FineTek Co., Ltd.

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

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INDEPENDENT AUDITORS' REPORT

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

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the 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 subsidiary of the Company, Fine Automation Co., Ltd., divided its sales targets by location. In order to meet sales needs and market demand, Fine Automation Co., Ltd. provided a variety of offerings to different clients. For 2016, a great amount of operating revenue was from the mainland China market. 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 the revenue recognized from the equity-method investment in Fine Automation Co., Ltd. as key audit matter. Refer to Note 4(k) to the accompanying financial statements for the accounting policies related to investments in subsidiaries and revenue recognition.

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.

<u>Key Audit Matter 2</u>

In 2016, the subsidiary of the Company, Finetek GmbH, acquired a 100% shareholding of Mutec Instrument GmbH with $108,990 thousand.

The Company'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 the investment. Because management's predictions of the future cash flows from Mutec Instruments GmbH in determining the impairment of this investment are subject to a high level of accounting uncertainty, this may have a significant impact on the recoverable amount and the estimation of the investment impairment. Thus, we identified the impairment of this investment as a key audit matter.

Refer to Note 4(f) to the accompanying financial statements for the accounting principles of the impairment of investments.

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

1. We acquired the valuation reports produced by external valuators from the Company 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 then we performed our own calculation.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

We communicate with those charged with governance 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 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 Jung Cheng Chen and Keng Hsi Chang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 13, 2017

Notice to Readers

The accompanying financial statements are intended only to present the 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 financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. 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 financial statements shall prevail. Also, as stated in Note 4 to the financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

FINETEK CO., LTD.

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

	2016		2015	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 231,431	16	$ 426,796	31
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	1,289	-	938	-
Notes receivable from unrelated parties (Notes 4 and 9)	26,388	2	16,984	1
Trade receivables from unrelated parties (Notes 4 and 9)	54,666	4	48,290	4
Trade receivables from related parties (Notes 4, 9 and 26)	78,347	6	27,732	2
Other receivables (Notes 4 and 9)	246	-	1,639	-
Inventories (Notes 4 and 10)	113,622	8	111,442	8
Other current assets (Note 14)	2,503	-	1,720	-
Total current assets	508,492	36	635,541	46
NON-CURRENT ASSETS				
Held-to-maturity financial assets - non-current (Notes 4 and 8)	12,904	1	13,134	1
Investments account for using equity method (Notes 4, 5 and 11)	503,533	35	391,353	28
Property, plant and equipment (Notes 4, 12 and 27)	352,982	25	297,694	22
Intangible assets (Notes 4 and 13)	24,494	2	27,669	2
Deferred tax assets (Notes 4 and 20)	11,703	1	12,662	1
Prepayments for equipment (Note 14)	975	-	5,776	-
Refundable deposit (Note 14)	1,577	-	3,336	-
Net defined benefit asset - non-current (Notes 4 and 17)	1,169	-	1,644	-
Total non-current assets	909,337	64	753,268	54
TOTAL	$ 1,417,829	100	$ 1,388,809	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 15 and 27)	$ 20,000	1	$ 20,000	1
Notes payable to unrelated parties	9,091	1	6,933	1
Trade payables to unrelated parties	40,087	3	23,651	2
Trade payables to related parties (Note 26)	945	-	1,146	-
Other payables to unrelated parties (Notes 16 and 22)	49,009	3	51,048	4
Current tax liabilities (Notes 4 and 20)	12,116	1	13,199	1
Other current liabilities (Note 16)	4,136	-	2,824	-
Total current liabilities	135,384	9	118,801	9
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 20)	39,496	3	58,114	4
Total liabilities	174,880	12	176,915	13
EQUITY (Notes 4 and 18)				
Share capital - ordinary shares	384,659	27	377,117	27
Capital surplus	319,889	23	319,889	23
Retained earnings				
Legal reserve	144,280	10	131,084	9
Special reserve	12,354	1	12,354	1
Unappropriated earnings (Note 20)	401,426	28	360,733	26
Other equity				
Exchange differences on translating foreign operations	(19,659)	(1)	10,717	1
Total equity	1,242,949	88	1,211,894	87
TOTAL	$ 1,417,829	100	$ 1,388,809	100

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

FINETEK CO., LTD.

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 (Notes 4 and 26)	$ 631,755	100	$ 582,555	100
OPERATING COSTS (Notes 10, 19 and 26)	292,338	46	257,879	44
GROSS PROFIT	339,417	54	324,676	56
UNREALIZED LOSS ON TRANSACTIONS WITH SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (Note 4)	(14,752)	(2)	(20,400)	(4)
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (Note 4)	20,400	3	32,221	6
REALIZED GROSS PROFIT	345,065	55	336,497	58
OPERATING EXPENSES (Notes 4, 19 and 26)				
Selling and marketing expenses	69,581	11	76,102	13
General and administrative expenses	50,238	8	55,748	10
Research and development expenses	53,441	9	59,687	10
Total operating expenses	173,260	28	191,537	33
PROFIT FROM OPERATIONS	171,805	27	144,960	25
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 19)				
Other income	19,473	3	14,161	2
Other gains and losses	(25,304)	(4)	2,771	1
Finance costs	(327)	-	(207)	-
Share of profit or loss of subsidiaries accounted for using the equity method	18,130	3	611	-
Total non-operating income and expenses	11,972	2	17,336	3
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	183,777	29	162,296	28
INCOME TAX EXPENSE (Notes 4 and 20)	(16,340)	(2)	(30,336)	(6)
NET PROFIT FOR THE YEAR	167,437	27	131,960	22

(Continued)

FINETEK CO., LTD.

