English Translation of Financial Statements and a Report Originally Issued in Chinese

Ticker: 3189

KINSUS INTERCONNECT TECHNOLOGY CORP.

PARENT-COMPANY-ONLY FINANCIAL STATEMENTS
WITH AUDIT REPORT OF INDEPENDENT ACCOUNTANTS
AS OF DECEMBER 31, 2016 AND 2015
AND FOR THE YEARS THEN ENDED

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The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

English Translation of Financial Statements and a Report Originally Issued in Chinese

Parent-company-only financial statements

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English Translation of an Audit Report Originally Issued in Chinese

REPORT OF INDEPENDENT AUDITORS

To: the Board of Directors and Shareholders of
Kinsus Interconnect Technology Corp.

Opinion

We have audited the accompanying parent-company-only balance sheets of Kinsus Interconnect Technology Corp. (the "Company") as of December 31, 2016 and 2015, and the related parent-company-only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent-company-only financial statements, including the summary of significant accounting policies (together "the parent-company-only financial statements").

In our opinion, based on the results of our audits and the report of other auditors (please refer to the Other Matter－Making Reference to the Audit of a Component Auditor section of our report), the parent-company-only financial statements referred to above present fairly, in all material respects, the parent-company-only financial position of the Company as of December 31, 2016 and 2015, and their parent-company-only financial performance and cash flows for the years then ended, in conformity with the requirements of 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 Parent-Company-Only 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 (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. 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 the most significance in our audit of parent-company-only financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the parent-company-only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

We determine that revenue recognition is one of the key audit matters. The Company's revenue amounting to NT$17,931,850 thousand for the year ended December 31, 2016 is a significant account to the Company's financial statements. The Company has conducted these sale activities in multi-marketplace, including Taiwan, China, USA, etc. Among these locations, it has established hub-warehouse for certain foreign customers' convenience. Furthermore, variety of sale terms and conditions enacted in its main sale contracts or sale orders contributed to the complexity for the Company to decide the appropriate timing of transfer the risk of ownership and return of goods to the buyers. We therefore conclude that there are significant risks with respect to the topic of revenue recognition.

Our audit procedures therefore include, but not limit to, evaluating the properness of accounting policy for revenue recognition, assessing and testing the effectiveness of relevant internal controls related to revenue recognition, particularly those controls for sipment to or from foreign warehouses, obtaining major sale orders or agreements to inspect the terms and conditions, checking the consistency of the accounting for revenue recognition with sale agreement or orders, performing analytical review procedures on monthly sale revenues, and executing sale cut-off tests, etc.

We have also evaluated the appropriateness of the related disclosure in Note 6 to the financial statements.

Related Party Transactions

The Company, to implement a plan of group operation, sold part of its operating equipment and machinery to FuYang Technology Corp., an associate investee accounted for under equity method indirectly, in amount of NT$241,776 thousand. This transaction was accunted for as a significant, non-routine related party transaction during the year ended December 31, 2016. We therefore conclude that the transaction is one of the key audit matters.

Our audit procedures therefore include, but not limit to, obtaining the related mutual agreements in order to clarify the purpose, pricing and collection term of the transaction, evaluating and testing the effectiveness of the internal controls related to related party transactions established by the Company's management, including the approval flow authorized by board of directors or proper management and examination on the Company's compliance with the "Process Guidance for Acquiring or Disposing Assets".

We have also evaluated the appropriateness of the related disclosure in Note 7 to the financial statements.

Other Matter – Making Reference to the Audit of a Component Auditor

We did not audit the financial statements of FuYang Technology Corp., an indirectly invested associate accounted for under the equity method by the Company. The financial statements of FuYang Technology Corp. as of December 31, 2016 and for the year then ended were audited by other auditors, whose report thereon has been furnished to us. Our audit, insofar as it related to the investment in the associate accounted for under the equity method amounting to NT$432,689 thousand as of December 31, 2016 representing 1.22% of the Company's total assets, the related shares of income before tax from the associate under the equity method for the year then ended amounting to NT$(12,783) thousand representing (0.49)% of the Company's income before tax, and the related shares of other comprehensive income from the associate under the equity method for the year then ended amounting to NT$(4,528) thousand representing 2.31% of the other comprehensive income, are based solely on the audit reports of other auditors.

