Tinplate Co., Ltd.	Wuxi Ton Yi Industrial Packing Co., Ltd.	An investee company of Cayman Ton Yi Industrial Holdings Ltd. accounted for under the equity method	(Sales)	(\$ 200,094)	(4)	67 days after invoice date, T/T	\$ -	—	\$ 61,280	4	—	
Fujian Ton Yi Tinplate Co., Ltd.	Chengdu Ton Yi Industrial Packing Co., Ltd.	An investee company of Cayman Ton Yi Industrial Holdings Ltd. accounted for under the equity method	(Sales)	(139,767)	(3)	67 days after invoice date, T/T	-	—	12,450	1	—	
Jiangsu Ton Yi Tinplate Co., Ltd.	Ton Yi Industrial Corp.	The Company	Purchases	2,239,105	88	50 days after shipping	-	—	(307,601)	(93)	—	
Jiangsu Ton Yi Tinplate Co., Ltd.	Wuxi Ton Yi Industrial Packing Co., Ltd.	An investee company of Cayman Ton Yi Industrial Holdings Ltd. accounted for under the equity method	(Sales)	(358,958)	(12)	67 days after invoice date, T/T	-	—	43,871	8	—	
Taizhou Ton Yi Industrial Co., Ltd.	Taizhou President Enterprises Co., Ltd.	An investee company of parent company (Uni-President Enterprises Corp.) has joint control or significant influence	(Sales)	(1,826,578)	(74)	Within 22 days of statements settled twice a month, T/T	-	—	137,418	82	—	
Taizhou Ton Yi Industrial Co., Ltd.	Guangzhou President Enterprises Co., Ltd.	An investee company of parent company (Uni-President Enterprises Corp.) has joint control or significant influence	(Sales)	(129,499)	(5)	Within 22 days of statements settled twice a month, T/T	-	—	4,027	2	—	
Taizhou Ton Yi Industrial Co., Ltd.	Hefei President Enterprises Co., Ltd.	An investee company of parent company (Uni-President Enterprises Corp.) has joint control or significant influence	(Sales)	(106,226)	(4)	Within 22 days of statements settled twice a month, T/T	-	—	3,423	2	—	
Taizhou Ton Yi Industrial Co., Ltd.	Shanghai E & P Trading Co., Ltd.	An investee company of parent company (Uni-President Enterprises Corp.) has joint control or significant influence	Purchases	131,867	9	15 days after invoice date, T/T	-	—	(19,210)	(12)	—	
Zhangzhou Ton Yi Industrial Co., Ltd.	Guangzhou President Enterprises Co., Ltd.	An investee company of parent company (Uni-President Enterprises Corp.) has joint control or significant influence	(Sales)	(1,546,455)	(84)	Within 22 days of statements settled twice a month, T/T	-	—	99,646	81	—	

Description and reasons for difference in transaction terms compared to third party transactions											
Transaction							Notes/accounts receivable (payable)				
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
Kunshan Ton Yi Industrial Co., Ltd.	Uni-President Trading (Kunshan) Co., Ltd.	An investee company of parent company (Uni-President Enterprises Corp.) has joint control or significant influence	(Sales)	(\$ 2, 046, 833)	(95)	Within 22 days of statements settled twice a month, T/T	\$ -	—	\$ 66, 925	87	—
Kunshan Ton Yi Industrial Co., Ltd.	Shanghai E & P Trading Co., Ltd.	An investee company of parent company (Uni-President Enterprises Corp.) has joint control or significant influence	Purchases	163, 507	11	15 days after invoice date, T/T	-	—	(12, 030)	(9)	—
Beijing Ton Yi Industrial Co., Ltd.	Beijing President Enterprises Drinks & Food Co., Ltd.	An investee company of parent company (Uni-President Enterprises Corp.) has joint control or significant influence	(Sales)	(2, 136, 021)	(98)	Within 22 days of statements settled twice a month, T/T	-	—	46, 764	97	—
Beijing Ton Yi Industrial Co., Ltd.	Shanghai E & P Trading Co., Ltd.	An investee company of parent company (Uni-President Enterprises Corp.) has joint control or significant influence	Purchases	176, 286	12	15 days after invoice date, T/T	-	—	(10, 380)	(11)	—
Huizhou Ton Yi Industrial Co., Ltd.	Guangzhou President Enterprises Co., Ltd.	An investee company of parent company (Uni-President Enterprises Corp.) has joint control or significant influence	(Sales)	(1, 245, 590)	(100)	Within 22 days of statements settled twice a month, T/T	-	—	143, 994	100	—
Huizhou Ton Yi Industrial Co., Ltd.	Shanghai E & P Trading Co., Ltd.	An investee company of parent company (Uni-President Enterprises Corp.) has joint control or significant influence	Purchases	101, 337	12	15 days after invoice date, T/T	-	—	(15, 268)	(9)	—
Chengdu Ton Yi Industrial Co., Ltd.	Chengdu President Enterprises Food Co., Ltd.	An investee company of parent company (Uni-President Enterprises Corp.) has joint control or significant influence	(Sales)	(595, 428)	(65)	Within 22 days of statements settled twice a month, T/T	-	—	64, 143	74	—
Sichuan Ton Yi Industrial Co., Ltd.	Chengdu President Enterprises Food Co., Ltd.	An investee company of parent company (Uni-President Enterprises Corp.) has joint control or significant influence	(Sales)	(1, 446, 405)	(93)	Within 22 days of statements settled twice a month, T/T	-	—	141, 772	99	—
Sichuan Ton Yi Industrial Co., Ltd.	Shanghai E & P Trading Co., Ltd.	An investee company of parent company (Uni-President Enterprises Corp.) has joint control or significant influence	Purchases	111, 255	11	15 days after invoice date, T/T	-	—	(22, 118)	(16)	—