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**	**%**
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR,NET OF INCOME TAX				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plan (Note 17)	$ (497)	-	$ (252)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 20)	84	-	43	-
	(413)	-	(209)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Note 18)	(36,598)	(6)	(8,778)	(1)
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 18 and 20)	6,222	1	1,492	-
	(30,376)	(5)	(7,286)	(1)
Other comprehensive loss for the year, net of income tax	(30,789)	(5)	(7,495)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 136,648	22	$ 124,465	21
EARNINGS PER SHARE (IN NEW TAIWAN DOLLARS; Note 21)				
From continuing operations				
Basic	$ 4.35		$ 3.43	
Diluted	$ 4.34		$ 3.42	

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

FINETEK CO., LTD.

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

			Retained Earnings			Other Equity	
	Share Capital	**Capital Surplus**	**Legal Reserve**	**Special Reserve**	**Unappropriated Earnings**	**Exchange Differences on Translating Foreign Operations**	**Total Equity**
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 18)							
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 18)							
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	$ 384,659	$ 319,889	$ 144,280	$ 12,354	$ 401,426	$ (19,659)	$ 1,242,949

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

FINETEK CO., LTD.

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

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 183,777	$ 162,296
Adjustments for:		
Bad debt expenses	2,885	3,507
Depreciation expenses	20,624	12,909
Amortization expenses	5,760	6,753
Finance costs	327	207
Share of profit of subsidiaries, associates and joint ventures	(18,130)	(611)
Interest income	(15,022)	(8,912)
Divided income	(26)	(52)
Inventory write-downs	224	23,719
Unrealized loss on transactions with subsidiaries, associates and joint ventures	14,752	20,400
Realized gain on transactions with subsidiaries, associates and joint ventures	(20,400)	(32,221)
Loss on disposal of property, plant and equipment	206	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
Prepayments for equipment transferred to expenses	250	-
Unrealized loss on foreign currency exchange	13,165	11,295
Changes in operating assets and liabilities		
Notes receivable	(9,404)	2,971
Trade receivables	(9,340)	6,000
Trade receivables from related parties	(50,686)	11,378
Other receivables	433	(85)
Inventories	(2,404)	(17,802)
Other current assets	(783)	(140)
Net defined benefit asset	(22)	(127)
Notes payable	2,158	(379)
Trade payables	16,436	(5,378)
Trade payables to related parties	(201)	(1,746)
Other payables	(2,198)	(1,219)
Other current liabilities	1,312	258
Cash generated from operations	134,166	193,605
Dividends received	26	52
Interest received	15,982	7,712
Interest paid	(327)	(207)
Income tax paid	(28,776)	(38,271)
Net cash generated from operating activities	121,071	162,891

(Continued)

FINETEK CO., LTD.

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

	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of debt investments with no active market	$ -	$ 103,000
Purchase of held-to-maturity financial assets	-	(12,928)
Increase in prepayments for equipment	-	(17,819)
Payments for property, plant and equipment	(71,412)	(54,485)
Proceeds from disposal of property, plant and equipment	4	480
Payments for intangible assets	(3,409)	(23,251)
Decrease in refundable deposits	1,759	697
Net cash outflow on acquisition of subsidiaries	(125,000)	-
Net cash used in investing activities	(198,058)	(4,306)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	-	20,000
Repayments of long-term borrowings	-	(14,070)
Dividends paid to owners of the Company	(105,593)	(140,495)
Acquisition of additional interests in subsidiaries	-	(4,266)
Net cash used in financing activities	(105,593)	(138,831)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(12,785)	(11,610)
NET (DECREASE)INCREASE IN CASH AND CASH EQUIVALENTS	(195,365)	8,144
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	426,796	418,652
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 231,431	$ 426,796

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

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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 financial statements are presented in the Company's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The 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 Company 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.

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
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)

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
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 New IFRSs and related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers would not have any material impact on the Company'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 Company or is the spouse or second immediate family of the chairman of the board of directors or president of the Company are deemed to have a substantive related-party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationships with whom the Company has significant transactions. If the transactions or balance with a specific related party is 10% or more of the Company's respective total transactions or balance, such transactions should be separately disclosed by the name of each related party.

The amendments also require additional 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 financial statements were authorized for issue, the Company continues assessing other possible impacts that the 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 Company'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 Company has not applied the following New 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 financial statements were authorized for issue, the FSC has not announced the effective dates of other New IFRSs.

