

## **FineTek Co., Ltd. and Subsidiaries**

**Consolidated Financial Statements for the  
Years Ended December 31, 2016 and 2015 and  
Independent Auditors' Report**

## **DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The entities that are required to be included in the consolidated financial statements of FineTek Co., Ltd. and its affiliates as of and for the year ended December 31, 2016, 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 the International Financial Reporting Standard No. 10, “Consolidated Financial Statements.” Information required to be disclosed in the consolidated financial statements of affiliates has all been included in the consolidated financial statements. Thus, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

FINETEK CO., LTD.

By:

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CHING TEH WU  
Chairman

March 13, 2017

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
FineTek Co., Ltd.

### Opinion

We have audited the accompanying consolidated financial statements of FineTek Co., Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Key Audit Matter 1

The Group divided its sales targets by location. In order to meet sales needs and market demand, the Group provided a variety of offerings to different clients. For 2016, the great amount of operating revenue were from mainland China. Because of the different policies across China, there is a risk of differing timing of revenue recognition. Thus, for the financial period, since there is a high possibility for inappropriate presentation of revenue recognition, we have identified revenue recognition as a key audit matter.

For further disclosures related to the accounting policies for revenue recognition, refer to Note 4 of the consolidated financial statements.

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

1. We understood and tested the internal controls for and the validity of the timing of sales revenue recognition.
2. We assessed the timing of revenue recognition around the period end by sampling and checking sales contracts, external shipping vouchers, invoice dates to confirm the reasonableness of the transfer of risk and the revenue recognized.

#### Key Audit Matter 2

In 2016, the Group acquired 100% shareholding of Mutec Instruments GmbH, a German-based producer of measurement systems and signal converters, and recognized \$32,981 thousand of goodwill in the same year. Refer to Notes 14 and 25 to the consolidated financial statements for disclosures of the goodwill from this acquisition.

The Group's management used the independent cash-generating units of Mutec Instruments GmbH to estimate the future cash flows and discount rates to evaluate the impairment of goodwill. Because management's predictions of the future cash flows from Mutec Instruments GmbH in determining goodwill impairment is subject to management's judgment and a high level of accounting uncertainty, this may have a significant impact on the recoverable amount and the estimation of the impairment. Thus, we identified the impairment of goodwill from this investment as a key audit matter.

Refer to Note 4(i) to the consolidated financial statements for the accounting principles of the impairment of goodwill; refer to Note 5 to the consolidated financial statements for relevant, critical accounting estimates and judgments.

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

1. We acquired the valuation reports produced by external valuers from the Group in order to assess the methodology and assumptions used by management for estimating the expected future sales growth rate, gross profit rate and cash flows in order to confirm whether the recent operating results, historical sales trends, and industry overview were used appropriately.
2. We appointed a valuation specialist from within our Deloitte firm to evaluate whether management's use of inputs such as the weighted-average cost of capital, risk-free interest rate, volatility and risk premiums, among others, match those of Mutec Instruments GmbH's industry-specific situation, and reperformed calculation.

#### **Other Matter**

We have also audited the parent company only financial statements of FineTek Co., Ltd. as of and for the years ended December 31, 2016 and 2015 on which we have issued an unmodified opinion.

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

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

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

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the 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 and appropriate audit evidence regarding the financial information of 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 remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chung Chen Chen and Keng Hsi Chang.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 13, 2017

Notice to Readers

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

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail. Also, as stated in Note 4 to the consolidated financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.*

# FINETEK CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016		2015	
ASSETS	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 465,609	32	\$ 564,265	40
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	1,289	-	938	-
Debt investments with no active market - current (Notes 4 and 9)	9,323	-	30,330	2
Notes receivable from non-related parties (Notes 4 and 10)	42,472	3	34,811	2
Trade receivables from non-related parties (Notes 4 and 10)	142,637	10	115,737	8
Other receivables from non-related parties (Notes 4 and 10)	412	-	1,832	-
Current tax assets (Notes 4 and 23)	-	-	678	-
Inventories (Notes 4 and 11)	178,733	12	169,691	12
Other financial assets - current (Notes 4, 17 and 32)	117	-	402	-
Other current assets (Notes 16 and 17)	9,839	1	8,789	1
Total current assets	850,431	58	927,473	65
<b>NON-CURRENT ASSETS</b>				
Held-to-maturity financial assets - non-current (Notes 4 and 8)	12,904	1	13,134	1
Property, plant and equipment (Notes 4, 13 and 32)	495,588	34	423,626	30
Intangible assets (Notes 4 and 15)	53,852	4	27,669	2
Goodwill (Notes 4, 5 and 14)	33,836	2	1,549	-
Deferred tax assets (Notes 4 and 23)	13,920	1	14,915	1
Prepayments for equipment (Note 17)	1,022	-	5,776	-
Refundable deposits (Note 17)	1,577	-	3,336	-
Long-term prepayments for leases (Note 16)	6,465	-	7,214	1
Net defined benefit asset - non-current (Notes 4 and 20)	1,169	-	1,644	-
Total non-current assets	620,333	42	498,863	35
<b>TOTAL</b>	<u>\$ 1,470,764</u>	<u>100</u>	<u>\$ 1,426,336</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 18 and 32)	\$ 23,695	1	\$ 20,000	1
Notes payable to non-related parties	9,091	1	6,933	1
Trade payables to non-related parties	54,196	4	34,240	2
Other payables to non-related parties (Notes 19 and 27)	67,883	4	68,887	5
Current tax liabilities (Notes 4 and 23)	15,193	1	13,199	1
Current portion of long-term borrowing (Notes 18 and 32)	1,871	-	-	-
Other current liabilities (Note 19)	12,567	1	11,980	1
Total current liabilities	184,496	12	155,239	11
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Notes 18 and 32)	2,819	-	-	-
Deferred tax liabilities (Notes 4 and 23)	39,496	3	58,114	4
Guarantee deposits (Note 19)	1,004	-	1,089	-
Total non-current liabilities	43,319	3	59,203	4
Total liabilities	227,815	15	214,442	15
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 21)</b>				
Share capital - ordinary shares	384,659	26	377,117	27
Capital surplus	319,889	22	319,889	22
Retained earnings				
Legal reserve	144,280	10	131,084	9
Special reserve	12,354	1	12,354	1
Unappropriated earnings (Note 23)	401,426	27	360,733	25
Other equity				
Exchange differences on translating foreign operations	(19,659)	(1)	10,717	1
Total equity attributable to owners of the Company	1,242,949	85	1,211,894	85
<b>TOTAL</b>	<u>\$ 1,470,764</u>	<u>100</u>	<u>\$ 1,426,336</u>	<u>100</u>

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

# FINETEK CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUE (Note 4)	\$ 865,748	100	\$ 829,080	100
OPERATING COSTS (Notes 11 and 22)	<u>370,669</u>	<u>43</u>	<u>352,915</u>	<u>43</u>
GROSS PROFIT	<u>495,079</u>	<u>57</u>	<u>476,165</u>	<u>57</u>
OPERATING EXPENSES (Notes 22 and 31)				
Selling and marketing expenses	160,627	18	175,937	21
General and administrative expenses	70,312	8	79,060	9
Research and development expenses	<u>75,992</u>	<u>9</u>	<u>81,326</u>	<u>10</u>
Total operating expenses	<u>306,931</u>	<u>35</u>	<u>336,323</u>	<u>40</u>
PROFIT FROM OPERATIONS	<u>188,148</u>	<u>22</u>	<u>139,842</u>	<u>17</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 22)				
Other income	26,196	3	20,940	3
Other gains and losses	(29,374)	(4)	2,713	-
Finance costs	<u>(387)</u>	<u>-</u>	<u>(207)</u>	<u>-</u>
Total non-operating income and expenses	<u>(3,565)</u>	<u>(1)</u>	<u>23,446</u>	<u>3</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	184,583	21	163,288	20
INCOME TAX EXPENSE (Notes 4 and 23)	<u>(17,146)</u>	<u>(2)</u>	<u>(31,328)</u>	<u>(4)</u>
NET PROFIT FOR THE YEAR	<u>167,437</u>	<u>19</u>	<u>131,960</u>	<u>16</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plan (Note 20)	(497)	-	(252)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 23)	<u>84</u>	<u>-</u>	<u>43</u>	<u>-</u>
	<u>(413)</u>	<u>-</u>	<u>(209)</u>	<u>-</u>

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# FINETEK CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<u>2016</u>		<u>2015</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Note 21)	\$ (36,598)	(4)	\$ (8,778)	(1)
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 21 and 23)	<u>6,222</u> <u>(30,376)</u>	<u>1</u> <u>(3)</u>	<u>1,492</u> <u>(7,286)</u>	<u>-</u> <u>(1)</u>
Other comprehensive loss for the year, net of income tax	<u>(30,789)</u>	<u>(3)</u>	<u>(7,495)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 136,648</u>	<u>16</u>	<u>\$ 124,465</u>	<u>15</u>
EARNINGS PER SHARE (IN NEW TAIWAN DOLLARS; Note 24)				
From continuing operations				
Basic	<u>\$ 4.35</u>		<u>\$ 3.43</u>	
Diluted	<u>\$ 4.34</u>		<u>\$ 3.42</u>	

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

(Concluded)