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Description and reasons for difference in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases		Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
			(sales)	Amount							
Zhanjiang Ton Yi Industrial Co., Ltd.	Zhanjiang President Enterprises Co., Ltd.	An investee company of parent company (Uni-President Enterprises Corp.) has joint control or significant influence	(Sales)	(\$ 769, 222)	(77)	Within 22 days of statements settled twice a month, T/T	—	—	\$ 6, 488	16	—
Zhanjiang Ton Yi Industrial Co., Ltd.	Guangzhou President Enterprises Co., Ltd.	An investee company of parent company (Uni-President Enterprises Corp.) has joint control or significant influence	(Sales)	(205, 654)	(21)	Within 22 days of statements settled twice a month, T/T	—	—	31, 996	81	—

(Note 1) The above terms are in accordance with the Company's policy on credit management, please refer to Note 7 Related Party Transactions for details.

(Note 2) Foreign currency was translated into New Taiwan Dollars using the following exchange rates: Ending balances of receivables and payables were translated using the exchange rate as at December 31, 2017 (CNY:NTD 1:4.573677);

Amounts of transactions were translated using the weighted-average exchange rate for the year ended December 31, 2017 (CNY:NTD 1:4.501891).

Ton Yi Industrial Corp.
Receivables from related parties reaching \$100 million or 20% of paid-in capital or more
Year ended December 31, 2017