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	**Effective Date Announced by IASB (Note 1)**
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
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 Company’s debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

a) For debt instruments, if they are held within a business model whose objective is to collect contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with 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 Company may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative 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 Company takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

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"

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

When applying IFRS 15, the Company should 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 Company is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the balance sheets except for low-value and short-term leases. The Company may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to low-value and short-term leases. On the statements of comprehensive income, the Company 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 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 Company may elect to apply this standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this standard recognized at the date of initial application.

4) Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"

The amendment clarifies that the difference between the carrying amount of a 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 Company 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 Company should assess the deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses as a deduction against income of a specific type, and 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 Company's assets for more than their carrying amount if there is sufficient evidence that it is probable that the Company 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 Company 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 financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the convenience of readers, the accompanying 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 financial statements shall prevail. However, the financial statements do not include the English translation of the additional footnote disclosures that are not required under IFRSs but are required by the FSC for oversight purposes.

a. Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The 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; these levels 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.

When preparing these financial statements, the Company used the equity method to account for its investments in subsidiaries, associates and joint ventures. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in these financial statements to be the same as the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for by equity method, the share of profit or loss of subsidiaries, associates and joint ventures, the share of other comprehensive income of subsidiaries, associates and joint ventures and related equity items, as appropriate, in these financial statements.

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 Company 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. Foreign currencies

In preparing the Company’s financial statements, transactions in currencies other than the Company’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 these financial statements, the functional currency of the Company is 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.

e. Inventories

Inventories, which consist of raw materials, supplies, finished goods, work-in-process and merchandise are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to 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.

f. Investments in subsidiaries

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

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

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

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of an investment and the fair value of the consideration paid or received.

When the Company's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

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

The Company assesses its investments for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the entire financial statements of the investee companies. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of any investment subsequently increases, the Company recognizes the reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized net of amortization had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full only in the Company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the Company's financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

g. 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.

h. 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 estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) 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.

i. Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets, 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 Company 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 subsequently 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.

j. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, 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 25.

ii. Held-to-maturity investments

Foreign corporate bonds, which are above specific credit ratings and for which the Company 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 receivables and cash and cash equivalents) 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 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 Company'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 Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all 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.

k. 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 Company has transferred to the buyer the significant risks and rewards of ownership of the goods;

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

c) The amount of revenue can be measured reliably;

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

e) The transaction costs incurred or to be incurred can be measured reliably.

The Company 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 Company and the amount of income can be measured reliably.

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

l. 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 Company as lessee

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

m. Government grants

Government grants are not recognized until there is reasonable assurance that the Company 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 Company 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 Company with no future related costs are recognized in profit or loss in the period in which they become receivable.

n. 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 Company'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.

o. 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 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 Company 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 Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

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

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

Impairment of investments

Management of the Company predicts subsidiaries' future cash flows, including managing the estimation of sales growth rate and profit rate. Using WACC, which contains the risk free rate, management uses the volatility and risk premium assumptions to decide the discount rate and perform the impairment assessment. If cash flows (the recoverable amount) are less than management's expectation, it may cause a significant impairment loss.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2016	**2015**
Cash on hand	$ 442	$ 359
Checking accounts	1,567	83
Demand deposits	164,702	96,601
Cash equivalents		
Time deposits with original maturities of less than three months	64,720	329,753
	$ 231,431	$ 426,796

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

	December 31	
	2016	**2015**
Bank balance	0.01%-6.15%	0.01%-4.30%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2016	**2015**
Financial assets at FVTPL - current		
Financial assets held for trading		
Non-derivative financial assets		
Domestic quoted shares	$ 1,289	$ 938

8. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31	
	2016	2015
Non-current		
Foreign investments		
Deutsche Bank	$ 6,463	$ 6,580
Société Générale	6,441	6,554
	$ 12,904	$ 13,134

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

	December 31	
	2016	2015
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 Company's investments in bonds issued by Société Générale were as follows:

	December 31	
	2016	2015
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. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2016	2015
Notes receivable		
Notes receivable - operating	$ 26,388	$ 16,984
Trade receivables		
Trade receivables	$ 62,009	$ 53,306
Less: Allowance for impairment loss	(7,343)	(5,016)
	$ 54,666	$ 48,290
Trade receivables - related parties	$ 78,347	$ 27,732

(Continued)

	December 31	
	2016	2015
Other receivables		
Income tax refund receivables	$ -	$ 435
Interest receivables	240	1,200
Others	6	4
	$ 246	$ 1,639
Overdue receivables		
Overdue receivables	$ 1,139	$ 581
Less: Allowance for impairment loss	(1,139)	(581)
	$ -	$ -

(Concluded)

a. Notes receivable

The Company'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 Company did not hold any collateral for the balance of its notes receivable.

b. Trade receivables

The average credit period on sales of goods was 0 to 90 days. In determining the collectability of a trade receivable, the Company 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 Company recognized an allowance for impairment loss of 100% against all trade receivables over 60 days because historical experience shows that receivables outstanding beyond 60 days are not recoverable. For receivables outstanding between 1 to 60 days, the Company 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 both December 31, 2016 and 2015, the aging of receivables that were past due but not impaired were $0.