# FINETEK CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	Share Capital	Capital Surplus	Retained Earnings			Other Equity Exchange Differences on Translating Foreign Operations	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		
BALANCE AT JANUARY 1, 2015	\$ 369,723	\$ 319,889	\$ 111,803	\$ 12,354	\$ 396,152	\$ 18,003	\$ 1,227,924
Appropriation of 2014 earnings (Note 21)							
Legal reserve	-	-	19,281	-	(19,281)	-	-
Cash dividends distributed by the Company	-	-	-	-	(140,495)	-	(140,495)
Share dividends distributed by the Company	7,394	-	-	-	(7,394)	-	-
Net profit for the year ended December 31, 2015	-	-	-	-	131,960	-	131,960
Other comprehensive loss for the year ended December 31, 2015, net of income tax	-	-	-	-	(209)	(7,286)	(7,495)
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	131,751	(7,286)	124,465
BALANCE AT DECEMBER 31, 2015	377,117	319,889	131,084	12,354	360,733	10,717	1,211,894
Appropriation of 2015 earnings (Note 21)							
Legal reserve	-	-	13,196	-	(13,196)	-	-
Cash dividends distributed by the Company	-	-	-	-	(105,593)	-	(105,593)
Share dividends distributed by the Company	7,542	-	-	-	(7,542)	-	-
Net profit for the year ended December 31, 2016	-	-	-	-	167,437	-	167,437
Other comprehensive loss for the year ended December 31, 2016, net of income tax	-	-	-	-	(413)	(30,376)	(30,789)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	167,024	(30,376)	136,648
BALANCE AT DECEMBER 31, 2016	<u>\$ 384,659</u>	<u>\$ 319,889</u>	<u>\$ 144,280</u>	<u>\$ 12,354</u>	<u>\$ 401,426</u>	<u>\$ (19,659)</u>	<u>\$ 1,242,949</u>

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

# FINETEK CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 184,583	\$ 163,288
Adjustments for:		
Bad debt expenses	3,367	1,541
Depreciation expenses	31,010	23,455
Amortization expenses	6,270	6,753
Amortization of prepayments for leases	194	202
Prepayments for equipment transferred to expenses	250	-
Finance costs	387	207
Interest income	(18,214)	(10,652)
Divided income	(26)	(52)
Inventory write-downs	1,827	26,585
Loss on disposal of property, plant and equipment	134	147
Loss on disposal of intangible assets	824	-
Net (gain) loss on fair value change of financial assets designated as at fair value through profit or loss	(351)	437
Unrealized loss on foreign currency exchange	13,015	11,295
Changes in operating assets and liabilities		
Notes receivable	(7,661)	11,423
Trade receivables	(24,157)	26,724
Other receivables	482	3,130
Inventories	(4,507)	(8,559)
Other current assets	(839)	(2,714)
Net defined benefit asset	(22)	(127)
Notes payable	2,158	(379)
Trade payables	18,124	(2,591)
Other payables	(9,302)	(6,717)
Other current liabilities	587	1,663
Cash generated from operations	198,133	245,059
Interest received	19,162	9,452
Interest paid	(387)	(207)
Dividends received	26	52
Income tax paid	(28,679)	(42,980)
Net cash generated from operating activities	<u>188,255</u>	<u>211,376</u>

## CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of debt investments with no active market	21,007	93,360
Purchase of held-to-maturity financial assets	-	(12,928)
Acquisition of subsidiaries	(86,512)	-
Decrease in other financial assets	285	50
Payments for property, plant and equipment	(75,518)	(55,665)
Payments for intangible assets	(3,409)	(23,251)
Proceeds from disposal of property, plant and equipment	83	480

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# FINETEK CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
Decrease in refundable deposits	\$ 1,759	\$ 697
Increase in prepayments for equipment	<u>-</u>	<u>(17,819)</u>
Net cash used in investing activities	<u>(142,305)</u>	<u>(15,076)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	-	20,000
Repayments of short-term borrowings	(76)	-
Repayments of long-term borrowings	(372)	(14,070)
Dividends paid to owners of the Company	(105,593)	(140,495)
Refund of guarantee deposits received	<u>(85)</u>	<u>(459)</u>
Net cash used in financing activities	<u>(106,126)</u>	<u>(135,024)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>(38,480)</u>	<u>(17,719)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(98,656)	43,557
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>564,265</u>	<u>520,708</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 465,609</u>	<u>\$ 564,265</u>

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

(Concluded)

# FINETEK CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

FineTek Co., Ltd. (the “Company”) was incorporated in the Republic of China (“ROC”) on January 30, 2003. The Company mainly designs, manufactures and sells transmitters, point switches and electronic terminals.

The Company’s shares have been listed on the Taipei Exchange (“TPEX”) Mainboard since November 2014.

The consolidated financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on March 13, 2017.

### 3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS

- a. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (“IFRS”), International Accounting Standards (“IAS”), Interpretations of IFRS (“IFRIC”), and Interpretations of IAS (“SIC”) endorsed by the Financial Supervisory Commission (“FSC”) for application starting from 2017.

Rule No. 1050050021 and Rule No. 1050026834 issued by the FSC stipulated that, starting January 1, 2017, the Group should apply the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) issued by the IASB and endorsed by the FSC for application starting from 2017.

<b>New, Amended or Revised Standards and Interpretations (the “New IFRSs”)</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment 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 “Disclosure Initiative”	January 1, 2016
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

(Continued)

<b>New, Amended or Revised Standards and Interpretations (the “New IFRSs”)</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014
	(Concluded)

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

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant dates on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition dates on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendment to IFRS 5 is applied prospectively to changes in methods of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application in 2017 of the above IFRSs and related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers would not have any material impact on the Group’s accounting policies, except for the following:

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

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed by the FSC for application starting from 2017. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include an emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

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

The amendments also require additional disclosure if there is a significant difference between the actual operations after a business combination and the expected benefits on the acquisition date.

The disclosures of related-party transactions and impairment of goodwill will be enhanced when the above amendments are retrospectively applied in 2017.

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Group continues assessing other possible impacts that application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Group's financial position and financial performance, and will disclose these other impacts when the assessment is completed.

b. New IFRSs in issue but not yet endorsed by the FSC

The Group has not applied the following IFRSs issued by the IASB but not yet endorsed by the FSC.

The FSC announced that IFRS 9 and IFRS 15 will take effect starting from January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new IFRSs.

<b>New, Amended or Revised Standards and Interpretations (the "New IFRSs")</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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

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

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

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

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

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

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gains or losses previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

#### Impairment of financial assets

IFRS 9 requires impairment loss on financial assets to be recognized by using the expected credit loss model. A credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 "Revenue from Contracts with Customers", certain written loan commitments and financial guarantee contracts. A loss allowance for 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since its initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since its initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

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

#### Transition

Financial instruments that have been derecognized prior to the effective date of IFRS 9 cannot be reversed to apply IFRS 9 when it becomes effective. Under IFRS 9, the requirements for classification, measurement and impairment of financial assets are applied retrospectively with the difference between the previous carrying amount and the carrying amount at the date of initial application recognized in the current period, and the restatement of prior periods is not required. The requirements for general hedge accounting shall be applied prospectively and the accounting for hedging options shall be applied retrospectively.

## 2) IFRS 15 “Revenue from Contracts with Customers” and related amendment

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations starting from January 1, 2018.

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

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

When IFRS 15 and the related amendment are effective, an entity may elect to apply this standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this standard recognized at the date of initial application.

## 3) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present depreciation expenses charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed by using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of a lease liability are classified within financing activities; cash payments for the interest portion are classified within operating activities.

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

## 4) Amendment to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”

The amendment clarifies that the difference between the carrying amount of the debt instrument measured at fair value and its tax base gives rise to a temporary difference, even though there are unrealized losses on that asset, irrespective of whether the Group expects to recover the carrying amount of the debt instrument by sale or by holding it and collecting contractual cash flows.

In addition, in determining whether to recognize a deferred tax asset, the Group should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses as deduction against income of a specific type, in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendment also stipulates that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Group’s assets for more than their carrying amount if there is sufficient evidence that it is probable that the Group will achieve the higher amount, and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

5) IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

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

The Group shall apply IFRIC 22 either retrospectively or prospectively to all assets, expenses and income in the scope of the Interpretation initially recognized on or after (a) the beginning of the reporting period in which the entity first applies IFRIC 22 or (b) the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies IFRIC 22.

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language consolidated financial statements shall prevail. However, the consolidated financial statements do not include the English translation of the additional footnote disclosures that are not required under IFRSs but are required by the Financial Supervisory Commission (FSC) for oversight purposes.

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that are measured at fair value.

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents, unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

All other assets and liabilities are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

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

e. Business combinations

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

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

f. Foreign currencies

In preparing the financial statements of each group entity, transactions in currencies other than the entity's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences arising from the settlement or translation of monetary items are recognized in profit or loss in the period.

For the purpose of presenting consolidated financial statements, the functional currency of the Company and the Group entities (including subsidiaries, associates, joint ventures and branches in other countries that use currency different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

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

g. Inventories

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

h. Property, plant and equipment

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

Property, plant and equipment under construction are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. These assets are depreciated and placed in the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Depreciation is recognized using the straight-line method. Each property, plant and equipment component with a cost that is significant in relation to the total cost of the item must be depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for prospectively.

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

i. Goodwill

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

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

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a CGU was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying

amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

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

j. Intangible assets

1) Intangible assets acquired separately

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

2) Intangible assets acquired in a business combination

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

3) Derecognition of intangible assets

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

k. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. Corporate assets are allocated to the individual CGUs on a reasonable and consistent basis of allocation.

