(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

WIWYNN CORPORATION
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016
(With Independent Auditors' Report Thereon)

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Table of contents

Representation Letter

The entities that are required to be included in the combined financial statements of Wiwynn Corporation as of and for the year ended December 31, 2017 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated and Spearate Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Wiwynn Corporation and its subsidiaries do not prepare a separate set of combined financial statments.

Company name: Wiwynn Corporation
Chairman: Simon Lin
Date: March 16, 2018

Independent Auditors' Report

To the Board of Directors
Wiwynn Corporation:

Opinion

We have audited the consolidated financial statements of Wiwynn Corporation and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the consolidated statement of comprehensive income, changes in equity and cash flows for the year ended December 31, 2017 and 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2017 and 2016 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in 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 of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Revenue recognition

   Please refer to note 4(n) "Revenue" of and note 6(p) to the consolidated financial statements for the disclosure of revenue recognition.

   Description of key audit matter

   The Group is a listed Company on the Emerging Stock Market in related to public interest, and the investors are highly expecting the financial performance, resulting in revenue recognition is one of the key judgmental areas of our audit.

How the matter was addressed in our audit

Our principal audit procedures included testing of the design and implement of controls over sales and collection of receivable transactions; evaluate if there is any significant abnormal changes through performing trend analysis on top 10 customers by comparing the related changes or differences; assessing and testing if the management obtained sufficient external evidence showing that the risks and rewards of ownership have been transferred to the customers to support the timing of revenue recognition; evaluating the adequacy of revenues recognition by testing the sale transactions during the period before and after the balance sheet date.

2. Inventory valuation

Please refer to note 4(h), "Inventories" note 5 "Significant accounting assumptions and judgments, and major sources of estimation uncertainty" and note 6(d) of the consolidated financial statements for the disclosure of valuation of inventory.

Description of key audit matter

Inventories are stated at the lower of cost or net realizable value. With the rapid development of technology, the advance of new electronic products may significantly change consumer demands, which leads to product obsolescence that may result in the cost of inventory to be higher than the net realizable value. Consequently, the valuation of inventories has been identified as one of the key Judgmental areas of our audit.

How the matter was addressed in our audit

Our principal audit procedures included analyze the change of inventory aging by assessing and testing the inventory aging report. Understanding the sales price which is used to evaluate the inventory valuation by management and the subsequent market price information as well as selecting the original transition documentation in order to test the appropriateness of the net realize values reviewing if the estimation and assumption used for inventory valuation and other disclosure for inventories made by management were appropriateness.

Other Matter

Wiwynn Corporation has prepared its parent-company-only financial statements as of and or the years ended December 31, 2017 and 2016, on which we have issued an unqualified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group 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 Group' s financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group'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 Group'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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements 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.

The engagement partners on the audit resulting in this independent auditors' report are Ya-Ling Chen and Chia-Hsin Chang.

KPMG

Taipei, Taiwan (Republic of China)
March 16, 2018

Notes to Readers

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

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

WIWYNN CORPORATION AND ITS SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2017 and 2016

(expressed in thousands of New Taiwan Dollars)

		December 31, 2017		December 31, 2016	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 6,399,143	25	1,276,719	11
1110	Financial assets at fair value through profit or loss-current (note 6(b))	-	-	2	-
1125	Available-for-sale financial assets-current (note 6(b))	-	-	720,274	6
1170	Accounts receivable, net (note 6(c))	8,621,032	34	3,473,499	31
1180	Accounts receivable-related parties, net (notes 6(c) and 7)	188,349	1	89,521	1
1200	Other receivables (notes 6(c))	284,415	1	104,004	1
1210	Other receivables-related parties (notes 6(c) and 7)	559,127	2	52,936	-
130X	Inventories (note 6(d))	9,163,117	35	5,361,807	47
1479	Other current assets (note 6(g))	394,337	1	271,670	2
	Total current assets	25,609,520	99	11,350,432	99
	Non-current assets:				
1600	Property, plant and equipment (note 6(e))	51,568	-	55,997	1
1780	Intangible assets (note 6(f))	5,224	-	7,086	-
1840	Deferred tax assets (note 6(l))	40,348	-	25,505	-
1990	Other non-current assets (notes 6(g) and 8)	166,274	1	3,687	-
	Total non-current assets	263,414	1	92,275	1
	Total assets	$ 25,872,934	100	11,442,707	100

		December 31, 2017		December 31, 2016	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (notes 6(h) and 8)	$ 5,041,970	19	4,847,473	43
2120	Financial liabilities at fair value through profit or loss-current (note 6(b))	4,046	-	1,415	-
2170	Accounts payable	1,551,364	6	1,239,477	11
2180	Accounts payable-related parties (note 7)	13,901,616	54	2,710,409	24
2200	Other payables	909,550	4	365,115	3
2220	Other payables-related parties (note 7)	155,620	1	85,678	1
2230	Current tax liabilities	369,897	1	40,686	-
2250	Provisions-current (note 6(i))	188,226	1	46,481	-
2399	Other current liabilities	658,345	2	230,840	2
	Current liabilities	22,780,634	88	9,567,574	84
	Non-current liabilities:				
2570	Deferred tax liabilities (note 6(l))	21,580	-	15,115	-
2640	Net defined benefit liabilities (note 6(k))	53,623	-	52,924	-
2670	Other non-current liabilities	651	-	612	-
	Non-current liabilities	75,854	-	68,651	-
	Total liabilities	22,856,488	88	9,636,225	84
	Equity (notes 6(l)(m)(n)):				
3110	Common shares	1,060,775	4	888,343	8
3200	Capital surplus	545,921	2	487,785	4
3300	Retained earnings	1,417,887	6	431,491	4
3400	Other equity	(8,137)	-	(1,137)	-
	Total equity	3,016,446	12	1,806,482	16
	Total liabilities and equity	$ 25,872,934	100	11,442,707	100

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

WIWYNN CORPORATION AND ITS SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2017 and 2016

(expressed in thousands of New Taiwan Dollars , except for earnings per share)

		2017		2016	
		Amount	%	Amount	%
4100	**Net sales revenue (notes 6(i)(p) and 7)**	$ 85,674,525	100	31,740,540	100
5000	**Cost of sales (notes 6(d)(e)(f)(i)(j), 7 and 12)**	81,432,355	95	30,028,180	95
	Gross profit from operations	4,242,170	5	1,712,360	5
	Operating expenses (notes 6(e)(f)(j)(k)(n)(r) and 12):				
6100	Selling expenses	767,248	1	277,121	1
6200	Administrative expenses	360,965	1	251,269	1
6300	Research and development expenses	1,274,342	1	735,203	2
	Total operating expenses	2,402,555	3	1,263,593	4
	Net operating income	1,839,615	2	448,767	1
	Non-operating income and expenses (note 6(q)):				
7010	Other income	6,574	-	639	-
7020	Other gains and losses	7,606	-	(7,122)	-
7050	Finance costs	(211,352)	-	(39,446)	-
	Total non-operating income and expenses	(197,172)	-	(45,929)	-
7900	**Income before tax**	1,642,443	2	402,838	1
7950	**Income tax expense (note 6(l))**	433,961	1	91,566	-
	Net income	1,208,482	1	311,272	1
8300	**Other comprehensive income (notes 6(l)(m)):**				
8360	**Items that may be reclassified subsequently to profit or loss:**				
8361	Exchange differences on translation of foreign financial statements	(6,873)	-	(1,598)	-
8362	Unrealised gains (losses) on valuation of available-for-sale financial assets	(127)	-	(121)	-
8399	Income tax related to items that may be reclassified subsequently to profit or loss	-	-	-	-
	Total items that may be reclassified subsequently to profit or loss	(7,000)	-	(1,719)	-
8300	**Other comprehensive income, net of tax**	(7,000)	-	(1,719)	-
8500	**Total comprehensive income**	**$ 1,201,482**	**1**	**309,553**	**1**
	Profit, attributable to:				
8610	Owners of parent	**$ 1,208,482**	**1**	**311,272**	**1**
	Comprehensive income attributable to:				
8710	Owners of parent	**$ 1,201,482**	**1**	**309,553**	**1**
	Earnings per share (expressed in New Taiwan dollars) (note 6(o))				
9750	**Basic earnings per share**	**$ 11.70**		**3.87**	
9850	**Diluted earnings per share**	**$ 10.73**		**3.65**	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

WIWYNN CORPORATION AND ITS SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2017 and 2016

(expressed in thousands of New Taiwan Dollars)

	Equity attributable to owners of parent								
			Retained earnings			Other equity			
	Common shares	Capital surplus	Legal reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Total	Total equity
Balance at January 1, 2016	$ 420,245	185,188	15,886	293,443	309,329	334	248	582	915,344
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	27,337	(27,337)	-	-	-	-	-
Cash dividends	-	-	-	(21,012)	(21,012)	-	-	-	(21,012)
Stock dividends	168,098	-	-	(168,098)	(168,098)	-	-	-	-
Cash subscription	300,000	300,000	-	-	-	-	-	-	600,000
Share-based payments	-	2,597	-	-	-	-	-	-	2,597
Net income	-	-	-	311,272	311,272	-	-	-	311,272
Other comprehensive income	-	-	-	-	-	(1,598)	(121)	(1,719)	(1,719)
Total comprehensive income	-	-	-	311,272	311,272	(1,598)	(121)	(1,719)	309,553
Balance at December 31, 2016	888,343	487,785	43,223	388,268	431,491	(1,264)	127	(1,137)	1,806,482
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	31,127	(31,127)	-	-	-	-	-
Cash dividends	-	-	-	(88,834)	(88,834)	-	-	-	(88,834)
Stock dividends	133,252	-	-	(133,252)	(133,252)	-	-	-	-
Share-based payments	39,180	58,136	-	-	-	-	-	-	97,316
Net income	-	-	-	1,208,482	1,208,482	-	-	-	1,208,482
Other comprehensive income	-	-	-	-	-	(6,873)	(127)	(7,000)	(7,000)
Total comprehensive income	-	-	-	1,208,482	1,208,482	(6,873)	(127)	(7,000)	1,201,482
Balance at December 31, 2017	**$ 1,060,775**	**545,921**	**74,350**	**1,343,537**	**1,417,887**	**(8,137)**	**-**	**(8,137)**	**3,016,446**