The aging of receivables was as follows:

	December 31	
	2016	2015
Not overdue	$ 112,883	$ 66,386
Overdue 1-30 days	18,871	8,469
Overdue 31-60 days	1,509	1,375
Overdue beyond 60 days	7,093	4,808
	$ 140,356	$ 81,038

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:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2015	$ 558	$ 1,532	$ 2,090
Add: Impairment losses recognized on receivables	23	3,484	3,507
Balance at December 31, 2015	581	5,016	5,597
Add: Impairment losses recognized on receivables	558	2,327	2,885
Balance at December 31, 2016	$ 1,139	$ 7,343	$ 8,482

The Company recognized an impairment loss on trade receivables amounting to $1,139 thousand and $581 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 Company 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 Company determined that there would be no overdue payments. Thus, there is no bad debt existing.

10. INVENTORIES

	December 31	
	2016	2015
Merchandise inventory	$ 2	$ 2
Finished goods	56,755	52,888
Work in progress	14,287	14,819
Raw materials	42,578	43,733
	$ 113,622	$ 111,442

The costs of inventories recognized as cost of goods sold for the years ended December 31, 2016 and 2015 was $292,338 thousand and $257,879 thousand, respectively. The cost of goods sold included inventory write-downs of $224 thousand and $23,719 thousand, respectively.

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in Subsidiaries

	December 31	
	2016	2015
Powerline Corp. (Samoa) (Note 3)	$ 148,607	$ 380,541
Golden Land International Corp. (Samoa) (Note 1)	17,303	10,812
Gain Access Investments Ltd. (Notes 2 and 3)	337,623	-
	$ 503,533	$ 391,353

At the end of the reporting period, the percentage of ownership of and voting rights in the subsidiaries held by the Company were as follows:

	December 31	
	2016	2015
Powerline Corp. (Samoa)	100%	100%
Golden Land International Corp. (Samoa) (Note 1)	100%	100%
Gain Access Investments Ltd. (Note 2)	100%	-

Note 1: On May 19, 2015, the Company subscribed for $4,266 thousand of the new shares of Golden Land International Corp. (Samoa).

Note 2: On October 31, 2016, 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%.

Note 3: Gain Access Investments Ltd. acquired a 67% equity interest in Faco International Co., Ltd. at US$3,750 thousand (NT$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%. The difference between the subscription proportion and its existing ownership percentage caused the Company's investment's net value to change.

The investments in subsidiaries accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2016 and 2015 were based on the subsidiaries' financial statements audited by the auditors for the same years.

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Transportation	Office Equipment	Molding Equipment	Leasehold Improvements	Other Equipment	Construction in Progress	Total
Cost										
Balance at January 1, 2015	$ 79,181	$ 159,861	$ 18,817	$ 11,088	$ 8,120	$ 9,644	$ 205	$ 29,758	$ 442	$ 317,116
Additions	-	1,455	6,279	-	2,620	2,411	-	3,240	38,638	54,643
Disposals	-	-	(678)	-	(547)	-	(205)	(232)	-	(1,662)
Reclassified (Note)	-	-	12,043	-	-	-	-	-	-	12,043
Balance at December 31, 2015	$ 79,181	$ 161,316	$ 36,461	$ 11,088	$ 10,193	$ 12,055	$ -	$ 32,766	$ 39,080	$ 382,140
Accumulated depreciation										
Balance at January 1, 2015	$ -	$ 25,034	$ 8,689	$ 5,790	$ 6,518	$ 7,216	$ 38	$ 19,287	$ -	$ 72,572
Disposals	-	-	(264)	-	(475)	-	(64)	(232)	-	(1,035)
Depreciation expenses	-	4,550	3,037	1,165	512	1,332	26	2,287	-	12,909
Balance at December 31, 2015	$ -	$ 29,584	$ 11,462	$ 6,955	$ 6,555	$ 8,548	$ -	$ 21,342	$ -	$ 84,446
Carrying amounts at December 31, 2015	$ 79,181	$ 131,732	$ 24,999	$ 4,133	$ 3,638	$ 3,507	$ -	$ 11,424	$ 39,080	$ 297,694

(Continued)

	Freehold Land	Buildings	Machinery and Equipment	Transportation	Office Equipment	Molding Equipment	Leasehold Improvements	Other Equipment	Construction in Progress	Total
Cost										
Balance at January 1, 2016	$ 79,181	$ 161,316	$ 36,461	$ 11,088	$ 10,193	$ 12,055	$ -	$ 32,766	$ 39,080	$ 382,140
Additions	62,858	1,343	3,000	-	552	3,400	-	418	-	71,571
Disposals	-	-	(14)	(62)	(41)	-	-	(1,699)	-	(1,816)
Reclassified (Note)	-	38,826	3,645	-	-	906	-	-	(38,826)	4,551
Balance at December 31, 2016	$ 142,039	$ 201,485	$ 43,092	$ 11,026	$ 10,704	$ 16,361	$ -	$ 31,485	$ 254	$ 456,446
Accumulated depreciation										
Balance at January 1, 2016	$ -	$ 29,584	$ 11,462	$ 6,955	$ 6,555	$ 8,548	$ -	$ 21,342	$ -	$ 84,446
Disposals	-	-	(14)	(50)	(41)	-	-	(1,501)	-	(1,606)
Depreciation expenses	-	6,261	5,609	1,036	1,608	2,570	-	3,540	-	20,624
Balance at December 31, 2016	$ -	$ 35,845	$ 17,057	$ 7,941	$ 8,122	$ 11,118	$ -	$ 23,381	$ -	$ 103,464
Carrying amounts at December 31, 2016	$ 142,039	$ 165,640	$ 26,035	$ 3,085	$ 2,582	$ 5,243	$ -	$ 8,104	$ 254	$ 352,982

(Concluded)

Note: Transferred from prepayments.