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

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

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

l. Financial instruments

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

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

#### 1) Financial assets

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

##### a) Measurement category

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, held-to-maturity investments and loans and receivables.

##### i. Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 30.

##### ii. Held-to-maturity investments

Foreign corporate bonds, which the Group has positive intent and ability to hold to maturity, are classified as held-to-maturity investments.

Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

##### iii. Loans and receivables

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

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

##### b) Impairment of financial assets

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

Financial assets carried at amortized cost, such as cash and cash equivalents, notes receivable, trade receivables from related and unrelated parties, and other receivables, are assessed for impairment collectively even if they had been assessed as not impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

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

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

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

The carrying amount of a financial asset is reduced by its impairment loss directly for all financial assets, except trade receivables, for which the carrying amount is reduced through the use of an allowance account. When trade receivables and other receivables are considered uncollectable, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss, except for uncollectable trade receivables, which are written off against the allowance account.

c) Derecognition of financial assets

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

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

2) Financial liabilities

a) Subsequent measurement

All the financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

m. Revenue recognition

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

1) Sale of goods

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

- a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;
- d) It is probable that the economic benefits associated with the transaction will flow to the Group; and
- e) The transaction costs incurred or to be incurred can be measured reliably.

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

2) Rendering of services

Service income is recognized when services are provided.

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- a) Installation fees are recognized by reference to the stage of completion of the installation, determined as the proportion of the actual elapsed to the total expected installation time at the end of the reporting period;
- b) Service fees included in the price of products sold are recognized by reference to the proportion of the total cost of the services provided for the product sold; and
- c) Revenue from time and material contracts is recognized at the contractual rates as labor hours and direct expenses are incurred.

3) Dividend and interest income

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

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

n. Leasing

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

The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rent is recognized as an expense in the period in which it is incurred.

o. Government grants

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

Government grants are recognized in profit or loss on a systematic basis over the period in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

p. Employee benefits

1) Short-term employee benefits

Liabilities recognized on short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

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

Defined benefit costs (including service costs, net interest and remeasurement) under the defined contribution retirement benefit plan are determined using the projected unit credit method. Service costs, including current service costs, and net interest on the net defined benefit liability (asset) are recognized as employee benefits expenses in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

The net defined benefit liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plan or reductions in future contributions to the plan.

q. Taxation

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

1) Current tax

Based on the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve the retention of earnings.

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

## 2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be used.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to use the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Any previously unrecognized deferred tax assets are also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

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

## 3) Current and deferred tax for the year

Current and deferred taxes are recognized in profit or loss, but when these taxes pertain to items that are recognized in other comprehensive income or directly in equity, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

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

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

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

## Impairment of Goodwill

Determining whether goodwill is impaired, the Group's management requires an estimation of the value in use of the CGU which goodwill has been allocated. The calculation of the value in use requires management to estimate the future cash flows expected to arise from the CGU and a suitable discount rate, including the estimated sales growth rate and profitability rate; the weighted average cost of capital used, including the risk-free rate, volatility and risk. To determine the appropriate discount rate use to calculate the present value and assess the impairment. If the actual future cash flows are less than expected, a material impairment loss may arise.

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Cash on hand	\$ 1,007	\$ 755
Checking accounts	2,402	1,105
Demand deposits	228,083	136,695
Cash equivalents		
Time deposits with original maturities of less than three months	<u>234,117</u>	<u>425,710</u>
	<u>\$ 465,609</u>	<u>\$ 564,265</u>

The market rates for cash in the bank at the end of the reporting period were as follows:

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Bank balance	0.01%-6.15%	0.01%-4.30%

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
<u>Financial assets at FVTPL - current</u>		
Financial assets held for trading		
Non-derivative financial assets		
Domestic quoted shares	<u>\$ 1,289</u>	<u>\$ 938</u>

## 8. HELD-TO-MATURITY FINANCIAL ASSETS

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
<u>Non-current</u>		
Foreign investments		
Deutsche Bank	\$ 6,463	\$ 6,580
Societe Generale	<u>6,441</u>	<u>6,554</u>
	<u>\$ 12,904</u>	<u>\$ 13,134</u>

- a. The Group's investments in bonds issued by Deutsche Bank were as follows:

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Total book value	\$ 6,463	\$ 6,580
Total par value (in thousand U.S. dollars)	\$ 200	\$ 200
Coupon rates	4.50%	4.50%
Effective interest rates	4.47%	4.47%
Holding period	2015.10.21- 2025.04.01	2015.10.21- 2025.04.01

- b. The Group's investments in bonds issued by Societe Generale were as follows:

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Total book value	\$ 6,441	\$ 6,554
Total par value (in thousand U.S. dollars)	\$ 200	\$ 200
Coupon rates	4.25%	4.25%
Effective interest rates	4.27%	4.27%
Holding period	2015.10.21- 2025.04.14	2015.10.21- 2025.04.14

## 9. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
<u>Current</u>		
Time deposits with original maturities of more than 3 months	\$ 9,323	\$ 30,330

As of December 31, 2016 and 2015, the market interest rates of the time deposits with original maturities of more than 3 months were 1.55%-1.65% and 1.80%-2.00% per annum, respectively.

## 10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
<u>Notes receivable</u>		
Notes receivable - operating	\$ 42,472	\$ 34,811

(Continued)

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
<u>Trade receivables</u>		
Trade receivables	\$ 155,478	\$ 128,280
Less: Allowance for impairment loss	<u>(12,841)</u>	<u>(12,543)</u>
	<u>\$ 142,637</u>	<u>\$ 115,737</u>
<u>Other receivables</u>		
Tax refund receivables	\$ -	\$ 435
Interest receivables	252	1,200
Others	<u>160</u>	<u>197</u>
	<u>\$ 412</u>	<u>\$ 1,832</u>
<u>Overdue receivables</u>		
Overdue receivables	\$ 4,176	\$ 1,729
Less: Allowance for impairment loss	<u>(4,176)</u>	<u>(1,729)</u>
	<u>\$ -</u>	<u>\$ -</u>
		(Concluded)

a. Notes receivable

The Group's client base was vast and unrelated to one another, so the concentration of credit risk was limited. As of December 31, 2016 and 2015, the Group did not hold any collateral for the balance of its notes receivable.

b. Trade receivables

The average credit period of sales of goods was 0 to 90 days. In determining the collectability of a trade receivable, the Group considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. The Group recognized an allowance for impairment loss of 100% against all trade receivables over 360 days because historical experience shows that receivables outstanding beyond 360 days are not recoverable. For receivables outstanding between 1 to 360 days, the Group estimated the irrecoverable amount based on the past defaults of a counterparty and an analysis of the current financial position of the counterparty. As of December 31, 2016 and 2015, the aging of receivables that were past due but not impaired were both \$0.

The aging of receivables was as follows:

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Not overdue	\$ 108,698	\$ 92,207
Overdue 1-30 days	23,340	15,809
Overdue 31-60 days	5,825	4,155
Overdue beyond 60 days	<u>17,615</u>	<u>16,109</u>
	<u>\$ 155,478</u>	<u>\$ 128,280</u>

The above aging schedule was based on the number of days past due from the invoice date.

The movements of the allowance for doubtful trade receivables were as follows:

	<b>Individually Assessed for Impairment</b>	<b>Collectively Assessed for Impairment</b>	<b>Total</b>
Balance at January 1, 2015	\$ 558	\$ 12,484	\$ 13,042
Add: Impairment losses recognized on receivables	1,181	360	1,541
Less: Amounts written off during the year as uncollectable	-	(66)	(66)
Foreign exchange translation gains and losses	<u>(10)</u>	<u>(235)</u>	<u>(245)</u>
Balance at December 31, 2015	1,729	12,543	14,272
Add: Impairment losses recognized on receivables	2,620	747	3,367
Add: Acquisitions through business combinations	-	97	97
Less: Amounts written off during the year as uncollectable	-	(30)	(30)
Foreign exchange translation gains and losses	<u>(173)</u>	<u>(516)</u>	<u>(689)</u>
Balance at December 31, 2016	<u>\$ 4,176</u>	<u>\$ 12,841</u>	<u>\$ 17,017</u>

The Group recognized an impairment loss on trade receivables amounting to \$4,176 thousand and \$1,729 thousand as of December 31, 2016 and 2015, respectively. These amounts mainly related to customers that were in the process of liquidation (or having severe financial difficulties). The Group did not hold any collateral over these balances.

c. Other receivables

Other receivables consists of tax refunds and interest receivables and so on. Based on historical experience, past transactions with counterparties, and reviews of the financial situations of counterparties, the Group determined that there would be no overdue payments. Thus, there is no bad debt existing.

## 11. INVENTORIES

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Merchandise inventory	\$ 2,463	\$ 2,443
Finished goods	82,062	72,193
Work-in-progress	18,090	20,775
Raw materials	60,426	60,380
Inventory in transit	<u>15,692</u>	<u>13,900</u>
	<u>\$ 178,733</u>	<u>\$ 169,691</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2016 and 2015 was \$370,669 thousand and \$352,915 thousand, respectively. The cost of goods sold included inventory write-downs of \$1,827 thousand and \$26,585 thousand, respectively.