Responsibilities of Management and Those Charged with Governance for the Parent-Company-Only Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Parent-Company-Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent-company-only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 parent-company-only financial statements.

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

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

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

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 ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent-company-only financial statements, including the accompanying notes, and whether the parent-company-only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Ernst & Young

Ernst & Young
February 8, 2017
Taipei, Taiwan,
Republic of China

<u>*Notice to Readers*</u>
The accompanying parent-company-only financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China on Taiwan and not those of any other jurisdictions. The standards, procedures and practice to audit such financial statements are those generally accepted and applied in the Republic of China on Taiwan.

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

Parent-Company-Only Balance Sheets

As of December 31, 2016 and 2015

(Amounts Expressed in Thousands of New Taiwan Dollars)

Assets			2016		2015	
Code	Accounts	Notes	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	4, 6(1)	$9,833,450	28	$10,998,903	30
1110	Financial assets at fair value through profit or loss	4, 6(2)	2,839,333	8	3,524,742	10
1147	Bond investments with no active market	4, 6(3)	423,057	1	423,057	1
1150	Notes receivable, net	4, 6(4)	3,030	-	1,835	-
1170	Accounts receivable, net	4, 6(5)	2,513,446	7	2,920,639	8
1180	Accounts receivable - related parties, net	4, 6(5), 7	33,730	-	21,759	-
1200	Other receivables		243,431	1	281,480	1
1210	Other receivables - related parties	7	314,027	1	7,489	-
1310	Inventories, net	4, 6(6)	1,318,258	4	1,317,749	4
1410	Prepayments		73,942	-	115,144	-
1470	Other current assets		29,811	-	72,238	-
11XX	Total current assets		17,625,515	50	19,685,035	54
	Non-current assets					
1550	Investment accounted for under equity method	4, 6(7)	3,778,285	10	3,610,796	10
1600	Property, plant and equipment, net	4, 6(8), 8, 9	11,947,782	34	10,309,220	29
1780	Intangible assets, net	4, 6(9)	5,208	-	9,869	-
1840	Deferred tax assets	4, 6(22)	9,593	-	9,593	-
1915	Prepayment for equipment	4, 6(8), 9	2,133,188	6	2,452,423	7
1995	Other non-current assets	6(10)	3,838	-	2,202	-
15XX	Total non-current assets		17,877,894	50	16,394,103	46
1XXX	Total Assets		$35,503,409	100	$36,079,138	100

(The accompanying notes are an integral part of the parent-company-only financial statements.)

Chairman: Ming-Dong Guo CEO: Ho-Shu Chen Head of Accounting: Su-Zhen Liu

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

Parent-Company-Only Balance Sheets (Continued)

As of December 31, 2016 and 2015

(Amounts Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity			2016		2015	
Code	Accounts	Notes	Amount	%	Amount	%
	Current liabilities					
2100	Short-term loans	6(11)	$1,277,100	4	$1,831,266	5
2150	Notes payable		43,498	-	49,834	-
2170	Accounts payable		1,074,861	3	1,049,302	3
2180	Accounts payable - related parties	7	207,877	1	428,877	1
2200	Other payables	6(12), 7	2,414,819	7	3,094,451	9
2230	Current income tax liabilities	4, 6(22)	469,126	1	541,841	2
2300	Other current liabilities	6(13)	324,358	1	329,589	1
21XX	Total current liabilities		5,811,639	17	7,325,160	21
	Non-current liabilities					
2540	Long-term loans	6(14), 8	788,700	2	288,860	1
2570	Deferred tax liabilities	4, 6(22)	351	-	39,834	-
2600	Other non-current liabilities	4, 6(15), 6(16)	33,009	-	34,148	-
25XX	Total non-current liabilities		822,060	2	362,842	1
2XXX	Total liabilities		6,633,699	19	7,688,002	22
3100	Capital	6(17)				
3110	Common stock		4,460,000	12	4,460,000	12
3200	Capital surplus	6(17)	5,939,819	17	5,939,819	16
3300	Retained earnings	6(17)				
3310	Legal capital reserve		3,340,018	9	3,049,623	8
3350	Unappropriated earnings		15,163,371	43	14,780,095	41
3400	Other components of equity		(613)	-	194,484	1
3500	Treasury Stock	6(17)	(32,885)	-	(32,885)	-
3XXX	Total equity		28,869,710	81	28,391,136	78
	Total liabilities and equity		$35,503,409	100	$36,079,138	100