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	35 years
Accessory equipment	5-10 years
Machinery and equipment	2-10 years
Transportation	4-5 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 27.

13. OTHER INTANGIBLE ASSETS

	Computer Software	Patents	Licenses and Franchises	Total
Cost				
Balance at January 1, 2015	$ 20,442	$ 5,705	$ 750	$ 26,897
Additions	23,251	-	-	23,251
Disposals	-	(5,705)	-	(5,705)
Balance at December 31, 2015	$ 43,693	$ -	$ 750	$ 44,443

(Continued)

	Computer Software	Patents	Licenses and Franchises	Total
Accumulated amortization				
Balance at January 1, 2015	$ 10,012	$ 5,705	$ 9	$ 15,726
Amortization expenses	6,728	-	25	6,753
Disposals	-	(5,705)	-	(5,705)
Balance at December 31, 2015	$ 16,740	$ -	$ 34	$ 16,774
Carrying amounts at December 31, 2015	$ 26,953	$ -	$ 716	$ 27,669
Cost				
Balance at January 1, 2016	$ 43,693	$ -	$ 750	$ 44,443
Additions	3,409	-	-	3,409
Disposals	(4,155)	-	-	(4,155)
Balance at December 31, 2016	$ 42,947	$ -	$ 750	$ 43,697
Accumulated amortization				
Balance at January 1, 2016	$ 16,740	$ -	$ 34	$ 16,774
Amortization expenses	5,734	-	26	5,760
Disposals	(3,331)	-	-	(3,331)
Balance at December 31, 2016	$ 19,143	$ -	$ 60	$ 19,203
Carrying amounts at December 31, 2016	$ 23,804	$ -	$ 690	$ 24,494

(Concluded)

Other intangible assets were amortized on a straight-line basis over the estimated useful lives as follows:

Computer software	1-3 years
Patents	6-10 years
Licenses and franchises	29 years

14. OTHER ASSETS

	December 31	
	2016	2015
Current		
Prepayments	$ 1,897	$ 1,714
Other	606	6
	$ 2,503	$ 1,720
Non-current		
Prepayments for equipment	$ 975	$ 5,776
Refundable deposits	$ 1,577	$ 3,336

15. BORROWINGS

Short-term borrowings

	December 31	
	2016	2015
Secured borrowings (Note 27)		
Bank loans (1)	$ -	$ 10,000
Unsecured borrowings		
Line of credit borrowings (2)	20,000	10,000
	$ 20,000	$ 20,000

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 1.32% and 1.43% per annum as of December 31, 2016 and 2015, respectively.

16. OTHER LIABILITIES

	December 31	
	2016	2015
Current		
Other payables		
Payable for salaries and bonuses	$ 23,387	$ 23,262
Payable for employee compensation	8,097	7,994
Payable for remuneration of directors and supervisors	4,240	4,000
Payable for insurance	3,304	3,398
Payable for vacation	115	170
Payable for purchases of equipment	317	158
Payable for professional service fees	1,561	1,382
Payable for sales tax	-	3
Others	7,988	10,681
	$ 49,009	$ 51,048
Other liabilities		
Advance sales receipts	$ 4,008	$ 2,665
Others	128	159
	$ 4,136	$ 2,824

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Company 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.

b. Defined benefit plan

The defined benefit plan adopted by the Company 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 Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

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

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2015	$ 3,481	$ (5,250)	$ (1,769)
Service costs			
Current service costs	11	-	11
Net interest expense (income)	63	(99)	(36)
Recognized in profit or loss	74	(99)	(25)
Remeasurement			
Return on plan assets	-	(39)	(39)
Actuarial loss - changes in demographic assumptions	163	-	163
Actuarial loss - experience adjustments	128	-	128
Recognized in other comprehensive income	291	(39)	252
Contributions from the employer	-	(102)	(102)
Benefits paid	(89)	89	-
Balance at December 31, 2015	3,757	(5,401)	(1,644)

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Service costs			
Current service costs	$ 5	$ -	$ 5
Net interest expense (income)	60	(87)	(27)
Recognized in profit or loss	65	(87)	(22)
Remeasurement			
Return on plan assets	-	48	48
Actuarial loss - changes in demographic assumption	59	-	59
Actuarial loss - experience adjustments	390	-	390
Recognized in other comprehensive income	449	48	497
Balance at December 31, 2016	$ 4,271	$ (5,440)	$ (1,169)

(Concluded)

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

	For the Year Ended December 31	
	2016	2015
Operating costs	$ -	$ (16)
General and administrative expenses	(22)	(9)
	$ (22)	$ (25)

Through the defined benefit plans under the Labor Standards Law, the Company 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:

	December 31	
	2016	2015
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:

	December 31	
	2016	**2015**
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.