## 12. SUBSIDIARIES

Entities included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership		Remark
			2016	2015	
FineTek Co., Ltd.	Powerline Corp. (Samoa)	Investment	100%	100%	Note 3
	Golden Land International Corp. (Samoa)	Investment	100%	100%	Note 3
	Gain Access Investment Ltd.	Investment	100%	-	Notes 1 and 3
Golden Land International Corp. (Samoa)	Aplus Finetek Sensor Inc.	Manufactures and sells transmitters, point switches and electronic terminals	100%	100%	Note 3
Gain Access Investments Ltd.	Faco International Co., Ltd.	Investment	67%	-	Notes 1, 2 and 3
Powerline Corp. (Samoa)	Faco International Co., Ltd.	Investment	33%	100%	Notes 1, 2 and 3
Faco International Co., Ltd.	Fine Automation Co., Ltd.	Designs, manufactures and sells transmitters, point switches and electronic terminals	100%	100%	Note 4
	Finetek Pte., Ltd.	Sells operating transmitters, point switches and electronic terminals	100%	100%	Note 3
	Finetek GmbH	Sells operating transmitters, point switches and electronic terminals	100%	100%	Note 3
Finetek GmbH	Mutec Instruments GmbH	Sells operating transmitters, point switches and electronic terminals	100%	-	Notes 1 and 3

Note 1: The Company's board of directors decided to invest in and acquire Gain Access Investments Ltd. for US\$3,750 thousand (NT\$125,000 thousand) and a shareholding percentage of 100%. Through Gain Access Investment Ltd., the Company invested an amount of US\$3,750 thousand (NT\$125,000 thousand) in Faco International Co., Ltd. From the funding provided to Faco International Co., Ltd., the Company invested in Finetek GmbH in the amount of US\$3,443 thousand (NT\$108,990 thousand). By way of its investment in Finetek GmbH, the Company acquired 100% shareholding of Mutec Instruments GmbH worth EUR3,150 thousand (NT\$108,990 thousand).

Note 2: Gain Access Investments Ltd. acquired 67% equity interest in Faco International Co., Ltd. at \$125,000 thousand as of October 31, 2016. As a result, the shareholding of Powerline Corp. (Samoa) in Faco International Co., Ltd. decreased to 33%.

Note 3: The main operating risk is currency risk.

Note 4: The main operating risks are government policies, political issues between China and Taiwan, and currency risk.

### 13. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Transportation	Office Equipment	Molding Equipment	Leasehold Improvements	Other Equipment	Construction in Progress	Total
<u>Cost</u>										
Balance at January 1, 2015	\$ 79,181	\$ 336,817	\$ 28,190	\$ 18,494	\$ 17,687	\$ 9,644	\$ 205	\$ 33,847	\$ 442	\$ 524,507
Additions	-	1,455	6,955	-	2,920	2,411	-	3,444	38,638	55,823
Disposals	-	-	(703)	-	(1,235)	-	(205)	(232)	-	(2,375)
Reclassified (Note 1)	-	-	12,043	-	-	-	-	-	-	12,043
Effects of foreign currency exchange differences	-	(4,017)	(218)	(137)	(218)	-	-	(95)	-	(4,685)
Balance at December 31, 2015	<u>\$ 79,181</u>	<u>\$ 334,255</u>	<u>\$ 46,267</u>	<u>\$ 18,357</u>	<u>\$ 19,154</u>	<u>\$ 12,055</u>	<u>\$ -</u>	<u>\$ 36,964</u>	<u>\$ 39,080</u>	<u>\$ 585,313</u>
<u>Accumulated depreciation</u>										
Balance at January 1, 2015	\$ -	\$ 69,743	\$ 15,702	\$ 10,844	\$ 14,977	\$ 7,216	\$ 38	\$ 23,090	\$ -	\$ 141,610
Disposals	-	-	(289)	-	(1,163)	-	(64)	(232)	-	(1,748)
Depreciation expenses	-	12,790	3,666	2,136	1,058	1,332	26	2,447	-	23,455
Effects of foreign currency exchange differences	-	(1,082)	(164)	(104)	(192)	-	-	(88)	-	(1,630)
Balance at December 31, 2015	<u>\$ -</u>	<u>\$ 81,451</u>	<u>\$ 18,915</u>	<u>\$ 12,876</u>	<u>\$ 14,680</u>	<u>\$ 8,548</u>	<u>\$ -</u>	<u>\$ 25,217</u>	<u>\$ -</u>	<u>\$ 161,687</u>
Carrying amounts at December 31, 2015	<u>\$ 79,181</u>	<u>\$ 252,804</u>	<u>\$ 27,352</u>	<u>\$ 5,481</u>	<u>\$ 4,474</u>	<u>\$ 3,507</u>	<u>\$ -</u>	<u>\$ 11,747</u>	<u>\$ 39,080</u>	<u>\$ 423,626</u>
<u>Cost</u>										
Balance at January 1, 2016	\$ 79,181	\$ 334,255	\$ 46,267	\$ 18,357	\$ 19,154	\$ 12,055	\$ -	\$ 36,964	\$ 39,080	\$ 585,313
Additions	62,858	1,343	3,000	-	2,475	3,400	-	1,276	1,325	75,677
Acquisitions through business combinations (Note 2)	9,668	30,518	-	3,250	978	-	-	-	-	44,414
Disposals	-	-	(14)	(596)	(392)	-	-	(1,762)	-	(2,764)
Reclassified (Note 1)	-	38,825	3,645	-	-	906	-	839	(39,665)	4,550
Effects of foreign currency exchange differences	(195)	(14,075)	(763)	(533)	(756)	-	-	(391)	(19)	(16,732)
Balance at December 31, 2016	<u>\$ 151,512</u>	<u>\$ 390,866</u>	<u>\$ 52,135</u>	<u>\$ 20,478</u>	<u>\$ 21,459</u>	<u>\$ 16,361</u>	<u>\$ -</u>	<u>\$ 36,926</u>	<u>\$ 721</u>	<u>\$ 690,458</u>
<u>Accumulated depreciation</u>										
Balance at January 1, 2016	\$ -	\$ 81,451	\$ 18,915	\$ 12,876	\$ 14,680	\$ 8,548	\$ -	\$ 25,217	\$ -	\$ 161,687
Disposals	-	-	(14)	(583)	(392)	-	-	(1,558)	-	(2,547)
Depreciation expenses	-	14,305	6,121	1,921	2,341	2,570	-	3,752	-	31,010
Acquisitions through business combinations (Note 2)	-	10,084	-	361	800	-	-	-	-	11,245
Effects of foreign currency exchange differences	-	(4,565)	(601)	(410)	(642)	-	-	(307)	-	(6,525)
Balance at December 31, 2016	<u>\$ -</u>	<u>\$ 101,275</u>	<u>\$ 24,421</u>	<u>\$ 14,165</u>	<u>\$ 16,787</u>	<u>\$ 11,118</u>	<u>\$ -</u>	<u>\$ 27,104</u>	<u>\$ -</u>	<u>\$ 194,870</u>
Carrying amounts at December 31, 2016	<u>\$ 151,512</u>	<u>\$ 289,591</u>	<u>\$ 27,714</u>	<u>\$ 6,313</u>	<u>\$ 4,672</u>	<u>\$ 5,243</u>	<u>\$ -</u>	<u>\$ 9,822</u>	<u>\$ 721</u>	<u>\$ 495,588</u>

Note 1: Transferred from prepayments.

Note 2: The Group acquired Mutec Instruments GmbH and held 100% controlling interest as of October 31, 2016, and resulted in effect of new consolidated entities.

For the years ended December 31, 2016 and 2015, no impairment assessment was performed as there was no indication of impairment.

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

Buildings	
Main buildings	33-35 years
Accessory equipment	5-20 years
Machinery and equipment	2-10 years
Transportation	3-6 years
Office equipment	2-5 years
Molding equipment	2-4 years
Leasehold improvements	3 years
Other equipment	2-10 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 32.

#### 14. GOODWILL

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
<u>Cost</u>		
Balance at January 1	\$ 1,549	\$ 1,493
Additional amounts recognized from business combinations occurring during the year	32,981	-
Effect of foreign currency exchange differences	<u>(694)</u>	<u>56</u>
Balance at December 31	<u>\$ 33,836</u>	<u>\$ 1,549</u>

The Group's board of directors had meeting on October 31, 2016, they decided that Finetek GmbH would take over Mutec Instruments GmbH and recognized goodwill in the amount of EUR953 thousand (NT\$32,981 thousand).