(The accompanying notes are an integral part of the parent-company-only financial statements.)

Chairman: Ming-Dong Guo　　CEO: Ho-Shu Chen　　Head of Accounting: Su-Zhen Liu

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

Parent-Company-Only Statements of Comprehenstve Income

For the Years Ended December 31, 2016 and 2015

(Amounts Expressed in Thousands of New Taiwan Dollars, Except Earnings Per Share)

Code	Accounts	Notes	2016 Amount	2016 %	2015 Amount	2015 %
4000	Operating revenues	4, 6(18), 7	$17,931,850	100	$17,827,251	100
5000	Operating costs	7	(13,222,128)	(74)	(12,513,748)	(70)
5900	Gross profit		4,709,722	26	5,313,503	30
6000	Operating expenses	7				
6100	Selling		(204,559)	(1)	(170,374)	(1)
6200	General and administrative		(859,383)	(5)	(620,887)	(3)
6300	Research and development		(954,068)	(5)	(1,012,606)	(6)
	Operating expenses total		(2,018,010)	(11)	(1,803,867)	(10)
6900	Operating income		2,691,712	15	3,509,636	20
7000	Non-operating income and expenses					
7010	Other income	6(20), 7	155,185	1	118,580	1
7020	Other gains and losses	6(20), 7	8,391	-	66,432	-
7050	Finance costs	6(20)	(27,776)	-	(21,360)	-
7070	Share of profit or loss of subsidiaries, associates and joint ventures		(199,580)	(1)	(325,786)	(2)
	Non-operating income and expense total		(63,780)	-	(162,134)	(1)
7900	Income from continuing operations before income tax		2,627,932	15	3,347,502	19
7950	Income tax	4, 6(22)	(394,227)	(3)	(443,550)	(3)
8200	Net income		2,233,705	12	2,903,952	16
8300	Other comprehensive income (loss)	6(21)				
8310	Item that may not be reclassified subsequently to profit or loss					
8311	Actuarial gain (loss) on defined benefit plains		(959)	-	(8,721)	-
8360	Items that may be reclassified subsequently to profit or loss					
8362	Unrealized gain (loss) on available-for-sale security		-	-	(24,694)	-
8370	Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures		(234,931)	(1)	(72,922)	-
8399	Income tax related to items that may be reclassified subsequently to profit or loss		39,834	-	12,397	-
	Total other comprehensive income, net of tax		(196,056)	(1)	(93,940)	-
8500	Total comprehensive income		$2,037,649	11	$2,810,012	16
9750	Earnings per share - basic (in NT$)	6(23)	$5.01		$6.51	
9850	Earnings per share - diluted (in NT$)	6(23)	$4.95		$6.38	

(The accompanying notes are an integral part of the parent-company-only financial statements.)

Chairman: Ming-Dong Guo　　CEO: Ho-Shu Chen　　Head of Accounting: Su-Zhen Liu

Kinsus Interconnect Technology Corp.