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

18. EQUITY

a. Share capital

	December 31	
	2016	**2015**
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

	December 31	
	2016	**2015**
<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	3,037	3,037
	$ 319,889	$ 319,889

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 19,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:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	2015	2014	2015	2014
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:

	Appropriations of Earnings	Dividends Per Share (NT$)
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.

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

e. Other equity items

Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2016	2015
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	6,222	1,492
Balance at December 31	$ (19,659)	$ 10,717

19. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

a. Other income

	For the Year Ended December 31	
	2016	2015
Interest income	$ 15,022	$ 8,912
Dividends	26	52
Government grants income	1,756	4,540
Others	2,669	657
	$ 19,473	$ 14,161

b. Other gains and losses

	For the Year Ended December 31	
	2016	2015
Loss on disposal of property, plant and equipment	$ (206)	$ (147)
Loss on disposal of intangible assets	(824)	-
Net foreign exchange losses	(28,110)	(361)
Net gain (loss) arising on financial assets designated as at FVTPL	351	(437)
Receipts of payments under custody	3,569	4,173
Others	(84)	(457)
	$ (25,304)	$ 2,771

c. Finance costs

	For the Year Ended December 31	
	2016	2015
Interest on loans	$ (327)	$ (207)

d. Depreciation and amortization

	For the Year Ended December 31	
	2016	2015
Property, plant and equipment	$ 20,624	$ 12,909
Intangible assets	5,760	6,753
	$ 26,384	$ 19,662
An analysis of depreciation by function		
Operating costs	$ 15,568	$ 9,051
Operating expenses	5,056	3,858
	$ 20,624	$ 12,909
An analysis of amortization by function		
Operating costs	$ 667	$ 41
Selling and marketing expenses	1,686	-
General and administrative expenses	1,777	5,728
Research and development expenses	1,630	984
	$ 5,760	$ 6,753

e. Employee benefits expense

	For the Year Ended December 31	
	2016	**2015**
Salary expenses	$ 136,887	$ 155,803
Post-employment benefits (Note 17)		
Defined contribution plan	7,662	7,416
Defined benefit plan	(22)	(25)
Other employee benefits		
Labor and health insurance	14,690	16,218
Other employee benefits	10,567	9,500
Total employee benefits expense	$ 169,784	$ 188,912
An analysis of employee benefits expense by function		
Operating costs	$ 70,387	$ 73,427
Operating expenses	99,397	115,485
	$ 169,784	$ 188,912

	2016			2015		
	Operating Costs	**Operating Expenses**	**Total**	**Operating Costs**	**Operating Expenses**	**Total**
Salary	$ 56,251	$ 80,636	$ 136,887	$ 59,261	$ 96,542	$ 155,803
Labor and health insurance	6,042	8,648	14,690	6,162	10,056	16,218
Pensions	3,151	4,489	7,640	2,985	4,406	7,391
Other employee benefits	4,943	5,624	10,567	5,019	4,481	9,500
Total employee benefits expense	$ 70,387	$ 99,397	$ 169,784	$ 73,427	$ 115,485	$ 188,912

As of December 31, 2016 and 2015, the Company had 298 and 288 employees, respectively.

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

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

Amount

	For the Year Ended December 31			
	2015		2014	
	Cash Dividends	**Share Dividends**	**Cash Dividends**	**Share Dividends**
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 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 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

The bonuses of employees and remuneration of directors and supervisors for 2014, which were approved in the shareholders’ meetings on June 22, 2015, were as follows:

	For the Year Ended December 31, 2014	
	Cash Dividends	**Share Dividends**
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 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

	For the Year Ended December 31	
	2016	**2015**
Foreign exchange gains	$ 12,492	$ 26,871
Foreign exchange losses	(40,602)	(27,232)
Net foreign exchange losses	$ (28,110)	$ (361)

20. INCOME TAXES RELATING TO OPERATIONS

a. Major components of tax expense recognized in profit:

	For the Year Ended December 31	
	2016	**2015**
Current tax		
Current year	$ 27,125	$ 29,269
Income tax on unappropriated earnings	542	2,558
Adjustments for prior years	26	161
	27,693	31,988
Deferred tax		
Current year	(11,353)	(1,652)
Income tax expense recognized in profit or loss	$ 16,340	$ 30,336

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

	For the Year Ended December 31	
	2016	**2015**
Profit before tax from continuing operations	$ 183,777	$ 162,296
Income tax expense calculated at the statutory rate	$ 31,242	$ 27,590
Nondeductible expenses or losses	896	75
Income tax on unappropriated earnings	542	2,558
Unrecognized deductible temporary differences	(16,366)	(48)
Adjustments for prior years’ tax	26	161
Income tax expense recognized in profit or loss	$ 16,340	$ 30,336

The statutory tax rate used above was the corporate tax rate of 17% payable by the Company in the ROC.