#### 15. OTHER INTANGIBLE ASSETS

	<b>Computer Software</b>	<b>Patents</b>	<b>Licenses and Franchises</b>	<b>Specialized Technology</b>	<b>Total</b>
<u>Cost</u>					
Balance at January 1, 2015	\$ 20,442	\$ 5,705	\$ 750	\$ -	\$ 26,897
Additions	23,251	-	-	-	23,251
Disposals	<u>-</u>	<u>(5,705)</u>	<u>-</u>	<u>-</u>	<u>(5,705)</u>
Balance at December 31, 2015	<u>\$ 43,693</u>	<u>\$ -</u>	<u>\$ 750</u>	<u>\$ -</u>	<u>\$ 44,443</u>
<u>Accumulated amortization and impairment</u>					
Balance at January 1, 2015	\$ 10,012	\$ 5,705	\$ 9	\$ -	\$ 15,726
Amortization expenses	6,728	-	25	-	6,753
Disposals	<u>-</u>	<u>(5,705)</u>	<u>-</u>	<u>-</u>	<u>(5,705)</u>
Balance at December 31, 2015	<u>\$ 16,740</u>	<u>\$ -</u>	<u>\$ 34</u>	<u>\$ -</u>	<u>\$ 16,774</u>
Carrying amounts at December 31, 2015	<u>\$ 26,953</u>	<u>\$ -</u>	<u>\$ 716</u>	<u>\$ -</u>	<u>\$ 27,669</u>
<u>Cost</u>					
Balance at January 1, 2016	\$ 43,693	\$ -	\$ 750	\$ -	\$ 44,443
Additions	3,409	-	-	-	3,409
Acquisitions through business combinations	1,127	-	-	30,310	31,437
Disposals	(4,155)	-	-	-	(4,155)
Effects of foreign currency exchange differences	<u>(22)</u>	<u>-</u>	<u>-</u>	<u>(614)</u>	<u>(636)</u>
Balance at December 31, 2016	<u>\$ 44,052</u>	<u>\$ -</u>	<u>\$ 750</u>	<u>\$ 29,696</u>	<u>\$ 74,498</u>
<u>Accumulated amortization and impairment</u>					
Balance at January 1, 2016	\$ 16,740	\$ -	\$ 34	\$ -	\$ 16,774
Amortization expenses	5,749	-	26	495	6,270
Acquisitions through business combinations	953	-	-	-	953

(Continued)

	Computer Software	Patents	Licenses and Franchises	Specialized Technology	Total
Disposals	\$ (3,331)	\$ -	\$ -	\$ -	\$ (3,331)
Effects of foreign currency exchange differences	<u>(20)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20)</u>
Balance at December 31, 2016	<u>\$ 20,091</u>	<u>\$ -</u>	<u>\$ 60</u>	<u>\$ 495</u>	<u>\$ 20,646</u>
Carrying amounts at December 31, 2016	<u>\$ 23,961</u>	<u>\$ -</u>	<u>\$ 690</u>	<u>\$ 29,201</u>	<u>\$ 53,852</u> (Concluded)

### Specialized Technology

The Group acquired industrial measurement process technology from Mutec Instruments GmbH at fair value, and the settlement date was October 31, 2016.

Intangible assets were depreciated on a straight-line basis over their estimated useful lives as follows:

Computer software	1-5 years
Patents	6-10 years
Licenses and franchises	29 years
Specialized Technology	10 years

## 16. PREPAYMENTS FOR LEASES

	December 31	
	2016	2015
Current assets (included in other current assets)	\$ 186	\$ 202
Non-current assets	<u>6,465</u>	<u>7,214</u>
	<u>\$ 6,651</u>	<u>\$ 7,416</u>

Prepayments for leases comprises land use rights in mainland China.

## 17. OTHER ASSETS

	December 31	
	2016	2015
<u>Current</u>		
Prepayments	\$ 8,354	\$ 8,145
Prepayments for leases	186	202
Others	<u>1,299</u>	<u>442</u>
	<u>\$ 9,839</u>	<u>\$ 8,789</u>
Other financial assets - current	<u>\$ 117</u>	<u>\$ 402</u>
<u>Non-current</u>		
Prepayments for equipment	<u>\$ 1,022</u>	<u>\$ 5,776</u>
Refundable deposits	<u>\$ 1,577</u>	<u>\$ 3,336</u>

## 18. BORROWINGS

### a. Short-term borrowings

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
<u>Secured borrowings</u> (Note 32)		
Bank loans (1)	\$ -	\$ 10,000
<u>Unsecured borrowings</u>		
Line of credit borrowings (2)	<u>23,695</u>	<u>10,000</u>
	<u>\$ 23,695</u>	<u>\$ 20,000</u>

1) The interest rate on secured borrowings was 1.415% as of December 31, 2015.

2) The interest rate on line of credit borrowings was 1.278%-1.32% and 1.43% per annum as of December 31, 2016 and 2015, respectively.

### b. Long-term borrowings

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
<u>Secured borrowings</u> (Note 32)		
Bank loans	\$ 4,690	\$ -
Less: Current portions	<u>(1,871)</u>	<u>-</u>
Long-term borrowings	<u>\$ 2,819</u>	<u>\$ -</u>

The Group used land and buildings as collateral to acquire a loan from the bank. The loan will mature on September 30, 2019 and the interest rate is 5.21% over a 17-year period of time.

## 19. OTHER LIABILITIES

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
<u>Current</u>		
Other payables		
Payable for salaries and bonuses	\$ 30,162	\$ 31,479
Payable for employee compensation	8,097	7,994
Payable for remuneration of directors and supervisors	4,240	4,000
Payable for sales tax	4,033	4,963
Payable for purchase of equipment	317	158
		(Continued)

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Payable for vacation	\$ 115	\$ 170
Others	<u>20,919</u>	<u>20,123</u>
	<u>\$ 67,883</u>	<u>\$ 68,887</u>
Other liabilities		
Advance sales receipts	\$ 12,247	\$ 11,585
Others	<u>320</u>	<u>395</u>
	<u>\$ 12,567</u>	<u>\$ 11,980</u>
<u>Non-current</u>		
Refundable deposits	<u>\$ 1,004</u>	<u>\$ 1,089</u>

## 20. RETIREMENT BENEFIT PLANS

### a. Defined contribution plan

The Group adopted a pension plan under the Labor Pension Act (the “LPA”), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group in China are members of a state-managed retirement benefit plan operated by the government of China. The subsidiaries in China are required to contribute amounts calculated at a certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

### b. Defined benefit plan

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

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Present value of defined benefit obligation	\$ 4,271	\$ 3,757
Fair value of plan assets	<u>(5,440)</u>	<u>(5,401)</u>
Net defined benefit asset	<u>\$ (1,169)</u>	<u>\$ (1,644)</u>

Movements in net defined benefit liability (asset) were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability (Asset)</b>
Balance at January 1, 2015	\$ 3,481	\$ (5,250)	\$ (1,769)
Service costs			
Current service costs	11	-	11
Net interest expense (income)	<u>63</u>	<u>(99)</u>	<u>(36)</u>
Recognized in profit or loss	<u>74</u>	<u>(99)</u>	<u>(25)</u>
Remeasurement			
Return on plan assets	-	(39)	(39)
Actuarial loss - changes in demographic assumptions	163	-	163
Actuarial loss - experience adjustments	<u>128</u>	<u>-</u>	<u>128</u>
Recognized in other comprehensive income	<u>291</u>	<u>(39)</u>	<u>252</u>
Contributions from the employer	-	(102)	(102)
Benefits paid	<u>(89)</u>	<u>89</u>	<u>-</u>
Balance at December 31, 2015	3,757	(5,401)	(1,644)
Service costs			
Current service costs	5	-	5
Net interest expense (income)	<u>60</u>	<u>(87)</u>	<u>(27)</u>
Recognized in profit or loss	<u>65</u>	<u>(87)</u>	<u>(22)</u>
Remeasurement			
Return on plan assets	-	48	48
Actuarial loss - changes in demographic assumptions	59	-	59
Actuarial loss - experience adjustments	<u>390</u>	<u>-</u>	<u>390</u>
Recognized in other comprehensive income	<u>449</u>	<u>48</u>	<u>497</u>
Balance at December 31, 2016	\$ 4,271	\$ (5,440)	\$ (1,169)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plan is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Operating costs	\$ -	\$ (16)
General and administrative expenses	<u>(22)</u>	<u>(9)</u>
	<u>\$ (22)</u>	<u>\$ (25)</u>

Through the defined benefit plan under the Labor Standards Law, the Group is exposed to the following risks:

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

- 2) Interest risk: A decrease in the government and corporate bond interest rates will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Discount rates	1.50%	1.60%
Expected rates of salary increase	2.75%	2.75%

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

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Discount rate(s)		
0.25% increase	\$ (144)	\$ (132)
0.25% decrease	\$ 150	\$ 139
Expected rate(s) of salary increase		
1% increase	\$ 628	\$ 582
1% decrease	\$ (541)	\$ (497)

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

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
The expected contributions to the plan for the next year	\$ -	\$ -
The average duration of the defined benefit obligation	14 years	15 years

## 21. EQUITY

### a. Share capital

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Number of shares authorized (in thousands)	42,000	42,000
Shares authorized	\$ 420,000	\$ 420,000
Number of shares issued and fully paid (in thousands)	38,466	37,712
Shares issued	\$ 384,659	\$ 377,117

In the shareholders' meeting on June 22, 2015, the Company's shareholders approved the transfer of retained earnings of \$7,394 thousand to issue new shares with a par value of NT\$10. The above transaction was approved by the FSC on July 23, 2015, and the subscription base date was determined on September 4, 2015 by the Company's board of directors.

In the shareholders' meeting on June 20, 2016, the Company's shareholders approved the transfer of retained earnings of \$7,542 thousand to issue new shares with a par value of NT\$10. The above transaction was approved by the FSC on July 21, 2016, and the subscription base date was determined on August 30, 2016 by the Company's board of directors.

b. Capital surplus

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)</u>		
Premium from issuance of ordinary shares	\$ 316,818	\$ 316,818
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	34	34
<u>May be used to offset a deficit only</u>		
Arising from invalid employee shares options	<u>3,037</u>	<u>3,037</u>
	<u>\$ 319,889</u>	<u>\$ 319,889</u>

Note: Capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, capital surplus may be distributed as cash dividends or may be transferred to share capital within a certain percentage of the Company's paid-in capital once a year.

c. Retained earnings and dividend policy

- 1) In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on June 20, 2016 and, in that meeting, resolved amendments to the Company's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation.

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors before and after amendment, refer to Note 22.e. on employee benefits expense.