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

WIWYNN CORPORATION AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2017 and 2016

(expressed in thousands of New Taiwan Dollars)

	2017	2016
Cash flows from (used in) operating activities:		
Income before tax	$ 1,642,443	402,838
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	31,847	25,911
Amortization expense	4,613	4,718
Net losses on financial assets and liabilities at fair value through profit or loss	8,381	19,197
Interest expense	211,352	39,446
Interest income	(6,517)	(606)
Gains on disposal of investments	(824)	(826)
Share-based payments	15,114	2,597
Total adjustments to reconcile profit	263,966	90,437
Changes in operating assets and liabilities:		
Changes in operating assets:		
Increase in accounts receivable, net	(5,352,241)	(2,694,614)
Increase in accounts receivable-related parties, net	(615,513)	(83,468)
Decrease (increase) in other receivable	(185,850)	746,442
Increase in other receivable-related parties	(849)	(1,794)
Increase in inventories	(4,239,118)	(2,697,308)
Increase in other current assets	(120,601)	(46,390)
Total changes in operating assets	(10,514,172)	(4,777,132)
Changes in operating liabilities:		
Decrease in financial liabilities at fair value through profit or loss-current	(5,748)	(17,020)
Increase in accounts payable	383,357	1,008,897
Increase (decrease) in accounts payable-related parties	11,568,170	(1,569,564)
Increase in other payables	469,704	187,236
Increase in other payable-related parties	67,693	57,524
Increase in provisions-current	141,745	14,266
Increase (decrease) in other current liabilities	468,086	(64,358)
Increase in net defined benefit liabilities	699	-
Increase in other non-current liabilities	39	209
Total changes in operating liabilities	13,093,745	(382,810)
Total changes in operating assets and liabilities	2,579,573	(5,159,942)
Total adjustments	2,843,539	(5,069,505)
Cash inflow (outflow) generated from operations	4,485,982	(4,666,667)
Interest received	5,580	606
Interest paid	(208,495)	(39,446)
Income taxes paid	(71,078)	(124,909)
Net cash flows from (used in) operating activities	4,211,989	(4,830,416)
Cash flows from (used in) investing activities:		
Acquisition of available-for-sale financial assets	(940,000)	(1,650,000)
Proceeds from disposal of available-for-sale financial assets	1,660,971	1,070,679
Acquisition of property, plant and equipment	(27,829)	(26,179)
Proceeds from disposal of property, plant and equipment	-	11
Acquisition of intangible assets	(2,753)	(5,784)
Increase in other non-current assets	(151,558)	(1,331)
Increase in prepayments for equipment	(11,117)	-
Net cash flows from (used in) investing activities	527,714	(612,604)
Cash flows from financing activities:		
Increase of short-term borrowings	45,902,562	15,109,533
Repayments of short-term borrowings	(45,346,569)	(10,449,492)
Cash dividends paid	(88,834)	(21,012)
Cash subscription	-	600,000
Exercise of employee share options	82,202	-
Net cash flows from financing activities	549,361	5,239,029
Effect of exchange rate changes on cash and cash equivalents	(166,640)	(26,026)
Net increase (decrease) in cash and cash equivalents	5,122,424	(230,017)
Cash and cash equivalents at beginning of period	1,276,719	1,506,736
Cash and cash equivalents at end of period	**$ 6,399,143**	**1,276,719**

See accompanying notes to consolidated financial statements.

(expressed in thousands of New Taiwan Dollars , unless otherwise specified)

(1) Company history

Wiwynn Corporation(the "Company") was incorporated on March 3, 2012, as a company limited by shares under the laws of the Republic of China (ROC). Wiwynn Corporation and subsidiaries (the Group) were engaged in research, development, design, testing and sales of abovementioned products, semi-products, peripheral equipments and parts:

(i) Computer and peripheral equipments

(ii) Data storage media

(iii) Electric appliances and media products

(iv) Information software

(v) Export business relating to the business of the Company

(vi) Management consult services

(vii) Information software services

(viii) Data processing services

(2) Approval date and procedures of the consolidated financial statements:

The consolidated financial statements were authorized for issurance by the board of directors on March 16, 2018.

(3) New standards, amendments and interpretations adopted:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2017:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 " Presentation of Financial Statements-Disclosure Initiative	January 1, 2016

(Continued)

WIWYNN CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36 " Impairment of Non-Financial assets- Recoverable Amount Disclosures for Non Financial Assets"	January 1, 2014
Amendments to IAS 39 " Financial Instruments-Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual Improvements to IFRSs 2010-2012 Cycle and 2011 2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

The Group assessed that the initial application of the above IFRSs would not have any material impact on the consolidated financial statements.

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018 in accordance with Ruling No. 1060025773 issued by the FSC on July 14, 2017.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Clarifications of 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
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014-2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

(Continued)

WIWYNN CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

1) Classification and measurement- Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial assets in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. In addition, IAS 39 has an exception to the measurement requirements for investments in unquoted equity instruments that do not have a quoted market price in an active market (and derivatives on such an instrument) and for which fair value cannot therefore be measured reliable. Such financial instruments are measured at cost. IFRS 9 removes this exception, requiring all equity investments (and derivatives on them) to be measured at fair value.

Based on its assessment, the Group does not believe that the new classification requirements will have a material impact on its accounting for trade receivables, investments in debt securities and investments in equity securities that are managed on a fair value basis. When the Group had equity investments classified as available-for-sale and financial assets measured at cost that are held for long-term strategic purposes. At initial application of IFRS 9, the Group has designated these investments as measured at FVOCI. Consequently, all fair value gains and losses will be reported in other comprehensive income, no impairment losses would be recognized in profit or loss and no gains or losses will be reclassified to profit or loss on disposal. The Group had no equity investments classified as available-for-sale and financial assets measured at cost as of December 31, 2017, therefore, there is no impact on its financial statements when application of IFRS 9.

2) Impairment-Financial assets and contact assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

(Continued)

Under IFRS 9, loss allowances will be measured on either of the following bases:

·12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and

·Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

The Group believes that impairment losses are likely to increase and become more volatile for assets in the scope of the IFRS 9 impairment model. The Group believes that the application of IFRS 9's, Impairment Requirements, on January 1, 2018, would not have material impact on its financial statements.

3) Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Group's assessment included an analysis to identify data gaps against current processes and the Group plans to implement the system and controls changes that it believes will be necessary to capture the required data.

4) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

·The Group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognized in retained earnings and reserves as at January 1, 2018.

·The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.

– The determination of the business model within which a financial asset is held.

– The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

– The designation of certain investments in equity instruments not held for trading as at FVOCI.

(Continued)

(ii) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts".

1) Sales of goods

For the sale of products, revenue is currently recognized based on the individual terms of each sales agreement, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods. The Group' s preliminary assessment indicated when the timing of the related risks and rewards of the goods ownership transferred is similar to the timing when control is transferred, and the Group does not expect that there will be a significant impact.

For certain contracts that permit a customer to return an item, revenue is currently recognized when a reasonable estimate of the returns can be made, provided that all other criteria for revenue recognition are met. Otherwise, a revenue recognition is deferred until the return period lapses or a reasonable estimate of returns can be made. Under IFRS 15, revenue will be recognized for these contracts to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. As a consequence, for those contracts for which the Group is unable to make a reasonable estimate of return, revenue is expected to be recognized sooner than when the return period lapses or a reasonable estimate can be made. A refund liability and an asset for recovery will be recognized for these contracts and presented separately in the statement of financial position.

2) Transition

The Group plans to adopt IFRS 15 using the retrospective method. Therefore, the comparative information will be restated. The Group plans to use the practical expedient in paragraph C5(a) of IFRS 15, under which, for contracts that are completed at the date of the initial application (i.e. 1 January 2018) will not be restated.

The Group assessed that the initial application of the above IFRSs would not have any material impact on the consolidated financial statements.

(Continued)

WIWYNN CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Amendments to IAS 7 "Disclosure Initiative"

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Group intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

(iv) Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Loss"

The amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value.

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 16 "Leases"	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019

(Continued)

WIWYNN CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

Those which may be relevant to the Group are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
January 13, 2016	IFRS 16 "Leases"	The new standard of accounting for lease is amended as follows: · For a contract that is, or contains, a lease, the lessee shall recognize a right of use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right of-use asset during the lease term. · A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.
June 7, 2017	IFRIC 23 "Uncertainty over Income Tax Treatments"	· In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations. · If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

The Group is evaluating the impact on its consolidated financial position and consolidated financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation.

(Continued)

WIWYNN CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(4) Summary of significant accounting policies:

The accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language consolidated financial statements, the Chinese version shall prevail.

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations") and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the Financial Supervisory Commission, R.O.C..

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

1) Financial instruments measured at fair value through profit or loss are measured at fair value;

2) Available-for-sale financial assets are measured at fair value;

3) The defined benefit liabilities is recognized as the fair value of the plan assets less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The Group's consolidated financial statements are presented in New Taiwan dollar, which is the Company's functional currency. All financial information presented in New Taiwan dollar has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. When the Company is exposed to the variable remuneration from investing on other individual or sharing the rights of the remuneration, also, is able to influence the rewards, the Company controls the individual.

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The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Accounting policies of subsidiaries have been adjusted to ensure consistency with the policies adopted by the Group.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any differences between the Group's share of net assets before and after the change, and any considerations received or paid, are adjusted to or against the equity and belong to the owners of the Company.