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

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

c. Current tax liabilities

	December 31	
	2016	**2015**
Current tax liabilities		
Income tax payable	$ 12,116	$ 13,199

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

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Closing Balance
Temporary differences				
Exchange differences on translating foreign operations	$ -	$ -	$ 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	784	373	-	1,157
Unrealized losses on write-down of inventories	6,074	38	-	6,112
Foreign exchange losses	1,921	(1,921)	-	-
Others	90	(60)	-	30
	$ 12,662	$ (2,539)	$ 1,580	$ 11,703

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Closing Balance
Temporary differences				
Exchange differences on translating foreign operations	$ 4,726	$ -	$ (4,726)	$ -
Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method	52,889	(13,709)	-	39,180
Foreign exchange gains	-	316	-	316
Others	499	(499)	-	-
	$ 58,114	$(13,892)	$ (4,726)	$ 39,496

For the year ended December 31, 2015

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Closing Balance
Temporary differences				
Defined benefit plan	$ 253	$ -	$ 43	$ 296
Unrealized gains on transactions with associates	5,478	(2,010)	-	3,468
Payable for annual leave	18	11	-	29
Allowance for impaired receivables	156	628	-	784

(Continued)

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Closing Balance
Unrealized losses on write-down of inventories	$ 6,563	$ (489)	$ -	$ 6,074
Foreign exchange losses	-	1,921	-	1,921
Others	16	74	-	90
	$ 12,484	$ 135	$ 43	$ 12,662

(Concluded)

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

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

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

f. Integrated income tax

	December 31	
	2016	2015
Unappropriated earnings		
Generated on and after January 1, 1998	$ 401,426	$ 360,733
Shareholder-imputed credit accounts	$ 67,810	$ 67,191

	For the Year Ended December 31	
	2016 (Expected)	2015
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.

21. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2016	**2015**
Basic earnings per share		
Total basic earnings per share	$ 4.35	$ 3.43
Diluted earnings per share		
Total diluted earnings per share	$ 4.34	$ 3.42

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

	Before Retrospective Adjustment	**After Retrospective Adjustment**
Basic earnings per share	$ 3.50	$ 3.43
Diluted earnings per share	$ 3.49	$ 3.42

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:

	For the Year Ended December 31	
	2016	**2015**
Profit for the year attributable to owners of the Company	$ 167,437	$ 131,960

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

	For the Year Ended December 31	
	2016	**2015**
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 issue to employees	114	144
Weighted average number of ordinary shares used in the computation of diluted earnings per share	38,580	38,610

If the Company offered to settle compensation or bonuses paid to employees in cash or shares, the Company 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.

22. NON-CASH TRANSACTIONS

For the years ended December 31, 2016 and 2015, the Company entered into the following non-cash investing activities which were not reflected in the 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 financial statements.

23. OPERATING LEASE ARRANGEMENTS

The Company as Lessee

Operating leases relate to leases of land and buildings with lease terms between 1 and 13.5 years. The Company does not have a bargain purchase option to acquire the leased land and buildings at the expiration of the lease periods.

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

	December 31	
	2016	**2015**
Up to 1 year	$ 93	$ 3,489
Later than 1 year and not later than 5 years	-	12,850
Later than 5 years	-	23,470
	$ 93	$ 39,809

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

	December 31	
	2016	**2015**
Minimum lease payments	$ 948	$ 3,900

24. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company 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 Company consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Company (comprising issued capital, capital surplus, retained earnings, and other equity).

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

Key management personnel of the Company 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 Company may adjust the amount of new debt issued or existing debt redeemed.

25. FINANCIAL INSTRUMENTS

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

1) 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
Financial assets				
Held-to-maturity financial assets	$ 12,904	$ 12,248	$ 13,134	$ 12,170

2) The fair value measurement hierarchy is as follows:

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

	December 31	
	2016	2015
Financial assets		
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)	392,655	524,342
Financial liabilities		
Amortized cost (2)	83,293	67,349

1) The balances include loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes receivable, trade and other receivables (excluding tax receivable), and refundable deposits.

2) The balances include financial liabilities measured at amortized cost, which comprise short-term loans, notes payable, and trade and other payables (except for salaries and bonuses payable, employee compensation payable, remuneration of directors and supervisors, tax payable).

d. Financial risk management objectives and policies

The Company’s major financial instruments include trade receivables, trade payables and borrowings. The Company’s financial department provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including 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 Company’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 Company’s exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk. Approximately 70% of the Company's sales were denominated in currencies other than the functional currency of the Company for both years ended December 31, 2016 and 2015, whilst almost 15% and 18% of costs were denominated in foreign currencies, respectively.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities exposing the Company to foreign currency risk at the end of the reporting period are set out in Note 28.

Sensitivity analysis

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

The following table details the Company'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.