Table 5 Expressed in thousands of NTD

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2017			Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
			Items	Amount	Turnover rate	Amount	Action taken		
Ton Yi Industrial Corp.	Fujian Ton Yi Tinplate Co., Ltd.	An investee company of Cayman Fujian Ton Yi Industrial Holdings Ltd. accounted for under the equity method	Accounts receivable	\$ 542, 883	8. 89	\$ —	—	\$ 542, 883	\$ —
Ton Yi Industrial Corp.	Jiangsu Ton Yi Tinplate Co., Ltd.	An investee company of Cayman Jiangsu Ton Yi Industrial Holdings Ltd. accounted for under the equity method	Accounts receivable	307, 601	11. 52	—	—	307, 601	—
Chengdu Ton Yi Industrial Packing Co., Ltd.	Chengdu Ton Yi Industrial Co., Ltd.	An investee company of Ton Yi (China) Investment Co., Ltd. accounted for under the equity method	Other receivables	183, 516	—	—	—	—	—
Taizhou Ton Yi Industrial Co., Ltd.	Zhangzhou Ton Yi Industrial Co., Ltd.	An investee company of Ton Yi (China) Investment Co., Ltd. accounted for under the equity method	Other receivables	183, 536	—	—	—	—	—
Taizhou Ton Yi Industrial Co., Ltd.	Taizhou President Enterprises Co., Ltd.	An investee company of parent company (Uni-President Enterprises Corp.) has joint control or significant influence	Accounts receivable	137, 418	11. 68	—	—	137, 418	—
Kunshan Ton Yi Industrial Co., Ltd.	Beijing Ton Yi Industrial Co., Ltd.	An investee company of Ton Yi (China) Investment Co., Ltd. accounted for under the equity method	Other receivables	137, 455	—	—	—	—	—
Kunshan Ton Yi Industrial Co., Ltd.	Fujian Ton Yi Tinplate Co., Ltd.	An investee company of Cayman Fujian Ton Yi Industrial Holdings Ltd. accounted for under the equity method	Other receivables	137, 378	—	—	—	—	—
Huizhou Ton Yi Industrial Co., Ltd.	Guangzhou President Enterprises Co., Ltd.	An investee company of parent company (Uni-President Enterprises Corp.) has joint control or significant influence	Accounts receivable	143, 994	13. 91	—	—	143, 994	—
Sichuan Ton Yi Industrial Co., Ltd.	Chengdu Ton Yi Industrial Co., Ltd.	An investee company of Ton Yi (China) Investment Co., Ltd. accounted for under the equity method	Other receivables	229, 121	—	—	—	—	—
Sichuan Ton Yi Industrial Co., Ltd.	Chengdu President Enterprises Food Co., Ltd.	An investee company of parent company (Uni-President Enterprises Corp.) has joint control or significant influence	Accounts receivable	141, 772	10. 21	—	—	141, 772	—
Zhanjiang Ton Yi Industrial Co., Ltd.	Zhangzhou Ton Yi Industrial Co., Ltd.	An investee company of Ton Yi (China) Investment Co., Ltd. accounted for under the equity method	Other receivables	183, 192	—	—	—	—	—

(Note) Foreign currency was translated into New Taiwan Dollars using the following exchanges: Ending balances of receivable and payable and subsequent collections were translated using the exchange rate as at December 31, 2017 (CNY:NTD 1:4.573677).

Ton Yi Industrial Corp.
Significant inter-company transactions during the reporting period
Year ended December 31, 2017

Table 6

Expressed in thousands of NTD

				Transaction			
Number (Note 2)	Company name	Counterparty	Relationship (Note 3)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 4)
0	Ton Yi Industrial Corp.	Tovecan Corp.	1	Sales	\$ 111, 900	30 days after arrival at port	–
		Fujian Ton Yi Tinplate Co., Ltd.	1	Sales	3, 242, 129	50 days after shipping	10%
			1	Accounts receivable	542, 883	—	1%
		Jiangsu Ton Yi Tinplate Co., Ltd.	1	Sales	2, 239, 105	50 days after shipping	7%
			1	Accounts receivable	307, 601	—	1%
1	Chengdu Ton Yi Industrial Packing Co., Ltd.	Chengdu Ton Yi Industrial Co., Ltd.	3	Other receivables	183, 516	—	–
2	Fujian Ton Yi Tinplate Co., Ltd.	Wuxi Ton Yi Industrial Packing Co., Ltd.	3	Sales	200, 094	67 days after invoice date	1%
		Chengdu Ton Yi Industrial Packing Co., Ltd.	3	Sales	139, 767	67 days after invoice date	–
3	Jiangsu Ton Yi Tinplate Co., Ltd.	Wuxi Ton Yi Industrial Packing Co., Ltd.	3	Sales	358, 958	67 days after invoice date	1%
4	Taizhou Ton Yi Industrial Co., Ltd.	Zhangzhou Ton Yi Industrial Co., Ltd.	3	Other receivables	183, 536	—	–
5	Kunshan Ton Yi Industrial Co., Ltd.	Beijing Ton Yi Industrial Co., Ltd.	3	Other receivables	137, 455	—	–
		Fujian Ton Yi Tinplate Co., Ltd.	3	Other receivables	137, 378	—	–
6	Sichuan Ton Yi Industrial Co., Ltd.	Chengdu Ton Yi Industrial Co., Ltd.	3	Other receivables	229, 121	—	1%
7	Zhanjiang Ton Yi Industrial Co., Ltd.	Zhangzhou Ton Yi Industrial Co., Ltd.	3	Other receivables	183, 192	—	–

(Note 1) Only transactions amounting to more than \$100 million are disclosed. Transactions between parent company and subsidiaries were disclosed on the previous sections, no duplicated information is disclosed in this section.