(ii) List of subsidiaries in the consolidated financial statements

			Shareholding percentage	
Name of investor	**Name of subsidiary**	**Principal activity**	**December 31, 2017**	**December 31, 2016**
The Company	Wiwynn Technology Service Japan, Inc. (WYJP)	Sales of electronic products	100 %	100 %
The Company	Wiwynn International Corporation (WYUDE)	Sales of electronic products	100 %	100 %
The Company	Wiwynn Technology Service Hong Kong Limited (WYHK)	Investment activities	100 %	100 %
The Company	Wiwynn Korea Ltd. (WYKR)	Sales of electronic products	100 %	100 %
The Company	Wiwynn Technology Service Malaysia Sdn. Bdh. (WYMY)	Sales of electronic products	100 %	- (Note)
WYHK	Wiwynn Technology Service Kun Shan Ltd. (WYKS)	Sales of electronic products	100 %	100 %

Note: WYMY was incorporated on July 13, 2017.

(iii) List of subsidiaries which are not included in the consolidated financial statements: None.

(d) Foreign currency

(i) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items are the differences between amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for the following differences which are recognized in other comprehensive income arising on the retranslation:

- Available-for-sale equity investment;
- A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- Qualifying cash flow hedges to the extent the hedge is effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Group’s functional currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Group’s functional currency at average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation differences in equity.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes of only part of investment in an associate of joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary items that are considered to form part of the net investment in the foreign operation and are recognized in other comprehensive income.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

(i) It is expected to be realized the asset, or intends to be sold or consumed it during normal operating cycle;

(ii) It is held primarily for the purpose of trading;

WIWYNN CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash and cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

(i) It is expected to be settled during its normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) The liability is due to be settled within twelve months after the reporting period; or

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

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash and cash in bank. Cash equivalents are those short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(g) Financial Instruments

Financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instruments.

(i) Financial assets

The Group classifies financial assets into the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

1) Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is classified as held for trading or is designated as such on initial recognition. Financial assets classified as held for trading if it is acquired principally for the purpose of selling in the short term.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which takes into account any dividend and interest income, are recognized in profit or loss, and are accounted for under other income. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

(Continued)

WIWYNN CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Available-for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated available-for-sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the cumulative gain or loss in equity is reclassified to profit or loss, and it is included in other gains and losses. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Dividend income is recognized in profit or loss on the date that the Group’s right to receive payment is established, which in the case of quoted securities is normally the exdividend date. Such dividend income is included in other gains and losses.

3) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables other than insignificant interest on shortterm receivables are measured at amortized cost using the effective interest method, less any impairment losses. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Interest income is recognized into profit or loss, and it is included in other income.

4) Impairment of financial assets

Except for financial assets at fair value through profit or loss, financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is any objective evidence of impairment as a result of one or more events (a loss event) that occurred subsequent to the initial recognition of the asset and that a loss event (or events) has an impact on the future cash flows of the financial assets that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is considered objective evidence of impairment.

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All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management' s judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than the those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset is deducted from the carrying amount except for accounts receivable, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

Impairment losses and recoveries of accounts receivable are recognized in profit or loss; impairment losses and recoveries of other financial assets are recognized in other gain or losses.

5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the asset are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in other equity－unrealized gains or losses from available for sale financial assets is recognized in profit or loss, under other gains and losses.

(Continued)

The Group separates the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized, and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income, shall be recognized in profit or loss.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Group are classified as financial liabilities or equity in accordance to the substance of the contractual agreement.

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest related to the financial liability is recognized in profit or loss, under finance costs.

On conversion, the financial liability is reclassified to equity and no gain or loss is recognized.

2) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if it is classified as held for trading or is designated as such on initial recognition.

Financial liabilities are classified as held for trading if acquired principally for the purpose of selling in the short term.

(Continued)

Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value subsequently and changes therein, which takes into account any interest expense, are recognized in profit or loss, and are included in finance costs.

3) Other financial liabilities

Financial liabilities not classified as held for trading or designated as at fair value through profit or loss are measured at fair value, plus any directly attributable transaction costs at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in finance costs.

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired.

The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in non-operating income or expenses.

5) Offsetting of financial assets and liabilities

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

(iii) Derivative financial instruments

The Group hold derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are recognized initially at fair value, and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss, under other gains and losses. When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

(h) Inventories

Inventories are measured individually at the lower of cost and net realizable value. The standard cost method is adopted for inventory costing and the difference between standard cost and actual cost is allocated proportionately to inventory except for an unfavorable variance from normal capacity. Net realizable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses at the end of the period.

WIWYNN CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and the depreciation method of the significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as other gains and losses.

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Depreciation is calculated on the cost of an asset, less, its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful life of each component of an item of property, plant and equipment. Items of property, plant and equipment with the different useful life from the remainder of the items shall be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

1) Research and developments equipment: 3~5 years

2) Machinery and equipment: 3 years

3) Office equipment: 2~4 years

4) Lease improvements: 3 years

5) Other equipment: 4 years

The depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the change is accounted for as a change in an accounting estimate.

(Continued)

WIWYNN CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(j) Lease

Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Contingent rent is recognized as expense in the periods in which they are incurred.

(k) Intangible assets

(i) Research and development

During the research phase, activities are carried out to obtain and understand new scientific or technical knowledge. Expenditures during this phase are recognized in profit or loss as incurred.

Expenditures arising from the development phase shall be recognized as an intangible asset if all the conditions described below can be demonstrated; otherwise, they will be recognized in profit or loss as incurred.

1) The technical feasibility of completing the intangible asset so that it will be available for use or sale.

2) The intention to complete the intangible asset and use or sell it.

3) The ability to use or sell the intangible asset.

4) How the intangible asset will generate probable future economic benefits.

5) The availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset.

6) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalized development expenditures is measured at cost less accumulated amortization or impairment losses.

(ii) Other Intangible Assets

Other intangible assets that are acquired by the Group are measured at cost less accumulated amortization and any accumulated impairment losses.

(iii) Subsequent Expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(Continued)

(iv) Amortization

Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual values.

Intangible assets other than goodwill acquired by the Group are software. Amortization is recognized in profit or loss on a straight-line basis 3 year for the estimated useful lives of intangible assets, from the date that they are available for use.

The residual value, the amortization period and the amortization method for an intangible asset with a finite useful life shall be reviewed at each reporting date. Such change shall be accounted for as changes in accounting estimates.

(l) Impairment of non-financial assets

The carrying amounts of the Company’s non financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. If it is not possible to determine the recoverable amount (fair value less cost to sell and value in use) for the individual asset, then the Company will have to determine the recoverable amount for the asset's cash-generating unit (CGU).

The recoverable amount for individual asset or a CGU is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount, and that reduction will be accounted as an impairment loss, which loss shall be recognized immediately in profit or loss.

An assessment is made at the end of each reporting period as to whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated. An impairment loss recognized in prior periods for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognized.

(m) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probably that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(Continued)

(n) Revenue

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized. The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement.

(ii) Services

The Group is involved in repair services. Revenue from repair services is recognized when the services are rendered.

(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group’s net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, based on the discounted present value of the said defined benefit obligation. Any unrecognized past service costs and the fair value of any plan assets are deducted for purposes of determining the Group’s net defined benefit obligation. The discount rate used in calculating the present value is the market yield at the reporting date of government bonds that have maturity dates approximating the terms of the Group’s obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. If the calculation results in a benefit to the Group, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In calculating the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

(Continued)

If the benefits of a plan are improved, the pension cost incurred from the portion of the increased benefit relating to past service by employees, is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest), and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group can reclassify the amounts recognized in other comprehensive income to retained earnings.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs. The gain or loss on curtailment arises from any change in the fair value of plan assets, any change in the present value of the defined benefit obligation, and any related actuarial gains or losses and past service cost which had not previously been recognized.

(iii) Short term employee benefits

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(p) Share-based payment

The grant-date fair value of share-based payment awards granted to employee is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of award that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(q) Income Taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

(Continued)

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the below exceptions:

(i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.

(ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

(iii) Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

(i) The entity has the legal right to settle tax assets and liabilities on a net basis; and

(ii) the taxing of deferred tax assets and liabilities fulfill one of the below scenarios:

1) levied by the same taxing authority; or

2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry-forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(r) Earnings per share

The Group discloses the Company basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholder of the Company divided by weighted average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as employee stock options and accrued employee compensation.

(Continued)

WIWYNN CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(s) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

Information about judgments made in applying accounting policies do not have significant effects on the amounts recognized in the consolidated financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

Valuation of inventories

The Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to note 6(d) for further description of the valuation of inventories.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

		December 31, 2017	December 31, 2016
Cash on hand	$	299	311
Demand and checking deposits		6,360,042	1,276,408
Time deposits		38,802	-
	$	**6,399,143**	**1,276,719**

Please refer to note 6(s) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Group.

(Continued)

WIWYNN CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Financial assets

(i) Financial assets and liabilities at fair value through profit or loss

1) Financial assets at fair value through profit or loss-current:

	December 31, 2017	December 31, 2016
Foreign currency swap contracts	$ -	2

2) Financial liabilities at fair value through profit or loss-current:

	December 31, 2017	December 31, 2016
Foreign currency swap and forward contracts	$ 4,046	1,415

The Group uses derivative financial instruments to hedge the certain foreign exchange risk the Group is exposed to, arising from its operating, financing and investing activities. As of December 31, 2017 and 2016, derivative financial instruments not qualified for hedge accounting were as follows:

1) Foreign currency swap contracts:

	December 31, 2017		December 31, 2016	
	Nominal amount (in thousands)	Currency	Nominal amount (in thousands)	Currency
Foreign currency swap sold	-	-	USD 4,000	NTD to USD
Foreign currency swap purchased	USD 3,400	USD to RMB	USD 10,000	USD to NTD

2) Foreign currency forward contracts:

	December 31, 2017		December 31, 2016	
	Nominal amount (in thousands)	Currency	Nominal amount (in thousands)	Currency
Foreign currency forward purchased	USD 15,000	USD to RMB	-	-

(ii) Available-for-sale financial assets

1) Available-for-sale financial assets-current:

	December 31, 2017	December 31, 2016
Funds	$ -	720,274

(Continued)

WIWYNN CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Sensitivity analysis-equity price risk

If the equity price changes, the impact to other comprehensive income, using the sensitivity analysis based on the same variables expect for the price index for both period, will be as follows:

	2017	2016
Price of securities at reporting date	**Other comprehensive income, net of tax**	**Other comprehensive income, net of tax**
Increasing 3%	$ -	21,608
Decreasing 3%	$ -	(21,608)

(iv) As of December 31, 2017 and 2016, the financial assets were not pledged.