In accordance with the amendments to the Company Act, the distribution of dividends may be made by way of cash dividends or share dividends, where the ratio of the cash dividends shall not be less than 10% of the total shareholders' dividends.

- 2) Items referred to under Rule No. 1010012865 issued by the FSC and the directive titled “Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs” shall be appropriated to or reversed from a special reserve by the Company.
- 3) A legal reserve should be appropriated from earnings until the legal reserve equals the Company’s paid-in capital. The legal reserve may be used to offset any deficits. If the Company has no deficit and the legal reserve exceeds 25% of the Company’s paid-in capital, the excess may be transferred to capital or distributed in cash.
- 4) Except for non-ROC resident shareholders, all shareholders are allowed tax credits equal to their proportionate share of the income tax paid by the Company.
- 5) The appropriations from the 2015 and 2014 earnings, which was approved in the annual shareholders’ meetings on June 20, 2016 and June 22, 2015, respectively, were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Legal reserve	\$ 13,196	\$ 19,281	\$ -	\$ -
Cash dividends	105,593	140,495	2.8	3.8
Share dividends	7,542	7,394	0.2	0.2

The appropriation of the 2016 earnings, which included dividends per share, were proposed by the Company’s board of directors on March 13, 2017 as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 16,744	\$ -
Special reserve	7,305	-
Cash dividends	115,398	3.0
Share dividends	19,233	0.5

The appropriation of the 2016 earnings is subject to approval in the shareholders’ meeting to be held in June 2017.

d. Special reserves

Under the directive titled “Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs”, the Company should make appropriations to or reversals from a special reserve.

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Optional exemptions on first-time adoption of IFRSs, adjusted in retained earning	<u>\$ 12,354</u>	<u>\$ 12,354</u>

e. Other equity items

Exchange differences on translating foreign operations

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Balance at January 1	\$ 10,717	\$ 18,003
Exchange differences on translating foreign operations	(36,598)	(8,778)
Income tax related to exchange differences arising on translating to the presentation currency	<u>6,222</u>	<u>1,492</u>
Balance at December 31	<u>\$ (19,659)</u>	<u>\$ 10,717</u>

- f. Fine Automation Co., Ltd. which is subsidiary of Faco International Co., Ltd., retained earnings after paying tax. Fine Automation Co., Ltd. should make up for its loss from the previous year and extract 10% of the reserve fund from tax net of profit. The reserve fund's accumulated amount should amount to 50% of its registered capital. The share distribution issued would be decided by board of directors' members.

## 22. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

a. Other income

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Interest income	\$ 18,214	\$ 10,652
Dividends	26	52
Government grants income	4,172	8,162
Others	<u>3,784</u>	<u>2,074</u>
	<u>\$ 26,196</u>	<u>\$ 20,940</u>

b. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Loss on disposal of property, plant and equipment	\$ (134)	\$ (147)
Loss on disposal of intangible assets	(824)	-
Net foreign exchange losses	(31,188)	(87)
Net gain (loss) arising on financial assets designated as at FVTPL	351	(437)
Receipts of payments under custody	2,804	4,173
Others	<u>(383)</u>	<u>(789)</u>
	<u>\$ (29,374)</u>	<u>\$ 2,713</u>

c. Finance costs

**For the Year Ended December 31**  
**2016**                      **2015**

Interest on loans	\$ <u>(387)</u>	\$ <u>(207)</u>
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d. Depreciation and amortization

**For the Year Ended December 31**  
**2016**                      **2015**

Property, plant and equipment	\$ 31,010	\$ 23,455
Intangible assets	<u>6,270</u>	<u>6,753</u>
	<u>\$ 37,280</u>	<u>\$ 30,208</u>

An analysis of depreciation by function

Operating costs	\$ 18,881	\$ 12,772
Operating expenses	<u>12,129</u>	<u>10,683</u>
	<u>\$ 31,010</u>	<u>\$ 23,455</u>

An analysis of amortization by function

Operating costs	\$ 667	\$ 41
Selling and marketing expenses	1,777	-
General and administrative expenses	2,196	5,728
Research and development expenses	<u>1,630</u>	<u>984</u>
	<u>\$ 6,270</u>	<u>\$ 6,753</u>

e. Employee benefits expense

**For the Year Ended December 31**  
**2016**                      **2015**

Short-term benefits	\$ 201,903	\$ 225,921
Post-employment benefits		
Defined contribution plan	14,843	15,643
Defined benefit plan	(22)	(25)
Other employee benefits	<u>34,993</u>	<u>37,326</u>

Total employee benefits expense	<u>\$ 251,717</u>	<u>\$ 278,865</u>
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An analysis of employee benefits expense by function

Operating costs	\$ 88,473	\$ 92,569
Operating expenses	<u>163,244</u>	<u>186,296</u>
	<u>\$ 251,717</u>	<u>\$ 278,865</u>

1) Employees' compensation and remuneration of directors and supervisors for 2016 and 2015

In compliance with the Company Act as amended in May 2015 and the amended Articles of Incorporation of the Company approved by the shareholders in their meeting in June 2016, the Company accrued employees' compensation and remuneration of directors and supervisors at rates of no less than 3% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2016 and 2015, which have been approved by the Company's board of directors on March 13, 2017 and March 21, 2016, respectively, were as follows:

Accrual rate

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Employees' compensation	4.13%	4.59%
Remuneration of directors and supervisors	2.16%	2.30%

Amount

	<b>For the Year Ended December 31</b>			
	<b>2015</b>		<b>2014</b>	
	<b>Cash Dividends</b>	<b>Share Dividends</b>	<b>Cash Dividends</b>	<b>Share Dividends</b>
Bonus of employees	\$ 8,097	\$ -	\$ 7,994	\$ -
Remuneration of directors and supervisors	4,240	-	4,000	-

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

There was no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2015.

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

2) Bonus of employees and remuneration of directors and supervisors for 2014

	<b>For the Year Ended December 31, 2014</b>	
	<b>Cash Dividends</b>	<b>Share Dividends</b>
Bonus of employees	\$ 9,108	\$ -
Remuneration of directors and supervisors	3,843	-

There was no difference between the amounts of the bonus of employees and the remuneration of directors and supervisors approved in the shareholders' meeting on June 22, 2015 and the amounts recognized in the consolidated financial statements for the year ended December 31, 2014.

Information on the bonus of employees and remuneration of directors and supervisors resolved by the shareholders in their meeting in 2015 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

f. Gains or losses on foreign currency exchange

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Foreign exchange gains	\$ 12,636	\$ 27,312
Foreign exchange losses	<u>(43,824)</u>	<u>(27,399)</u>
Net foreign exchange losses	<u>\$ (31,188)</u>	<u>\$ (87)</u>

## 23. INCOME TAXES RELATING TO OPERATIONS

a. Major components of tax expense recognized in profit:

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Current tax		
Current year	\$ 29,251	\$ 30,377
Income tax on unappropriated earnings	542	2,558
Adjustments for prior years	<u>(1,150)</u>	<u>159</u>
	<u>28,643</u>	<u>33,094</u>
Deferred tax		
Current year	<u>(11,497)</u>	<u>(1,766)</u>
Income tax expense recognized in profit or loss	<u>\$ 17,146</u>	<u>\$ 31,328</u>

A reconciliation of the accounting profit and income tax expenses is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Profit before tax from continuing operations	<u>\$ 184,583</u>	<u>\$ 163,288</u>
Income tax expense calculated at the statutory rate	\$ 31,379	\$ 27,759
Nondeductible expenses or losses	2,099	163
Income tax on unappropriated earnings	542	2,558
Unrecognized deductible temporary differences	(17,305)	(48)
Effect of different tax rate of group entities operating in other jurisdictions	1,581	737
Adjustments for prior years' tax	<u>(1,150)</u>	<u>159</u>
Income tax expense recognized in profit or loss	<u>\$ 17,146</u>	<u>\$ 31,328</u>

The applicable tax rate used above is the corporate tax rate of 17%, which is payable by the Group in the ROC, while the applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

Fine Automation Co., Ltd. used a tax rate of 15% due to its high-tech enterprise certificate which is valid from 2014 to 2016.