(Note 2) The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

(Note 3) Relationship between transaction company and counterparty is classified into the following three categories:

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

(Note 4) Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

(Note 5) Foreign currency was translated into New Taiwan Dollars using the following exchanges: Ending balances of receivable and payable were translated using the exchange rate as at December 31, 2017 (CNY:NTD 1:4.573677); Amounts of transactions were translated using the weighted-average exchange rate for the year ended December 31, 2017 (CNY:NTD 1:4.501891).

Ton Yi Industrial Corp.
Information on investees
Year ended December 31, 2017

Table 7

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2017			Net profit (loss) of the investee for the year ended December 31, 2017	Investment income (loss) recognised by the Company for the year ended December 31, 2017	Footnote
				Balance as at December 31, 2017	Balance as at December 31, 2016	Number of shares	Ownership (%)	Book value			
Ton Yi Industrial Corp.	Cayman Ton Yi Industrial Holdings Ltd.	Cayman	General trading and investment	\$ 10,188,961	\$ 7,863,787	33,000,000	100.00	\$ 12,154,756	\$ 373,052	\$ 373,052	Subsidiary
Ton Yi Industrial Corp.	Tovecan Corp.	Vietnam	Manufacturing of cans	43,740	43,740	-	51.00	65,399	5,657	2,885	Subsidiary
Cayman Ton Yi Industrial Holdings Ltd.	Cayman Ton Yi Holdings Ltd.	Cayman	General investment	6,844,800	6,844,800	230,000,000	100.00	8,433,071	563,181	-	Subsidiary (Note 1)
Cayman Ton Yi Industrial Holdings Ltd.	Cayman Fujian Ton Yi Holdings Ltd.	Cayman	General investment	1,906,487	1,906,487	8,727	100.00	3,476,957	4,970	-	Subsidiary (Note 1)
Cayman Ton Yi Industrial Holdings Ltd.	Cayman Jiangsu Ton Yi Holdings Ltd.	Cayman	General investment	1,068,467	1,068,467	5,000	100.00	2,021,656	(3,527)	-	Subsidiary (Note 1)
Cayman Ton Yi Holdings Ltd.	Cayman Ton Yi (China) Holdings Ltd.	Cayman	General investment	6,844,800	6,844,800	230,000,000	100.00	8,433,071	563,181	-	Subsidiary (Note 1)

(Note 1) Not required to disclose income (loss) recognized by the Company.

(Note 2) Foreign currency was translated into New Taiwan Dollars using the following exchanges: Ending balances of receivable and payable were translated using the exchange rate as at December 31, 2017 (USD:NTD 1:29.76);

Amounts of transactions were translated using the weighted-average exchange rate for the year ended December 31, 2017 (USD:NTD 1:30.409879).

Ton Yi Industrial Corp.
Information on investments in Mainland China
Year ended December 31, 2017