(c) Accounts receivable and other receivables

	December 31, 2017	December 31, 2016
Accounts receivable	$ 8,621,032	3,473,499
Accounts receivable－related parties	188,349	89,521
Other receivables	284,415	104,004
Other receivables－related parties	559,127	52,936
Less: allowance for doubtful accounts	-	-
	$ 9,652,923	3,719,960

The detail of accounts receivable, accounts receivable-related parties, other receivable and other receivable-related parties that were past due but not impaired were as follows:

	December 31, 2017	December 31, 2016
Past due 0~30 days	$ 187,843	1,394,730
Past due 31~60 days	652,362	-
Past due 61~90 days	1,194	110
	$ 841,399	1,394,840

The Group asscesses the impairment losses of the accounts receivable and other receivables both individually and collectively. The Group evaluated the historical trends, recovery terms and the losses of the default possibility of the receivables; and the management of the Group accrued the allowance for doubtful accounts according to current economic condition and credit.

Based on historical trends of the probability of default and the analysis of the credit rating of the Group's customers, the Group believed that no impairment allowance was necessary with respect to the past due receivables that were collectable. Therefore, the Group did not accrue any allowance for doubtful accounts for the year ended December 31, 2017 and 2016.

(Continued)

WIWYNN CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group and financial institution entered into the accounts receivable factoring contracts. According to the contracts, the Group did not bear the risks of uncollectible of accounts receivable, except the loss of business dispute. Therefore, the accounts receivable factoring met the criteria of financial assets derecognition. As of December 31, 2017 and 2016, the Group sold its accounts receivable without recourse as follows:

Unit: USD in thousands

	December 31, 2017				
Purchaser	**Assignment Facility**	**Factoring Line**	**Advanced Amount**	**Range of Interest Rate**	**Collateral**
BOA, Taipei branch	$ 15,332	120,000	15,332	1.45%~2.25%	None
CITI, New York branch	205,485	300,000	205,485	1.71%~2.15%	None
	$ 220,817	**420,000**	**220,817**		

	December 31, 2016				
Purchaser	**Assignment Facility**	**Factoring Line**	**Advanced Amount**	**Range of Interest Rate**	**Collateral**
BOA, Taipei branch	**$ 117,496**	**120,000**	**117,496**	1.25%~1.56%	None

As of December 31, 2017 and 2016, the accounts receivable were not pledged.

(d) Inventories

	December 31, 2017	**December 31, 2016**
Raw materials	$ 5,534,027	1,870,414
Work in progress	-	1,568
Finished goods	3,470,632	3,319,621
Inventory in transit	158,458	170,204
	$ 9,163,117	**5,361,807**

Except cost of goods sold and inventories recognized as expenses, the remaining gains or losses which were recognized as operating cost of deduction of operating cost were as follows:

	2017	**2016**
Losses on valuation of inventories	$ -	4,766
Losses on inventory count	1	-
Scrap income	(2,841)	-
Royalty	44,817	25,322
	$ 41,977	**30,088**

As of December 31, 2017 and 2016, the inventories were not pledged.

WIWYNN CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(e) Property, plant and equipment

The cost and accumulated depreciation of the property, plant and equipment of the Group for the years ended December 31, 2017 and 2016, were as follows:

		Research and development equipment	Machinery and equipment	Office equipment	Lease improvements	Other equipment	Total
Cost or deemed cost:							
Balance at January 1, 2017	$	69,746	223	22,794	20,951	3,835	117,549
Additions		11,705	1,739	5,413	2,848	6,124	27,829
Disposals		-	-	(28)	-	-	(28)
Effect of movement in exchange rates		-	(49)	(305)	-	(167)	(521)
Balance at December 31, 2017	**$**	**81,451**	**1,913**	**27,874**	**23,799**	**9,792**	**144,829**
Balance at January 1, 2016	$	58,303	228	16,664	22,138	1,985	99,318
Additions		11,443	-	6,489	6,381	1,866	26,179
Disposals		-	-	(329)	(7,568)	-	(7,897)
Effect of movement in exchange rates		-	(5)	(30)	-	(16)	(51)
Balance at December 31, 2016	**$**	**69,746**	**223**	**22,794**	**20,951**	**3,835**	**117,549**
Accumulated depreciation ：							
Balance at January 1, 2017	$	36,657	56	12,192	10,925	1,722	61,552
Depreciation		15,832	257	4,330	6,805	4,623	31,847
Disposals		-	-	(28)	-	-	(28)
Effect of movement in exchange rates		-	(9)	(58)	-	(43)	(110)
Balance at December 31, 2017	**$**	**52,489**	**304**	**16,436**	**17,730**	**6,302**	**93,261**
Balance at January 1, 2016	$	22,803	-	8,701	10,968	1,062	43,534
Depreciation		13,854	56	3,814	7,525	662	25,911
Disposals		-	-	(318)	(7,568)	-	(7,886)
Effect of movement in exchange rates		-	-	(5)	-	(2)	(7)
Balance at December 31, 2016	**$**	**36,657**	**56**	**12,192**	**10,925**	**1,722**	**61,552**
Carrying value：							
Balance at December 31, 2017	**$**	**28,962**	**1,609**	**11,438**	**6,069**	**3,490**	**51,568**
Balance at December 31, 2016	**$**	**33,089**	**167**	**10,602**	**10,026**	**2,113**	**55,997**
Balance at January 1, 2016	**$**	**35,500**	**228**	**7,963**	**11,170**	**923**	**55,784**

As of December 31, 2017 and 2016, the property, plant and equipment were not pledged.

WIWYNN CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(f) Intangible assets

The cost and accumulated amortization of the intangible assets for the years ended December 31, 2017 and 2016, were as follows:

		Software
Costs		
Balance at January 1, 2017	$	22,458
Additions		2,753
Effect of movement in exchange rates		(21)
Balance at December 31, 2017	**$**	**25,190**
Balance at January 1, 2016	$	16,678
Additions		5,784
Effect of movement in exchange rates		(4)
Balance at December 31, 2016	**$**	**22,458**
Accumulated amortization		
Balance at January 1, 2017	$	15,372
Amortization		4,613
Effect of movement in exchange rates		(19)
Balance at December 31, 2017	**$**	**19,966**
Balance at January 1, 2016	$	10,656
Amortization		4,718
Effect of movement in exchange rates		(2)
Balance at December 31, 2016	**$**	**15,372**
Carrying value		
Balance at December 31, 2017	**$**	**5,224**
Balance at December 31, 2016	**$**	**7,086**
Balance at January 1, 2016		**6,022**

(i) Amortization

For the years ended December 31, 2017 and 2016, the amortization of intangible assets is included in the statement comprehensive income:

		2017	2016
Operating costs	$	34	173
Operating expense		4,579	4,545
	$	**4,613**	**4,718**

(ii) As of December 31, 2017 and 2016, the intangible assets were not pledged as collateral.

WIWYNN CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(g) Other current assets and other non-current assets

		December 31, 2017	December 31, 2016
Other current assets:			
Tax refundable	$	339,638	227,034
Other prepayments		24,885	13,615
Others		29,814	31,021
	$	**394,337**	**271,670**
Other non-current assets:			
Guarantee deposits	$	3,004	2,687
Restricted deposits		152,240	1,000
Prepayments for equipment		11,030	-
	$	**166,274**	**3,687**

(h) Short-term borrowings

The details of the Group for short-term borrowings were as follows:

	December 31, 2017				
	Currency	**Interest rate collars**	**Expiration**		**Amount**
Unsecured bank borrowings	USD	1.83%~2.65%	2018/1/3~2018/1/23	$	4,904,771
Secured bank borrowing	RMB	4.35%	2018/9/20		137,199
Total				$	**5,041,970**
Unused credit line				$	**5,330,240**

	December 31, 2016				
	Currency	**Interest rate collars**	**Expiration**		**Amount**
Unsecured bank borrowings	USD	1.44%~2.00%	2017/1/26~2017/5/26	$	**4,847,473**
Unused credit line				$	**4,908,273**

For the collateral for short-term borrowing, please refer to note 8.

(i) Provisions-current

		2017	2016
Balance at January 1	$	46,481	32,215
Provision made		436,039	138,847
Provision used		(294,294)	(124,581)
Balance at December 31	$	**188,226**	**46,481**

(Continued)

The provision of warranty mainly relates to the selling of products. The provision for warranties represents the estimate basing on historical warranty trends of business, the return of damage products and the warranty term.

(j) Operating lease

The Group leases the offices and warehouse, under operating leases. The future rental commitments are as follows:

	December 31, 2017	December 31, 2016
Less than one year	$ 15,244	13,811
Between one and five years	32,558	22,376
Over five years	-	-
	$ 47,802	**36,187**

The operating lease expenses for the years ended December 31, 2017 and 2016 were $17,039 thousand and $12,395 thousand, respectively.

The Group leases a number of offices and warehouse under operating leases. The leases typically run for a period of 2 to 6 years, with an option to renew the lease after that date.

(k) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

	December 31, 2017	December 31, 2016
Present value of defined benefit obligations	$ 53,652	52,924
Fair value of plan assets	(29)	-
Net defined benefit liabilities	**$ 53,623**	**52,924**

The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

(Continued)

WIWYNN CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group's Bank of Taiwan labor pension reserve account balance amounted to $29 as of December 31, 2017. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movement in present value of the defined benefit obligations for the Group were as follows:

	2017	2016
Defined benefit obligations at January 1	$ 52,924	52,924
Current service costs and interest cost	728	-
Defined benefit obligations at December 31	**$ 53,652**	**52,924**

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Group were as follows:

	2017	2016
Fair value of plan assets at January 1	$ -	-
Contributions paid by the employer	29	-
Fair value of plan assets at December 31	**$ 29**	**-**

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group were as follows:

	2017	2016
Current service cost	**$ 728**	**-**
Operating expense	**$ 728**	**-**

5) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	December 31, 2017	December 31, 2016
Discount rate	1.375 %	1.375 %
Future salary increases rate	4.500 %	4.500 %

(Continued)

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date is $50 thousand.