As the status of the 2017 appropriation of earnings is uncertain, the potential income tax consequences of the 2016 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
<u>Deferred tax</u>		
In respect of the current year:		
Translation of foreign operations	\$ (6,222)	\$ (1,492)
Remeasurement on defined benefit plan	<u>(84)</u>	<u>(43)</u>
Total income tax recognized in other comprehensive income	<u>\$ (6,306)</u>	<u>\$ (1,535)</u>

c. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Current tax assets		
Tax refund receivable	<u>\$ -</u>	<u>\$ 678</u>
Current tax liabilities		
Income tax payable	<u>\$ 15,193</u>	<u>\$ 13,199</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2016

<b>Deferred Tax Assets</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Exchange Differences</b>	<b>Closing Balance</b>
Temporary differences					
Exchange difference on foreign operation	\$ -	\$ -	\$ 1,496	\$ -	\$ 1,496
Defined benefit plan	296	-	84	-	380
Unrealized gains on transactions with associates	3,468	(960)	-	-	2,508
Payable for annual leave	29	(9)	-	-	20
Allowance for impaired receivables	2,056	405	-	(99)	2,362
Unrealized losses on write-down of inventories	7,055	150	-	(81)	7,124
Foreign exchange losses	1,921	(1,921)	-	-	-
Others	<u>90</u>	<u>(60)</u>	<u>-</u>	<u>-</u>	<u>30</u>
	<u>\$ 14,915</u>	<u>\$ (2,395)</u>	<u>\$ 1,580</u>	<u>\$ (180)</u>	<u>\$ 13,920</u>

<b>Deferred Tax Liabilities</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Exchange Differences</b>	<b>Closing Balance</b>
Temporary differences					
Exchange differences on foreign operations	\$ 4,726	\$ -	\$ (4,726)	\$ -	\$ -
Share of profit of subsidiaries, associate and joint ventures accounted for using equity method	52,889	(13,709)	-	-	39,180
Foreign exchange gains	-	316	-	-	316
Others	<u>499</u>	<u>(499)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 58,114</u>	<u>\$ (13,892)</u>	<u>\$ (4,726)</u>	<u>\$ -</u>	<u>\$ 39,496</u>

For the year ended December 31, 2015

<b>Deferred Tax Assets</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Exchange Differences</b>	<b>Closing Balance</b>
Temporary differences					
Defined benefit plan	\$ 253	\$ -	\$ 43	\$ -	\$ 296
Unrealized gains on transaction with associates	5,478	(2,010)	-	-	3,468
Payable for annual leave	18	11	-	-	29
Allowance for impaired receivables	1,680	344	-	32	2,056
Unrealized losses on write-down of inventories	7,130	(91)	-	16	7,055
Foreign exchange losses	-	1,921	-	-	1,921
Others	<u>16</u>	<u>74</u>	<u>-</u>	<u>-</u>	<u>90</u>
	<u>\$ 14,575</u>	<u>\$ 249</u>	<u>\$ 43</u>	<u>\$ 48</u>	<u>\$ 14,915</u>

<b>Deferred Tax Liabilities</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Exchange Differences</b>	<b>Closing Balance</b>
Temporary differences					
Exchange differences on foreign operations	\$ 6,218	\$ -	\$ (1,492)	\$ -	\$ 4,726
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	52,785	104	-	-	52,889
Foreign exchange gains	1,642	(1,642)	-	-	-
Others	<u>478</u>	<u>21</u>	<u>-</u>	<u>-</u>	<u>499</u>
	<u>\$ 61,123</u>	<u>\$ (1,517)</u>	<u>\$ (1,492)</u>	<u>\$ -</u>	<u>\$ 58,114</u>

- e. Aggregate temporary differences associated with investments with unrecognized deferred tax liabilities

As of December 31, 2016 and 2015, the taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities were recognized amounted to \$98,772 thousand and \$0 thousand, respectively.

f. Integrated income tax

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Unappropriated earnings Generated on and after January 1, 1998	<u>\$ 401,426</u>	<u>\$ 360,733</u>
Shareholder-imputed credit accounts	<u>\$ 67,810</u>	<u>\$ 67,191</u>
	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
	<b>(Expected)</b>	
Creditable ratio for distribution of earnings	19.91%	22.29%

Since January 1, 2015, the individual ROC-resident shareholders can deduct half of the amount of tax from dividends and retain earnings.

g. Income tax assessments

The tax returns through 2014 have been assessed by the tax authorities. As of December 31, 2016 the Group has no unsettled lawsuits in relation to tax.

## 24. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Basic earnings per share		
Total basic earnings per share	<u>\$ 4.35</u>	<u>\$ 3.43</u>
Diluted earnings per share		
Total diluted earnings per share	<u>\$ 4.34</u>	<u>\$ 3.42</u>

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on August 30, 2016. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2015 were as follows:

Unit: NT\$ Per Share

	<b>Before Retrospective Adjustment</b>	<b>After Retrospective Adjustment</b>
Basic earnings per share	<u>\$ 3.50</u>	<u>\$ 3.43</u>
Diluted earnings per share	<u>\$ 3.49</u>	<u>\$ 3.42</u>

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

Net profit for the year

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Profit for the year attributable to owners of the Company	<u>\$ 167,437</u>	<u>\$ 131,960</u>

Weighted average number of ordinary shares outstanding (in thousand shares):

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Weighted average number of ordinary shares in computation of basic earnings per share	38,466	38,466
Effect of potentially dilutive ordinary shares:		
Employees' compensation or bonuses issued to employees	<u>114</u>	<u>144</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>38,580</u>	<u>38,610</u>

If the Group offered to settle compensation or bonuses paid to employees in cash or shares, the Group assumed the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 25. BUSINESS COMBINATIONS

### a. Subsidiaries acquired

	<b>Principal Activity</b>	<b>Date of Acquisition</b>	<b>Proportion of Voting Equity Interests Acquired (%)</b>	<b>Consideration Transferred</b>
Mutec Instruments GmbH	Sells transmitters, point switches and electronic terminals	October 31, 2016	100	<u>\$ 108,990</u>

Mutec Instruments GmbH was acquired on October 31, 2016 in order to continue the expansion of the Group's activities in the European market.

### b. Considerations transferred

	<b>Mutec Instruments GmbH</b>
Cash	<u>\$ 108,990</u>

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

	<b>Mutec Instruments GmbH</b>
Current assets	
Cash and cash equivalents	\$ 22,478
Trade and other receivables	5,431
Inventories	5,865
Others	130
Non-current assets	
Property, plant and equipment	33,169
Intangible assets	30,484
Other	144
Current liabilities	
Short-term borrowings	(3,771)
Trade and other payables	(9,971)
Current portion of long-term loans payable	(1,910)
Other payables	(2,888)
Non-current liabilities	
Long-term liabilities	<u>(3,152)</u>
	<u>\$ 76,009</u>

d. Goodwill recognized on acquisition

	<b>Mutec Instruments GmbH</b>
Consideration transferred	\$ 108,990
Less: Fair value of identifiable net assets acquired	<u>(76,009)</u>
Goodwill recognized on acquisition	<u>\$ 32,981</u>

The goodwill recognized in the acquisition of Mutec Instruments GmbH mainly represents the control premiums included in the cost of the combination. In addition, the consideration paid for the combination effectively included amounts attributed to the benefits of expected synergies, revenue growth, future market development and the assembled workforce of Mutec Instruments GmbH.

The total amount of goodwill from the acquisition was not deductible for tax purposes.

e. Net cash outflow on acquisition of subsidiaries

	<b>Mutec Instruments GmbH</b>
Consideration paid in cash	\$ 108,990
Less: Cash and cash equivalent balances acquired	<u>(22,478)</u>
	<u>\$ 86,512</u>

f. Impact of acquisitions on the results of the Group

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

	<b>Mutec Instruments GmbH</b>
Revenue	<u>\$ 6,867</u>
Profit	<u>\$ (2,320)</u>

Had this business combination been in effect at the beginning of the annual reporting period, both the Group's pro-forma revenue from continuing operations would have been \$922,905 thousand and the pro-forma profit from continuing operations would have been \$177,718 thousand for the year ended December 31, 2016. This pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2016, nor is it intended to be a projection of future results.

## 27. NON-CASH TRANSACTIONS

For the years ended December 31, 2016 and 2015, the Group entered into the following non-cash investing and financing activities which were not reflected in the consolidated statement of cash flows:

As of December 31, 2016 and 2015, the unsettled payments for the acquisition of property, plant and equipment were \$317 thousand and \$158 thousand, respectively, which were recorded as other payables in the consolidated financial statements.

## 28. OPERATING LEASE ARRANGEMENTS

### The Group as Lessee

Operating leases where the Group is the lessee relate to leases of buildings with lease terms between 1 and 40 years. The Group does not have a bargain purchase option to acquire the leased buildings at the expiration of the lease periods.

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

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Up to 1 year	\$ 1,134	\$ 4,362
Later than 1 year and not later than 5 years	678	13,580
Later than 5 years	<u>389</u>	<u>23,862</u>
	<u>\$ 2,201</u>	<u>\$ 41,804</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Minimum lease payments	<u>\$ 2,897</u>	<u>\$ 4,994</u>

## 29. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

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

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

Key management personnel of the Group review the capital structure on a quarterly basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of new debt issued and existing debt redeemed.

## 30. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments not measured at fair value

#### 1) Differences between carrying amounts and fair values

The significant differences between the carrying amounts and fair values of financial assets and financial liabilities were as follows:

	December 31			
	2016		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial assets</u>				
Held-to-maturity financial assets	\$ 12,904	\$ 12,248	\$ 13,134	\$ 12,170

#### 2) Fair value measured hierarchy

##### December 31, 2016

	Fair Value			
	Level 1	Level 2	Level 3	Total
Held-to-maturity financial assets	\$ -	\$ 12,248	\$ -	\$ 12,248

##### December 31, 2015

	Fair Value			
	Level 1	Level 2	Level 3	Total
Held-to-maturity financial assets	\$ -	\$ 12,170	\$ -	\$ 12,170

The fair values of the financial assets and financial liabilities included in the Level 2 category above have been determined in accordance with income approaches based on a discounted cash flow analysis, with the most significant unobservable inputs being the discount rate that reflects the credit risk of counterparties.

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

Fair value hierarchy

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Shares listed in ROC	\$ 1,289	\$ -	\$ -	\$ 1,289

December 31, 2015

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Shares listed in ROC	\$ 938	\$ -	\$ -	\$ 938

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

- c. Categories of financial instruments

	<u>December 31</u>	
	2016	2015
<u>Financial assets</u>		
Fair value through profit or loss (FVTPL)		
Held for trading	\$ 1,289	\$ 938
Held-to-maturity investments	12,904	13,134
Loans and receivables (1)	662,147	750,278
<u>Financial liabilities</u>		
Amortized cost (2)	113,912	82,543

- 1) The balances include loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, notes receivable, trade and other receivables (except for tax refunds), other financial assets and refundable deposits.
- 2) The balances include financial liabilities measured at amortized cost, which comprise short-term loans, notes payable, trade and other payables (except for salaries and bonuses payable, employee compensation payable, remuneration of directors and supervisors), taxes payable and payable for vacation, long-term loans (including those due in one year) and refundable deposits.