Table 8

Expressed in thousands of NTD

				Amount remitted from Taiwan to											
				Mainland China/ Amount remitted back to Taiwan						Investment income (loss)				Accumulated amount of investment	
				for the year ended December 31, 2017		Accumulated amount of remittance from		Net income of investee for the		Ownership held by the		recognised by the		Accumulated amount of investment	
				Taiwan to Mainland China as of January 1, 2017		of remittance from Taiwan to Mainland China as of December 31, 2017		year ended December 31, 2017		Company (direct or indirect)		Company for the year ended December 31, 2017		income remitted back to Taiwan as of December 31, 2017	
Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Remitted to Mainland China	Remitted back to Taiwan	Taiwan to Mainland China as of December 31, 2017	Taiwan to Mainland China as of December 31, 2017	Net income of investee for the year ended December 31, 2017	Ownership held by the Company (direct or indirect)	recognised by the Company for the year ended December 31, 2017	Book value of investments in Mainland China as of December 31, 2017	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2017	Footnote		
Wuxi Ton Yi Industrial Packing Co., Ltd.	Manufacturing of cans	\$ 289,267	Note 1	\$ 208,320	\$ - \$ -	\$ 208,320	\$ 21,188	100.00	\$ 23,095	\$ 621,516	\$ -	Note 6			
Chengdu Ton Yi Industrial Packing Co., Ltd.	Manufacturing of cans	223,200	Note 1	223,200	-	-	223,200 (58,888)	100.00	(58,888)	448,855	-	Note 6			
Changsha Ton Yi Industrial Co., Ltd.	Sales of cans	208,320	Note 1	-	-	-	6,253	100.00	6,253	215,795	-	Note 6			
Fujian Ton Yi Tinplate Co., Ltd.	Manufacturing of tinplate	2,574,240	Note 2	1,587,607	-	-	1,587,607 5,725	86.80	4,970	3,414,531	-	Note 6			
Jiangsu Ton Yi Tinplate Co., Ltd.	Manufacturing of tinplate	1,190,400	Note 3	825,840	-	-	825,840 (4,256)	82.86	(3,527)	1,897,729	-	Note 6			
Ton Yi (China) Investment Co., Ltd.	General investment	6,844,800	Note 4	892,800	-	-	892,800 563,181	100.00	563,181	8,433,071	-	Note 6			
Taizhou Ton Yi Industrial Co., Ltd.	Manufacturing of PET packages	892,800	Note 5	892,800	-	-	892,800 243,433	100.00	243,433	1,838,842	-	Note 6			
Zhangzhou Ton Yi Industrial Co., Ltd.	Manufacturing of PET packages	892,800	Note 5	892,800	-	-	892,800 74,924	100.00	74,924	1,389,568	-	Note 6			
Kunshan Ton Yi Industrial Co., Ltd.	Manufacturing of PET packages	892,800	Note 5	-	-	-	76,953	100.00	76,953	1,196,221	-	Note 6			
Beijing Ton Yi Industrial Co., Ltd.	Manufacturing of PET packages	892,800	Note 5	-	-	-	46,699	100.00	46,699	801,857	-	Note 6			
Huizhou Ton Yi Industrial Co., Ltd.	Manufacturing of PET packages	892,800	Note 5	178,560	-	-	178,560 36,458	100.00	36,458	849,805	-	Note 6			
Chengdu Ton Yi Industrial Co., Ltd.	Manufacturing of PET packages	892,800	Note 5	342,240	-	-	342,240 10,325	100.00	10,325	758,904	-	Note 6			
Sichuan Ton Yi Industrial Co., Ltd.	Manufacturing of PET packages	892,800	Note 5	-	-	-	17,803	100.00	17,803	844,016	-	Note 6			
Zhanjiang Ton Yi Industrial Co., Ltd.	Manufacturing of PET packages	595,200	Note 5	-	-	-	34,047	100.00	34,047	715,776	-	Note 6			

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 7)
Ton Yi Industrial Corp.	\$ 6,044,167	\$ 10,987,606	\$ 11,638,489

(Note 1) Through investing in an existing company in the third area (Cayman Ton Yi Industrial Holdings Ltd.), which then invested in the investee in Mainland China.

(Note 2) Through investing in an existing company in the third area (Cayman Fujian Ton Yi Industrial Holdings Ltd.), which then invested in the investee in Mainland China.

(Note 3) Through investing in an existing company in the third area (Cayman Jiangsu Ton Yi Industrial Holdings Ltd.), which then invested in the investee in Mainland China.

(Note 4) Through investing in an existing company in the third area (Cayman Ton Yi (China) Holdings Limited), which then invested in the investee in Mainland China.

(Note 5) Through investing in an existing company in the Mainland China (Ton Yi (China) Investment Co., Ltd.) , which then invested in the investee in Mainland China.

(Note 6) The Company recognised income (loss) based on the reviewed financial statements.

(Note 7) The ceiling amount is 60% of consolidated net assets.

(Note 8) Foreign currencies were translated into New Taiwan Dollars using the following exchanges: Ending balances of receivable and payable were translated using the exchange rate as at December 31, 2017 (USD:NTD 1:29.76, CNY:NTD 1:4.573677); Amounts of transactions were translated using the weighted-average exchange rate for the year ended December 31, 2017 (USD:NTD 1:30.409879, CNY:NTD 1:4.501891).

Ton Yi Industrial Corp.

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

Year ended December 31, 2017

Table 9

Expressed in thousands of NTD

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing					
	Amount	%	Amount	%	Balance at December 31, 2017	%	Balance at December 31, 2017	Purpose	Maximum balance during the year ended December 31, 2017	Balance at December 31, 2017	Interest rate	Interest during the year ended December 31, 2017		Others
Fujian Ton Yi Tinplate Co., Ltd.	\$ 3,242,129	19	\$ -	-	\$ 542,883	37	\$ -	-	\$ -	\$ -	-	\$ -	-	-
Jiangsu Ton Yi Tinplate Co., Ltd.	2,239,105	13	-	-	307,601	21	-	-	-	-	-	-	-	-