The weighted average lifetime of the defined benefits plans is 17.08 years.

6) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Effects to the defined benefit obligation	
	Increase 0.25%	**Decrease 0.25%**
December 31, 2017:		
Discount rate (change in 0.25%)	$ (1,639)	1,705
Future salary increases (change in 0.25%)	1,626	(1,574)
December 31, 2016:		
Discount rate (change in 0.25%)	(1,617)	1,682
Future salary increases (change in 0.25%)	1,556	(1,506)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions amounted to $19,792 thousand and $16,455 thousand for the years ended December 31, 2017 and 2016, respectively.

(Continued)

WIWYNN CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(l) Income Taxes

(i) Income tax expense

The components of income tax in the years 2017 and 2016 were as follows:

		2017	2016
Current tax expense			
Current period	$	439,743	82,788
Adjustments for prior periods		2,596	5,654
		442,339	88,442
Deferred tax expense			
Origination and reversal of temporary difference		(8,378)	3,124
Income tax expense	**$**	**433,961**	**91,566**

There was no income tax recognized in other comprehensive income for 2017 and 2016.

(ii) Reconciliation of income tax and profit before tax for 2017 and 2016 is as follows:

		2017	2016
Profit before tax	$	1,642,443	402,838
Income tax using the Company's domestic tax rate		279,215	68,482
Effect of tax rates in foreign jurisdiction		35,814	11,879
10% surtax on undistributed earnings		5,806	5,692
Tax-exempt income		(140)	(141)
Uncertainty over income tax		82,567	-
Prior-period tax adjustments		2,596	5,654
Others		28,103	-
	$	**433,961**	**91,566**

(iii) Deferred tax assets and liabilities

1) Unrecognized deferred tax asset and liability

There was no significant unrecognized deferred tax assets and liability as of December 31, 2017 and 2016.

WIWYNN CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Recognized deferred tax assets and liabilities

Changes in the amounts of deferred deferred tax assets and liabilities for 2017 and 2016 were as follows:

	Unrealized exchange losses	Provision	Allowance for valuation of inventories	Accred expense	Other	Total
Deferred tax assets:						
Balance at January 1, 2017	-	7,902	685	11,216	5,702	25,505
Recognized in profit or loss	-	24,096	-	(11,216)	1,963	14,843
Balance at December 31, 2017	**-**	**31,998**	**685**	**-**	**7,665**	**40,348**
Balance at January 1, 2016	9,837	5,544	-	-	541	15,922
Recognized in profit or loss	(9,837)	2,358	685	11,216	5,161	9,583
Balance at December 31, 2016	**-**	**7,902**	**685**	**11,216**	**5,702**	**25,505**

	Recognized share of gain of subsidiaries and associates accounted for equity method	Unrealized exchange gains	Total
Deferred income tax liabilities:			
Balance at January 1, 2017	$ 6,557	8,558	15,115
Recognized in profit or loss	13,799	(7,334)	6,465
Balance atDecember 31, 2017	**$ 20,356**	**1,224**	**21,580**
Balance at January 1, 2016	$ 2,408	-	2,408
Recognized in profit or loss	4,149	8,558	12,707
Balance at December 31, 2016	**$ 6,557**	**8,558**	**15,115**

(iv) Examination and Approval

The ROC income tax authorities have examined the Company’ s income tax returns for all years through 2015.

(v) Information related to the ICA is summarized as follow:

	December 31, 2017	December 31, 2016
Unappropriated earnings, before January 1, 1998	(Note)	$ -
Unappropriated earnings, from January 1, 1998	(Note)	388,268
	(Note)	**388,268**
Balance of deductible tax account	(Note)	**34,391**

	2017(estimated)	2016(actual)
Creditable ratio for earnings distribution to domestic stockholders	(Note)	**21.79%**

The above stated information was prepared in accordance with information letter No. 10204562810 issued by the Ministry of Finance of the R.O.C. on October 17, 2013.

(Continued)

WIWYNN CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

Note: According to the amendments to the "Income Tax Act” enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, effective January 1, 2018, companies will no longer be required to establish, record, calculate, and distribute their ICA due to the abolishment of the imputation tax system.

(m) Capital and other equity

As of December 31, 2017 and 2016, the Company’s authorized common shares consisted of 150,000 thousand shares with a par value of $10 per share, amounted to $1,500,000 thousand, of which 106,077 thousand shares and 88,834 thousand shares, respectively, were issued and outstanding.

(i) Common shares

The Company’s shareholders meeting approved a resolution to distribute the retained earnings with the amounts of $133,252 thousand, which consisted of 13,325 thousand shares. The base date for capital increase was set on July 8, 2017, and all related registration procedures had been completed.

On July 25, 2016, the Company’s Board of Directors approved a resolution to distribute the cash subscription which consisted of 30,000 thousand shares, with a par value of $20 per share. The base date for capital increase was set on September 27, 2016, and all related registration procedures had been completed.

The Company’s shareholders meeting approved a resolution to distribute the retained earnings with the amounts of $168,098 thousand, which consisted of 16,810 thousand shares. The base date for capital increase was set on June 3, 2016, and all related registration procedures had been completed.

The Company issued 3,918 thousand new shares of common shares with the amounts of $82,202 thousand for the execution of employee stock options in 2017. The related registration procedures had been completed.

(ii) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2017	December 31, 2016
A premium issuance of common shares for cash	$ 466,622	466,622
Employee share options	63,114	4,978
Others	16,185	16,185
	$ 545,921	**487,785**

WIWYNN CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Retained earnings

The Company's article of incorporation stipulate that if the Company has a profit as a result of the yearly accounting closing, ten percent of the profit net of tax and the amount for making up of any accumulated loss shall be set aside as legal reserve, and thereafter an amount, including the reserved special reserve, shall be set aside, along with any undistributed profits accumulated from previous years to be identified as profits to be distributed. The amount of dividends to shareholders shall not less than ten percent of profit from the currency year.

1) Legal reserve

According to the amendment of the R.O.C. Company Act in January 2012, the Company must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of total capital. When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Dividends

As the Company is a technology and capital-intensive enterprise and is in its growth phase, it has adopted a more prudent approach in the appropriation of its remaining earnings as its dividend policy, in order to sustain its long-term capital needs and thereby maintain continuous development and steady growth. Under this approach, the distribution of cash dividend is not lower than 10% of total distribution of dividends.

3) Earnings distribution

The appropriation of 2016 and 2015 earnings that were approved by the shareholders' meeting on May 31, 2017 and May 20, 2016, respectively, were as follows:

		2016	2015
Dividends distributed to ordinary shareholders			
Cash	$	88,834	21,012
Shares		133,252	168,098
	$	**222,086**	**189,110**

WIWYNN CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

4) Other equity (net of tax)

		Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Total
Balance at January 1, 2017	$	(1,264)	127	(1,137)
Exchange differences on translation of foreign financial statements		(6,873)	-	(6,873)
Unrealized gains (losses) on available-for-sale financial assets		-	(127)	(127)
Balance at December 31, 2017	**$**	**(8,137)**	**-**	**(8,137)**
Balance at January 1, 2016	$	334	248	582
Exchange differences on translation of foreign financial statements		(1,598)	-	(1,598)
Unrealized gains (losses) on available-for-sale financial assets		-	(121)	(121)
Balance at December 31, 2016	**$**	**(1,264)**	**127**	**(1,137)**

(n) Share-based payment

On June 20, 2017 and January 26, 2015, the board of directors of the Company had approved a resolution to issue the employee stock options of 8,000 thousand and 1,000 thousand units, respectively. The employee stock options were issued on June 20, 2017 and February 15, 2015 in accordance with the resolution of the board of directors. The Company will issue new shares to fulfill its obligations.

As of December 31, 2017, the details of employee stock options were as follows:

Categories	Date of resolution by Board of Directors	Issue date	Duration	Shares granted		Exercise price of per share
Employee stock options plan for 2015	January 26, 2015	Feburary 15, 2015	5 years	1,000,000	$	17.40
Employee stock options plan for 2017	June 20, 2017	June 20, 2017	3 years	8,000,000		25.00

The exercise ratio of the employee stock options over the grant period are as follows :

Employee stock options issued in 2015		Employee stock options issued in 2017	
Grant period	**Exercise ratio (cumulative)**	**Grant period**	**Exercise ratio (cumulative)**
February 15, 2017	1/3	August 1, 2017	1/2
February 15, 2018	2/3	February 1, 2019	2/2
February 15, 2019	3/3		

WIWYNN CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Company adopted the Black-Scholes model to evaluate the fair value of the stock option at the grant date. The assumptions adopted in this valuation model were as follows:

	Employee stock options issued in 2015	Employee stock options issued in 2017
Fair value at grant date (expressed in New Taiwan dollars)	$ 7.19	4.54 / 6.24
Share price at grant date (expressed in New Taiwan dollars)	25.98	25.23
Exercise price (expressed in New Taiwan dollars)	17.40	25.00
Expected volatility	38.87%	34.99%/39.93%
Expected life	2 years	1.56 years/ 2.31 years
Risk-free interest rate	0.60%	0.5053%/0.5936%

The details of the employee stock options were as follows:

	2017		2016	
	Weighted-average exercise price (expressed in New Taiwan dollars)	Number of options (in thousands)	Weighted-average exercise price (expressed in New Taiwan dollars)	Number of options (in thousands)
Outstanding balance at the beginning of the year	$ 10.64	856	14.9	910
Options granted	25.00	8,000	-	-
Options forfeited	-	(335)	-	(54)
Options exercised	20.98	(3,918)	-	-
Options expired	-	-	-	-
Outstanding balance at the end of the year	20.28	4,603	10.64	856
Exercisable number as the end of the year		282		-

The outstanding employee stock options were as follows:

	December 31, 2017	December 31, 2016
Range of exercise price (expressed in New Taiwan dollars)	$ 21.7 ～10	10.64
Weighted-average of remaining contractual duration (years)	2.17	1.96

For the years ended December 31, 2017 and 2016, the compensation cost of employee stock options amounted to $15,114 thousand and $2,597 thousand, respectively, which were accounted for under operating expenses.