	USD Impact		**RMB Impact**	
	For the Year Ended December 31		**For the Year Ended December 31**	
	2016	**2015**	**2016**	**2015**
Profit or loss	$ 6,817	$ 3,301	$ 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 Company's sensitivity to the USD increased during the current period mainly because of an increase in USD bank deposits and receivables. The Company's sensitivity to RMB increased during the current period mainly because of an increase in RMB bank deposits and receivables.

b) Interest rate risk

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

	December 31	
	2016	**2015**
Fair value interest rate risk		
Financial assets	$ 77,624	$ 342,887
Cash flow interest rate risk		
Financial assets	164,702	96,601
Financial liabilities	20,000	20,000

Sensitivity analysis

The sensitivity analysis below was determined based on the Company'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 1% basis point higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2016 and 2015 would increase/decrease by $1,447 thousand and $766 thousand, respectively, which would have been mainly attributable to the Company's exposure to interest rates on its variable-rate bank deposits.

The Company'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 Company's sensitivity to FVTPL what has had 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 Company. As at the end of the reporting period, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to a failure of counterparties to discharge an obligation, pertains to financial assets recognized in the balance sheets.

The Company adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company 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 Company uses other publicly available financial information and its own trading records to rate its major customers. The Company'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 Company has set payment terms for receipts in advance when necessary.

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

3) Liquidity risk

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

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

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

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table was drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The 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

	On Demand or Less than 1 Month	**1-3 Months**	**3 Months to 1 Year**	**1-5 Years**	**5+ Years**
Non-derivative financial liabilities					
Floating rate instruments	$ 20,022	$ -	$ -	$ -	$ -
Non-interest bearing liabilities	41,032	9,091	13,170	-	-
	$ 61,054	$ 9,091	$ 13,170	$ -	$ -

December 31, 2015

	On Demand or Less than 1 Month	**1-3 Months**	**3 Months to 1 Year**	**1-5 Years**	**5+ Years**
Non-derivative financial liabilities					
Floating rate instruments	$ 20,024	$ -	$ -	$ -	$ -
Non-interest bearing liabilities	24,797	6,933	15,619	-	-
	$ 44,821	$ 6,933	$ 15,619	$ -	$ -

b) Financing facilities

	December 31	
	2016	2015
Unsecured bank overdraft facilities		
Amount used	$ 20,000	$ 10,000
Amount unused	130,000	90,000
	$ 150,000	$ 100,000
Secured bank loan facilities which may be extended by mutual agreement:		
Amount used	$ -	$ 10,000
Amount unused	-	90,000
	$ -	$ 100,000

26. TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Company and other related parties are disclosed below.

a. Sales of goods

		For the Year Ended December 31	
Line Item	**Related Party Category**	**2016**	**2015**
Sales	Subsidiaries	$ 261,339	$ 215,088

The Company sells products to related parties and provides different market prices based on the varying regions. The average payment terms for such transactions with related parties and unrelated parties are 90 days after every month end for both years ended December 31, 2016 and 2015.

b. Purchases of goods

	For the Year Ended December 31	
Related Party Category	**2016**	**2015**
Subsidiaries	$ 10,978	$ 7,495

The Company negotiates with related parties on a case-by-case basis. Purchase payment terms are the same as those for unrelated parties.

c. Trade receivables from related parties

		December 31	
Line Item	**Related Party Category**	**2016**	**2015**
Trade receivables	Subsidiaries	$ 78,347	$ 27,732

The outstanding trade receivables from related parties were unsecured. For the years ended December 31, 2016 and 2015, no impairment loss was recognized for trade receivables from related parties.

d. Trade payables from related parties

Line Item	Related Party Category	December 31 2016	December 31 2015
Trade payables	Subsidiaries	$ 945	$ 1,146

The outstanding trade payables from related parties are unsecured.

e. 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:

	For the Year Ended December 31	
	2016	2015
Salaries and bonus	$ 14,049	$ 14,778
Post-employee benefits	312	396
	$ 14,361	$ 15,174

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

27. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	December 31	
	2016	2015
Freehold land and buildings (classified as property, plant and equipment)	$ -	$ 143,659

28. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

The Company decided to simplify its investment structure by passing a resolution on February 28, 2017 regarding its subsidiary, Powerline Corp. (“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.

29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant financial assets and liabilities denominated in foreign currencies were as follows:

December 31, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 4,235	32.250 (USD:NTD)	$ 136,575
RMB	26,465	4.617 (RMB:NTD)	122,188
EUR	355	33.900 (EUR:NTD)	12,047
SGD	320	22.290 (SGD:NTD)	7,127
JPY	653	0.276 (JPY:NTD)	180
			$ 278,117
Non-monetary items			
Equity-method investments	15,613	32.250 (USD:NTD)	$ 503,533
Monetary items			
USD	7	32.250 (USD:NTD)	$ 234
RMB	200	4.617 (RMB:NTD)	921
JPY	127	0.276 (JPY:NTD)	35
			$ 1,190

December 31, 2015

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 2,054	32.825 (USD:NTD)	$ 67,425
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)	1,850
			$ 139,028
Non-monetary items			
Equity-method investments	11,922	32.825 (USD:NTD)	$ 391,353
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)	34
			$ 2,557

For the years ended December 31, 2016 and 2015, realized and unrealized net foreign exchange losses were \$28,110 thousand and \$361 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 Company.