- d. Financial risk management objectives and policies

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

The Company's financial department reports quarterly to the board of directors, an independent body that monitors risks and policies implemented to mitigate risk exposures.

## 1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below), interest rates (see (b) below), and other prices (see (c) below).

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

### a) Foreign currency risk

Several subsidiaries of the Company had foreign currency sales and purchases, which exposed the Group to foreign currency risk. Approximately 20% and 23% of the Group's sales were denominated in currencies other than the functional currency of the group entity making the sale for the years ended December 31, 2016 and 2015, respectively, whilst almost 3% and 5% of the costs were denominated in the group entity's functional currency.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) exposing the Group to foreign currency risk at the end of the reporting period are set out in Note 34.

#### Sensitivity analysis

The Group was mainly exposed to the movement of foreign exchange rates in USD and RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 5%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated when the New Taiwan dollar weakens 5% against the relevant currency. For a 5% strengthening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity, and the balances below would be negative.

	<b>USD Impact</b>		<b>RMB Impact</b>	
	<b>For the Year Ended December 31</b>	<b>For the Year Ended December 31</b>	<b>For the Year Ended December 31</b>	<b>For the Year Ended December 31</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Profit or loss	\$ 7,016	\$ 3,567	\$ 6,063	\$ 2,660

The profit (loss) above was mainly attributable to the exposure outstanding on USD and RMB bank deposits, receivables and payables, which were not hedged at the end of the reporting period.

The Group's sensitivity to the USD increased during the current period mainly because of an increase in USD receivables. The Group's sensitivity to RMB increased during the current period mainly because of an increase in RMB receivables.

b) Interest rate risk

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

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Fair value interest rate risk		
Financial assets	\$ 256,461	\$ 469,576
Cash flow interest rate risk		
Financial assets	228,083	136,695
Financial liabilities	28,385	20,000

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming that the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 1% basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been a 1% basis point higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2016 and 2015 would increase/decrease by \$1,997 thousand and \$1,167 thousand, respectively, which would have been mainly attributable to the Group's exposure to interest rates on its variable-rate bank deposits.

The Group's sensitivity to interest rates increased during the current year mainly due to the increase in variable-rate bank deposits.

c) Other price risk

The reasons which would cause equity price exposure for the Company would be its listed security investments. If equity prices rise/fall 1% and all other variables were held constant, then the Company's net profit before tax would increase/decrease by \$13 thousand and \$9 thousand for the years ended December 31, 2016 and 2015, respectively.

The Group's sensitivity to FVTPL has been no significant change to the prior year.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at the end of the reporting period, in order to mitigate the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to failure of counterparties to discharge an obligation pertain to financial assets recognized in the consolidated balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst

approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

Ongoing credit evaluation is performed on the financial condition of trade receivables and in order to minimize credit risk, the Group has set payment terms for receipts in advance when necessary.

The Group had transactions with a large number of unrelated customers and, thus, no concentration of credit risk was observed.

### 3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2016 and 2015, the Group had available unutilized short-term bank loan facilities set out in (b) below.

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed upon repayment periods. The tables were drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

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

December 31, 2016

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
Non-derivative financial liabilities					
Floating rate instruments	\$ 23,897	\$ 353	\$ 1,586	\$ 3,430	\$ -
Non-interested bearing liabilities	<u>54,196</u>	<u>9,091</u>	<u>21,236</u>	<u>1,004</u>	<u>-</u>
	<u>\$ 78,093</u>	<u>\$ 9,444</u>	<u>\$ 22,822</u>	<u>\$ 4,434</u>	<u>\$ -</u>

December 31, 2015

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>					
Floating rate instruments	\$ 20,024	\$ -	\$ -	\$ -	\$ -
Non-interest bearing liabilities	<u>34,240</u>	<u>6,933</u>	<u>20,281</u>	<u>1,089</u>	<u>-</u>
	<u>\$ 54,264</u>	<u>\$ 6,933</u>	<u>\$ 20,281</u>	<u>\$ 1,089</u>	<u>\$ -</u>

b) Financing facilities

	<u>December 31</u>	
	<b>2016</b>	<b>2015</b>
Unsecured bank overdraft facilities		
Amount used	\$ 23,695	\$ 10,000
Amount unused	<u>130,000</u>	<u>90,000</u>
	<u>\$ 153,695</u>	<u>\$ 100,000</u>
Secured bank loan facilities which may be extended by mutual agreement:		
Amount used	\$ 4,690	\$ 10,000
Amount unused	<u>3,412</u>	<u>90,000</u>
	<u>\$ 8,102</u>	<u>\$ 100,000</u>

### 31. TRANSACTIONS WITH RELATED PARTIES

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

#### Compensation of Key Management Personnel

In 2016 and 2015, the types and amounts of the remuneration of directors and other members of key management personnel were as follows:

	<u>For the Year Ended December 31</u>	
	<b>2016</b>	<b>2015</b>
Salaries and bonus	\$ 16,720	\$ 18,579
Post-employee benefits	<u>405</u>	<u>490</u>
	<u>\$ 17,125</u>	<u>\$ 19,069</u>

The remunerations of directors and key executives were determined by the remuneration committee based on the basis of individual performance and market trends.

### 32. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Freehold land and buildings (classified as property, plant and equipment)	\$ 21,628	\$ 143,659
Pledged bank deposits (classified as other financial assets - current)	<u>117</u>	<u>402</u>
	<u>\$ 21,745</u>	<u>\$ 144,061</u>

### 33. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

The Group decided to simplify its investment structure by passing a resolution on February 28, 2017 regarding its subsidiary, Powerline Corp. (Samoa) ("Powerline"). In the resolution, Faco International Co., Ltd. ("Faco") would reduce its capital and return all shares which were held by Gain Access Investments Ltd. ("Gain"). This transaction included Faco's 90% equity investment in Finetek GmbH. After this capital reduction, the holdings of Gain and Powerline in Faco changed to 0% and 100%, respectively, and the shareholdings of Gain and Faco in Finetek GmbH changed to 90% and 10%, respectively. The registration procedures and structural simplification are still in process.

### 34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2016

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 4,244	32.25 (USD:NTD)	\$ 136,856
USD	114	0.691 (USD:SGD)	3,691
RMB	26,465	4.617 (RMB:NTD)	122,188
EUR	407	33.9 (EUR:NTD)	13,813
SGD	320	22.29 (SGD:NTD)	7,127
JPY	653	0.276 (JPY:NTD)	<u>180</u>
			<u>\$ 283,855</u>
			(Continued)

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 7	32.25 (USD:NTD)	\$ 234
RMB	200	4.617 (RMB:NTD)	921
EUR	1	33.9 (EUR:NTD)	18
JPY	127	0.276 (JPY:NTD)	<u>35</u>
			<u>\$ 1,208</u>
			(Concluded)

December 31, 2015

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 2,054	32.825 (USD:NTD)	\$ 67,425
USD	162	1.412 (USD:SGD)	5,315
RMB	10,873	4.995 (RMB:NTD)	54,311
EUR	375	35.880 (EUR:NTD)	13,466
SGD	85	23.250 (SGD:NTD)	1,976
JPY	6,785	0.273 (JPY:NTD)	<u>1,850</u>
			<u>\$ 144,343</u>

Financial liabilities

Monetary items			
USD	43	32.825 (USD:NTD)	\$ 1,405
RMB	224	4.995 (RMB:NTD)	1,118
JPY	127	0.273 (JPY:NTD)	<u>34</u>
			<u>\$ 2,557</u>

For the years ended December 31, 2016 and 2015, realized and unrealized net foreign exchange gains (losses) were \$(31,188) thousand and \$(87) thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

### 35. SEGMENT INFORMATION

The Company mainly designs, manufactures and sells transmitters, point switches and electronic terminals. Information reported to the chief operating decision maker for the purpose of resource allocation and the assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segment is the single segment for process automated sensor development.

a. Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services.

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Process automated sensor development	\$ 784,599	\$ 734,612
Others	<u>81,149</u>	<u>94,468</u>
	<u><u>\$ 865,748</u></u>	<u><u>\$ 829,080</u></u>

b. Geographical information

The Group operates in two principal geographical areas, China and Taiwan.

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

	<b>Revenue from External Customers</b>		<b>Non-current Assets</b>	
	<b>For the Year Ended December 31</b>		<b>December 31</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
China	\$ 399,028	\$ 401,129	\$ 116,847	\$ 132,924
Taiwan	370,394	367,470	380,028	334,475
Others	<u>96,326</u>	<u>60,481</u>	<u>95,465</u>	<u>1,771</u>
	<u><u>\$ 865,748</u></u>	<u><u>\$ 829,080</u></u>	<u><u>\$ 592,340</u></u>	<u><u>\$ 469,170</u></u>

Non-current assets exclude non-current assets classified as held to maturity, deferred tax assets, and defined benefit assets.

c. Information about major customers

No single customer contributed 10% or more to the Group's revenue for both years ended December 31, 2016 and 2015.