(Continued)

WIWYNN CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(o) Earnings per share

The calculation of basic and diluted earnings per share is as follows:

	2017	2016
Basic earnings per share:		
Profit attributable to common shareholders	$ **1,208,482**	**311,272**
Weighted-average common stock outstanding (in thousands)	103,312	80,329
	$ **11.70**	**3.87**
Diluted earnings per share:		
Profit attributable to common shareholders	$ **1,208,482**	**311,272**
Weighted-average common stock outstanding (in thousands)	103,312	80,329
Effect of potentially dilutive common stock (in thousands):		
Employee compensation	6,064	4,210
Employee stock options	3,281	737
Weighted average common stock outstanding plus the effect of potentially dilutive common stock (in thousands)	112,657	85,276
	$ **10.73**	**3.65**

(p) Revenue

The details of revenue for the years ended December 31, 2017 and 2016 were as flollows:

	2017	2016
Hyperscale data center	$ **85,674,525**	**31,740,540**

(q) Non-operating income and expenses

(i) Other income

The details of other income were as follows:

	2017	2016
Interest income	$ 6,517	606
Rental income	57	33
	$ **6,574**	**639**

WIWYNN CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Other gains and losses

The details of other gains and losses were as follows:

	2017	2016
Foreign exchange gains (losses), net	$ 7,387	6,819
Gains on disposal of investments, net	824	826
Gains (losses) on valuation of financial assets (liabilities) at fair value, net	(8,381)	(19,197)
Others	7,776	4,430
	$ 7,606	**(7,122)**

(iii) Finance costs

	2017	2016
Interest expenses		
Bank loans	**$ (211,352)**	**(39,446)**

(r) Employee's and directors' compensation

According to the Company's Article of Incorporation which is approved by the Board of Directors but not yet resolute by the meeting of shareholders, if the Company has profit (which means income before tax excluding the amounts of employees' and directors' compensation) shall be contributed by the following rules. However, if the amount Company have accumulated deficit, it shall reserve the amount for offsetting deficit.

(i) No less than 5% of profit as employees' compensation. The Company may distributed in the form of shares or in cash, and the qualification requirements of employees, including the employees of subsidiaries of the Company meeting certain specific requirement shall be determined by the Board of Directors.

(ii) No more than 1% of profit as the compensation in cash to the Directors

The Company accrued and recognized employees' compensation amounted to $146,530 thousand and $80,500 thousand and directors' compensation amounted to $6,800 thousand and $4,738 thousand, respectively, based on the net income before tax which excluding the amounts of employees' and directors' compensation and the ratio stipulated in the Company's Article of Incorporation. The above are both accounted for under operating expense for the years ended December 31, 2017 and 2016. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2017 and 2016.

(s) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

(Continued)

WIWYNN CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Concentration of credit risk

The Group's majority customers are in Cloud Infrastructure and Hyperscale Date Center industries. To reduce concentration of credit risk, the Group evaluates customers' financial positions periodically and requires customers to provide collateral, if necessary. In addition, the Group evaluates the aging of accounts receivable periodically, accrue allowance for doubtful accounts and purchasing insurance contracts of accounts receivable, if necessary. Historically, bad debt expense has always been under management's expectation. As of December 31, 2017 and 2016, 79.42% and 94.91% of the Group's accounts receivable were concentrated on 2 specific customers, respectively. Accordingly, concentrations of credit risk exist.

(ii) Liquidity risk

The followings were the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flow	Within 1 year	1-2 years	2-5 years	More than 5 years
As of December 31, 2017						
Non-derivative financial liabilities						
Variable-interest-rate instruments:						
Short-term borrowings	$ 5,041,970	5,050,103	5,050,103	-	-	-
Non-interest-bearing liabilities:						
Accounts payable (including related parties)	15,452,980	15,452,980	15,452,980	-	-	-
Other payables (including related parties)	762,007	762,007	762,007	-	-	-
Subtotal	21,256,957	21,265,090	21,265,090	-	-	-
Derivative financial liabilities						
Foreign currency swap contacts:						
Outflow	544	102,027	102,027	-	-	-
Inflow	-	(101,483)	(101,483)	-	-	-
Carrying amount	544	544	544	-	-	-
Foreign currency forword contacts:						
Outflow	3,502	3,502	3,502	-	-	-
Carrying amount	3,502	3,502	3,502	-	-	-
Subtotal	4,046	4,046	4,046	-	-	-
Total	**$ 21,261,003**	**21,269,136**	**21,269,136**	**-**	**-**	**-**
As of December 31, 2016						
Non-derivative financial liabilities						
Variable-interest-rate instruments:						
Short-term borrowings	$ 4,847,473	4,851,773	4,851,773	-	-	-
Non-interest-bearing liabilities:						
Accounts payable (including related parties)	3,949,886	3,949,886	3,949,886	-	-	-
Other payables (including related parties)	248,128	248,128	248,128	-	-	-
Subtotal	9,045,487	9,049,787	9,049,787	-	-	-
Derivative financial liabilities						
Foreign currency swap contacts:						
Outflow	1,415	451,905	451,905	-	-	-
Inflow	-	(450,490)	(450,490)	-	-	-
Carrying amount	1,415	1,415	1,415	-	-	-
Subtotal	1,415	1,415	1,415	-	-	-
Total	**$ 9,046,902**	**9,051,202**	**9,051,202**	**-**	**-**	**-**

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(Continued)

WIWYNN CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Currency risk

1) Exposure to currency risk

The Group's significant exposures to foreign currency risk were as follows:

	December 31, 2017			December 31, 2016		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
USD	529,694	29.848	15,810,310	115,708	32.279	3,734,932
Financial liabilities						
Monetary items						
USD	476,693	29.848	14,228,344	118,704	32.279	3,820,983

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable and other receivables (including related parties), loans and borrowings, accounts payable and other payables (including related parties) that are denominated in foreign currency.

A strengthening (weakening) 5 % of appreciation (depreciation) of the NTD against the USD as of December 31, 2017 and 2016, would increase (decrease) the profit after tax by \$65,652 thousand and \$3,571 thousand, respectively. The analysis assumes that all other variables remain constant.

3) Foreign exchange gain and loss on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gains (losses) on monetary items is disclosed by total amount. For years 2017 and 2016, foreign exchange gains (losses) (including realized and unrealized portions) amounted to \$7,387 thousand and \$(10,201) thousand, respectively.

(iv) Interest analysis

Please refer to the attached note for the liquidity risk management and the Group's interest rate exposure to its financial assets and liabilities.

The following sensitivity analysis is based on the risk exposure to interest rates on non-derivative financial instruments on the reporting date. For variable rate instruments, the sensitivity analysis assumes the variable rate liabilities are outstanding for the whole year on the reporting date.

If the interest rate increase/decrease by 1%, the Group' s net profit after tax would decrease/increase by \$30,458 thousand and \$48,475 thousand, respectively, for the years ended December 31, 2017 and 2016, with all other variable factors that remain constant. This is mainly due to the Group's borrowings at floating variable rate.

(Continued)

WIWYNN CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Fair value

1) Categories and fair values of financial instruments

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It shall not include fair value information of the financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value and investments in equity instruments which do not have any quoted price in an active market in which the fair value cannot be reasonably measured.

	December 31, 2017				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Loans and receivables					
Cash and cash equivalents	$ 6,399,143	-	-	-	-
Accounts receivable (including related parties)	8,809,381	-	-	-	-
Other receivable (including related parties)	843,542	-	-	-	-
Subtotal	$ 16,052,066	-	-	-	-
Other non-current assets	$ 155,244	-	-	-	-
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	$ 4,046	-	4,046	-	4,046
Financial liabilities at amortized cost					
Short-term borrowings	$ 5,041,970	-	-	-	-
Accounts payable (including related parties)	15,452,980	-	-	-	-
Other payables (including related parties)	762,007	-	-	-	-
Subtotal	$ 21,256,957	-	-	-	-
	December 31, 2016				
		Fair value			
	Carrying amount	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss					
Derivative financial assets	$ 2	-	2	-	2
Available-for-sale financial assets	$ 720,274	720,274	-	-	720,274
Loans and receivables					
Cash and cash equivalents	1,276,719	-	-	-	-
Accounts receivable (including related parties)	3,563,020	-	-	-	-
Other receivable (including related parties)	156,940	-	-	-	-
Subtotal	$ 4,996,679	-	-	-	-
Other non-current assets	$ 3,687	-	-	-	-
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	$ 1,415	-	1,415	-	1,415
Financial liabilities at amortized cost					
Short-term borrowings	4,847,473	-	-	-	-
Accounts payable (including related parties)	3,949,886	-	-	-	-
Other payables (including related parties)	248,128	-	-	-	-
Subtotal	$ 9,045,487	-	-	-	-

(Continued)

2) Valuation techniques and assumptions used in fair value determination

a) Non-derivative instruments:

The fair value of investments if there are traded in active markets, is based on quoted market price.

b) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models. Fair value of forward currency is usually determined by the forward currency exchange rate.

3) Transfer from Level 1 to Level 2.

There were no transfers of financial assets from each level for the years ended December 31, 2017 and 2016.

4) Changes between Level 3: none.

(t) Financial risk management

(i) The Group have exposures to the following risks from its financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

The following likewise discusses the Group's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Risk management framework

The Group' s finance management department provides business services for the overall internal department. It sets the objectives, policies and processes for managing the risk and the methods used to measure the risk arising from both the domestic and international financial market operations. The Group minimizes the risk exposure through derivative financial instruments. The Shareholder's meeting regulated the use of derivative financial instruments in accordance with the Group's policy about risks arising from financial instruments to which the Group is exposed to. The Group's internal auditors continue with the review of the amount of the risk exposure in accordance with the Group's policy and the risk management policies and procedures. Derivative contracts of the Group with several financial institutions were intended to manage foreign currency exchange and interest rate fluctuation risks. The chief of finance management department arranges a meeting to review the strategy and performance, then reports the results to Chief Financial Officer and Chairman periodically.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to financial instruments fails to meet its contractual obligations that arise principally from the Group' s accounts receivable and investment.

1) Accounts receivable

The Group' s credit policy is transacting with creditworthy customers, and obtains collateral to mitigate risks arising from financial loss due to default. The Group will transact with corporations of credit ratings equivalent to investment grade and such ratings are provided by independent rating agencies. Where it is not possible to obtain such information, the Group will assess the ratings based on other publicly available financial information and transactions records with its major customers. The Group continues to monitor the exposure to credit risk and counterparty credit rating, and evaluate the customers' credit rating and credit limit via automatic finance system to manage the credit exposure.

2) Investment

The credit risk exposure in the bank deposits and other financial instruments are measured and monitored by the Group' s finance department. Since the Group' s transactions resulted from the external parties with good credit standing and investment grade above financial institutions, publicly-traded stocks companies and non publicly-traded stocks companies, with good credit ratings, there are no incompliance issues and therefore no significant credit risk.

3) Guarantee

According to the Group's policy, the Group can only provide guarantee to which is listed under the regulation. The Group did not provide guarantees as of December 31, 2017 and 2016.

(iv) Liquidity risk

The Group maintains sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group' s management supervises the bank loan facilities and ensures in compliance with the terms of the loan agreements.

The loan was an important source of liquidity for the Group. As of December 31, 2017 and 2016, the Group has unused credit lines for short-term borrowings of $5,330,240 thousand and $4,908,273 thousand, respectively.

WIWYNN CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities. The currencies used in these transactions are denominated in USD.

The foreign currency assets and liabilities might lead to the interest risk since the fluctuation of the market exchange rate influence the Group' s future cash flow. The Group entering into forward and swap contracts are intended to manage the exchange rate risk due to the Group' s current and future demand for foreign currency. The contract periods are decided in consideration of the Group' s foreseeable assets and liabilities and expected cash flow. At the maturity date of the derivative contract, the Group will settle these contracts using the foreign currencies arising from the assets denominated in foreign currency.

2) Interest risk

The Group's short-term borrowings, bear floating interest rates. The changes in effective rate along with the fluctuation of the market interest rate influence the Group' s future cash flow. The Group reduces the interest risks by negotiating the loan interest rates frequently with banks.

3) Other market price risk

The Group monitors the risk arising from its available-for-sale security instruments, which are held for monitoring cash flow requirements and unused capital. The management of the Group monitors the combination of equity securities and open-market funds in its investment portfolio based on cash flow requirements. Material investments within the portfolio are managed on an individual basis, and all buy-and-sell decisions are approved by the Board of directors.

(u) Capital management

The Group meets its objectives for managing capital to safeguard the capacity to continue to operate, and provide a return to the shareholders, also, to benefit other related parties, at the same time, to maintain an optimal capital structure to reduce the cost of capital. Capital includes common share, capital surplus and retained earnings. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares or sell assets to settle any liabilities.

(Continued)

WIWYNN CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group’ s debt to asset ratio and debt to capital ratio at the end of the reporting period as of December 31, 2017 and 2016, were as follows:

	December 31, 2017	December 31, 2016
Debt to asset ratio	88%	84%
Debt to capital ratio	758%	530%

(7) Related-parties transactions:

(a) Parent company and ultimate controlling party

Wistron Corporation is both the parent company and the ultimate controlling party of the Group. As of December 31, 2017, it owns 52.62%, of all shares outstanding of the Company.

(b) Names and relationship with related parties

Name of ralted party	Relationship with the Group
Wistron Corporation (WHQ)	Parent Company
Wistron InfoComm (Czech). s.r.o. (WCZ)	Other related parties
Wistron Optronics (Kunshan) Co., Ltd. (WOK)	Other related parties
Wistron NeWeb corporation (WNC)	Other related parties
Wistron Mexico S.A. de C.V. (WMX)	Other related parties
Cowin Worldwide Corporation (COWIN)	Other related parties
ICT Sservice Management Solutions (India) Private Limited (WIN)	Other related parties
Wibase Industrial Solutions (WIS)	Other related parties
International Standards Labs. (ISL)	Other related parties
Wistron InfoComm (Zhongshan) Corporation (WZS)	Other related parties
SMS InfoComm Technology Services and Management Solutions Ltd. (WBR)	Other related parties
Wistron InfoComm (Kushan) Co., Ltd. (WAKS)	Other related parties

WIWYNN CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Related party transactions

(i) Sales

The amounts of significant sales transactions and outstanding balances between the Group and related parties were as follows:

	Sales		Receivables from related parties	
	2017	**2016**	**December 31, 2017**	**December 31, 2016**
WHQ	$ 6,292	7,821	546	7,155
Other related parties:				
WBR	133,771	-	131,303	-
WIN	49,436	-	49,173	-
COWIN	19,766	17,842	4,990	7,932
WCZ	14,232	84,143	1,583	73,943
Others	5,505	1,867	754	491
	$ 229,002	**111,673**	**188,349**	**89,521**

The selling price and credit terms of sales to related parties depend on the economic environment and market competition, and are not significantly different from those with third-party customers.

(ii) Purchases

The amounts of significant purchase transactions and outstanding balances between the Group and related parties were as follows:

	Purchases		Payables to related parties	
	2017	**2016**	**December 31, 2017**	**December 31, 2016**
WHQ	$ 27,550,464	14,560,715	11,024,864	745,501
Other related parties:				
WCZ	11,255,478	3,148,211	2,818,902	1,833,385
	$ 38,805,942	**17,708,926**	**13,843,766**	**2,578,886**

Trading terms of purchase transactions with related parties are not significantly different from those with third-party vendors. For the year ended December 31, 2017 and 2016, the Group purchase the research and development materials amounted to 620,172 thousand and 308,172 thousand, respectively, is recognized in operation expense.

(iii) Processing Fee

The amounts of processing transactions and outstanding balance between the Group and related parties were as follows:

	Processing Fee		Payable to related parties	
	2017	**2016**	**December 31, 2017**	**December 31, 2016**
WMX	$ **439,668**	**217,733**	**57,850**	**131,523**

Trading terms of processing fee transactions with related parties are not significantly different from those with third-party venders.

(iv) Other receivables

The Group purchased raw materials on behalf of related parties, post-employment benefit and etc. The outstanding balance were as follows:

	Other Receivables from related parties	
	December 31, 2017	**December 31, 2016**
WHQ	$ 53,623	52,936
Other related parties:		
COWIN	464,485	-
WCZ	40,876	-
Others	143	-
Total	$ **559,127**	**52,936**

(v) Other payables

The Group purchased R&D materials and related parties paid traveling expenses on the behalf of the Group, testing services and etc. The outstanding balance were as follows:

	Other Payables to related parties	
	December 31, 2017	**December 31, 2016**
WHQ	$ 148,771	31,608
Other related parties:		
WMX	-	53,623
Others	6,849	447
Total	$ **155,620**	**85,678**

(vi) Endorsements and guarantees

As of December 31, 2017 and 2016, the parent company provided endorsements and guarantees to the Group for fulfillment the obligation on an agreement and bank loans amounting to $8,790,236 thousand and $5,553,638 thousand, respectively.

(d) Key management personnel compensation

Key management personnel compensation were comprised as follows:

	2017	2016
Short-term employee benefits	$ 48,827	31,871
Post-employment enefits	681	594
	$ 49,508	32,465

(8) Pledged assets:

The carrying values of pledged assets were as follow:

Pledged assets	Object	December 31, 2017	December 31, 2016
Other non-current assets	Custom guarantee	$ 3,000	1,000
Other non-current assets	Bank loans	149,240	-
		$ 152,240	1,000

(9) Significant commitments and contingencies:

Alacritech Inc. had filed an action against the Company patent infringement in East Texas Court in the US on June 2016. The Company has appointed a lawyer to handle the case, and the case is still pending in the court.

(10) Losses due to major disasters: None.

(11) Subsequent events:

(a) On December 21, 2017, the Company's Board of Directors had approved a resolution to distribute the cash subscription which consisted of 20,000 thousand shares, with a par value of $120 in New Taiwan dollars. The cash subscription was effective on January 3, 2018, after filed to FSC. In addition, the base date of cash subscription was set on March 19, 2018.

(b) According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing FY 2018. This increase does not affect the amounts of the current or deferred income taxes recognized on December 31, 2017. However, it will increase the Group's current tax charge accordingly in the future. On the other hand, if the new tax rate is applied in calculating the taxable temporary differences recognized on December 31, 2017, the deferred tax assets and deferred tax liabilities would increase by $7,120 and $3,808, respectively.

(Continued)

WIWYNN CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(12) Other:

A summary of employee benefits, depreciation and amortization, by function, were as follows:

	2017			2016		
	Cost of sales	**Operating expenses**	**Total**	**Cost of sales**	**Operating expenses**	**Total**
Employee benefits						
Salaries	-	627,012	627,012	-	496,310	496,310
Labor and health insurance	-	41,577	41,577	-	31,138	31,138
Pension	-	20,520	20,520	-	16,455	16,455
Others	37	18,037	18,074	-	19,764	19,764
Depreciation	1,684	30,163	31,847	795	25,116	25,911
Amortization	34	4,579	4,613	173	4,545	4,718

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the year ended December 31, 2017:

(i) Loans to other parties: None.

(ii) Guarantees and endorsements for other parties:

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (Note 2)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date (Note 4)	Actual usage amount during the period (Note 4)	Property pledged for guarantees and endorsements	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 1)	Parent company endorsements/ guarantees to subsidiary	Subsidiary endorsements/ guarantees to parent company	Endorsements/ guarantees to subsidiary in Mainland China
		Name	Relationship with the Company (Note 3)										
0	The Company	WYUDE	2	904,933	78,400	-	-	-	- %	1,508,222	Y	N	N
0	The Company	WYKS	3	904,933	152,180	149,240	149,240	-	4.95 %	1,508,222	Y	N	Y

(Note 1) The total amount for guarantees and endorsements provided by the Company to other entities shall not exceed 50% of the Company's latest net worth, which was audited or reviewed by Certified Public Accountant.

(Note 2) The total amount for guarantees and endorsements provided by the Company to any individual entity shall not exceed 30% of the Company's latest net worth, which was audited or reviewed by Certified Public Accountant.

(Note 3) Relationship with the Company:

1. Ordinary business relationship.
2. Subsidiary which owned more than 50% by the quarantors.
3. An investee owned more than 50% in total by both the guarantor and its subsidiary.
4. An investee owned more than 50% by the guarantor or its subsidiary.
5. Fulfillment of contractual obligations by providing mutual endorsements and guarantees for peer or joint builders in order to undertake a construction project.

(Note 4)The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.

(Continued)

WIWYNN CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Securities held as of December 31, 2017 (excluding investment in subsidiaries, associates and joint ventures): None.

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock:

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance		Note
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gains (losses) on disposal	Shares	Amount	
The Company	CTBC Hua-Win Moeny Market Fund －Fund	Available-for-sale financial assets - current	-	-	33,006	360,274	32,952	360,000	65,958	720,630	720,147	483	-	-	-
The Company	Nomura Taiwan Money Market Fund －Fund	Available-for-sale financial assets - current	-	-	22,273	360,000	35,862	580,000	58,135	940,341	940,000	341	-	-	-
WYUDE	Investments accounted for using equity method	Cash subscription		Subsidiary	10	34,459	9,000	271,955	-	-	-	-	9,010	319,416	(Note)

(Note)The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$300 million or 20% of the capital stock:

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/ Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	WYUDE	The Company's subsidiary	Sales	15,920,425	48.37%	OA120	-	.	4,111,236	43.55%	(Note)
"	WYJP	The Company's subsidiary	Sales	1,039,487	3.16%	OA90	-		195,410	2.07%	(Note)
"	WYKS	The Company's subsidiary	Sales	629,650	1.91%	OA90	-		625,864	6.63%	(Note)
"	WYHK	The Company's subsidiary	Sales	610,152	1.85%	OA90	-		605,721	6.42%	(Note)
"	WYKR	The Company's subsidiary	Sales	515,486	1.57%	OA90	-		413,811	4.38%	(Note)
"	WHQ	The Company's parent company	Purchase	18,136,367	62.90%	OA90	-		(5,330,357)	66.85%	-
"	WCZ	Other related company	Purchase	10,642,392	36.91%	OA60	-		(2,475,236)	31.04%	-

(Continued)

WIWYNN CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/ Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
WYUDE	WBR	WYUDE's other related company	Sales	133,771	0.19%	OA90	-		131,303	3.85%	-
"	The Company	WYUDE's parent company	Purchase	15,920,425	19.35%	OA120	-		(4,111,236)	40.38%	(Note)
"	WHQ	The Company's parent company	Purchase	9,414,097	11.44%	OA90	-		(5,694,507)	44.42%	(Note 1)
"	WCZ	WYUDE's other related company	Purchase	613,086	0.83%	OA90	-		(343,666)	2.68%	-
"	WMX	WYUDE's other related company	Processing fee	439,668	0.60%	OA90	-		(57,850)	0.45%	-
WYJP	The Company	WYJP's parent company	Purchase	1,039,487	100.00%	OA90	-		(195,410)	100.00%	(Note)
WYKS	The Company	WYKS's parent company	Purchase	629,650	100.00%	OA90	-		(625,864)	100.00%	(Note)
WYHK	The Company	WYHK's parent company	Purchase	610,152	100.00%	OA90	-		(605,721)	100.00%	(Note)
WYKR	The Company	WYKR's parent company	Purchase	515,486	100.00%	OA90	-		(413,811)	100.00%	(Note)

(Noe) The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.
(Note 1) The Company purchased from WHQ on the behalf of WYUDE.

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts	Note
					Amount	Action taken			
Accounts Receivable									
The Company	WYUDE	The Company’s subsidiary	4,111,236	459.72%	-	-	-	-	(Note)
"	WYKS	The Company’s subsidiary	625,864	201.22%	515,115	collecting	515,115	-	(Note)
"	WYHK	The Company’s subsidiary	605,721	201.43%	885	collecting	885	-	(Note)
"	WYKR	The Company’s subsidiary	413,811	199.04%	23,760	collecting	23,760	-	(Note)
"	WYJP	The Company’s subsidiary	195,410	1,063.90%	-	-	-	-	(Note)
WYUDE	WBR	WYUDE's other related company	131,303	200.00%	-	-	-	-	
Other Receivables									
The Company	WYUDE	The Company’s subsidiary	6,765,466	-	-	-	-	-	(Note)
The Company	COWIN	Other related company	464,485	-	51,987	collecting	51,987	-	
WYUDE	The Company	WYUDE's parent company	153,289	-	-	-	-	-	(Note)

(Note) The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.

(ix) Trading in derivative instruments: Please refer to note 6(b).

WIWYNN CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(x) Business relationships and significant intercompany transactions between the parent company and its subsidiaries:

No.	Name of company	Name of counter-party	Nature of relationship (Note 1)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	WYUDE	1	sales	15,920,425	OA120	18.58%
0	"	WYJP	1	sales	1,039,487	OA90	1.21%
0	"	WYKS	1	sales	629,650	OA90	0.73%
0	"	WYHK	1	sales	610,152	OA90	0.71%
0	"	WYKR	1	sales	515,486	OA90	0.60%
0	"	WYUDE	1	Accounts Receivable	4,111,236	OA120	15.89%
0	"	WYJP	1	Accounts Receivable	195,410	OA90	0.76%
0	"	WYKS	1	Accounts Receivable	625,864	OA90	2.42%
0	"	WYHK	1	Accounts Receivable	605,721	OA90	2.34%
0	"	WYKR	1	Accounts Receivable	413,811	OA90	1.60%

Note1: relationship:
1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Subsidiary to subsidiary.

Note2: The section only discloses the information of sales and accounts receivable of inter-company transactions, as well as is not disclosed the purchase and accounts payable of counter-party due to duplicate.

Note3: Calculated by using the transaction amount, divided by the consolidated net revenues and total assets.

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2017 (excluding information on investees in mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2017			Highest percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2017	December 31, 2016	Shares	Percentage of ownership	Carrying value				
The Company	WYJP	Japan	Sales of electronic products	6,620	6,620	-	100.00 %	29,793	100.00 %	23,432	23,432	(Note)
"	WYUDE	U.S.A.	Sales of electronic products	272,253	298	9,010	100.00 %	319,416	100.00 %	19,276	19,276	(Note)
"	WYHK	Hong Kong	Investment and holding	12,181	12,181	400	100.00 %	39,318	100.00 %	27,299	27,299	(Note)
"	WYKR	South Korea	Sales of electronic products	2,903	2,903	20	100.00 %	17,067	100.00 %	11,165	11,165	(Note)
"	WYMY	Malaysia	Sales of electronic products	15,109	-	2,050	100.00 %	15,074	100.00 %	(5)	(5)	(Note)

(Note) The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.

(c) Information on investment in mainland China:

(i) The names of investees in mainland China, the main businesses and products, and other information:

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 2)	Accumulated outflow of investment from Taiwan as of January 1, 2017	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2017	Net income (losses) of the investee	Highest percentage of ownership	Percentage of ownership	Investment income (losses) (Note 3,2)	Book value	Accumu ated remittance of earnings in current period	Note
					Outflow	Inflow								
WYKS	Sales of electronic products	10,659	2	- (Note 1)	-	-	-	12,804	- %	100.00 %	12,804	22,621	-	(Note 5)

WIWYNN CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2017 (Note1)	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 4)
-	-	1,809,867

(Note1) Wiwynn Technology Service Hong Kong Limited used its own capital to invest in WYKS.
(Note2) Ways to invest in Mainland China:
1.Direct investment in Mainland China.
2.Reinvestment in Mainland China through third place.
3.Others
(Note3) The three categories of investment income (losses) recognized were as follows:
1. The financial statements of the investee company were audited by the global accounting firm in cooperation with R.O.C. accounting firm.
2. The financial statements of the investee company were audited by the same auditor of the Taiwan parent company.
3. Others
(Note4) Amount of upper limit on investment was the higher between sixty percent of total equity or total consolidated equity.
(Note5) The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in " Information on significant transactions".

(14) Segment information:

(a) General information

The Group has one reportable segment. This segment is mainly involved in manufacturing and sale of servers and storage in cloud infrastructure and hyperscale date center.

(b) Profit or loss data of the reportable segment, assets and liabilities of the segment, the basis of measurement, and the related reconciliations:

The accounting policies of the operating segments are the same as those described in note 4. The Group evaluates the performance of operating segment on the basis of operating income but not including any extraordinary activity and foreign exchange gain or losses. The information relating to profit or loss data of the reportable segment, assets and liabilities of the segment are the same as those described in the consolidated financial statements. Please refer to the consolidated balance sheets and the consolidated statements of comprehensive income.

(c) Products and services information:

The Group is a single operation segment, therefore, the Group's revenue was not disclosed by categories of products or services.

WIWYNN CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Geographical information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets that are based on the geographical location of the assets.

Revenue from external customers:

Geography	2017	2016
Taiwan	$ 11,057	1,651
America	69,331,730	27,187,456
Europe	11,336,603	3,651,396
Asia	3,910,197	590,760
Others	1,084,938	309,277
	$ 85,674,525	**31,740,540**

Non-current assets:

Geography	2017	2016
Taiwan	$ 210,469	61,097
America	12,500	4,567
Asia	97	106
	$ 223,066	**65,770**

Non-current assets include the property, plant and equipment, intangible assets and other non-current assets, aside from deferred tax assets.

(e) Major customers

The amounts of sales to external customers representing greater than 10% of net revenue were as follows:

Customer	2017	2016
Customer A	$ 48,765,338	14,488,283
Customer B	32,391,478	15,683,510
	$ 81,156,816	**30,171,793**