Parent-Company-Only Statements of Changes in Equity

For the Years Ended December 31, 2016 and 2015

(Amounts Expressed in Thousands of New Taiwan Dollars)

				Retained Earnings		Other Components of equity			
	Items	Capital	Capital Surplus	Legal Reserve	Unappropriated Earnings	Exchange differences arising on translation of foreign operations	Unrealized valuation gain (loss) on available-for-sale financial assets	Treasury Stock	
Code		3100	3200	3310	3350	3410	3425	3500	3XXX
A1	Balance as of January 1, 2015	$4,460,000	$5,939,819	$2,687,890	$14,030,597	$255,009	$24,694	$-	$27,398,009
	Appropriation and distribution of 2014 earnings:								
B1	Legal reserve			361,733	(361,733)				-
B5	Cash dividends - common shares				(1,784,000)				(1,784,000)
D1	Net income (loss) for 2015				2,903,952				2,903,952
D3	Other comprehensive income (loss) for 2015				(8,721)	(60,525)	(24,694)		(93,940)
D5	Total comprehensive income	-	-	-	2,895,231	(60,525)	(24,694)	-	2,810,012
L1	Treasury stock repurchased							(32,885)	(32,885)
A1	Balance as of December 31, 2015	4,460,000	5,939,819	3,049,623	14,780,095	194,484	-	(32,885)	28,391,136
	Appropriation and distribution of 2015 earnings:								
B1	Legal reserve			290,395	(290,395)				-
B5	Cash dividends - common shares				(1,559,075)				(1,559,075)
D1	Net income (loss) for 2016				2,233,705				2,233,705
D3	Other comprehensive income (loss) for 2016				(959)	(195,097)	-		(196,056)
D5	Total comprehensive income	-	-	-	2,232,746	(195,097)	-	-	2,037,649
Z1	Balance as of December 31, 2016	$4,460,000	$5,939,819	$3,340,018	$15,163,371	$(613)	$-	$(32,885)	$28,869,710

(The accompanying notes are an integral part of the parent-company-only financial statements.)

NOTE: The employees' bonuses of NT$343,533 and the directors' and supervisors' remuneration of NT$20,911 thousand for the year ended December 31, 2016 had been deducted from comprehensive income for the year ended December 31, 2016.

The employees' bonuses of NT$442,444 and the directors' and supervisors' remuneration of NT$26,026 thousand for the year ended December 31, 2015 had been deducted from comprehensive income for the year ended December 31, 2015.

Chairman: Ming-Dong Guo　　CEO: Ho-Shu Chen　　Head of Accounting: Su-Zhen Liu

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

Parent-Company-Only Statements of Cash Flows

For the Years Ended December 31, 2016 and 2015

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	2016	2015
AAAA	Cash flows from operating activities:		
A10000	Net income before tax	$2,627,932	$3,347,502
A20000	Adjustments:		
A20010	Profit or loss not effecting cash flows:		
A20100	Depreciation	2,259,944	1,953,230
A20200	Amortization	19,197	26,086
A20300	Bad debt expense (gain on recovery)	4,289	(17,179)
A20400	Net loss (gain) of financial assets (liabilities) at fair value through profit or loss	(10,159)	(24,447)
A20900	Interest expense	27,776	21,360
A21200	Interest income	(62,885)	(76,970)
A22300	Share of profit or loss of subsidiaries, associates and joint ventures	199,580	325,786
A22500	Gain on disposal of property, plant and equipment	451	(5)
A22500	Loss on disposal of property, plant and equipment	-	725
A23100	Gain on disposal of investment	-	(30,845)
A23700	Impairment loss of non-financial asset	17,100	-
A30000	Changes in operating assets and liabilities:		
A31110	Financial Assets at fair value through profit or loss	695,568	1,581,283
A31130	Notes receivable	(1,195)	2,523
A31150	Accounts receivable	402,904	(499,791)
A31160	Accounts receivable - related parties	(11,971)	(20,751)
A31180	Other receivable	37,350	110,843
A31190	Other receivable - related parties	(306,538)	1,708
A31200	Inventories	(509)	4,075
A31230	Prepayment	41,202	(38,824)
A31240	Other current assets	42,427	(24,680)
A32130	Notes payable	(6,336)	9,970
A32150	Accounts payable	25,559	122,233
A32160	Accounts payable - related parties	(221,000)	181,562
A32180	Other payable	(262,715)	(77,360)
A32210	Advance receipts	760	(1,126)
A32230	Other current liabilities	(3,040)	254
A32240	Net pension liability under defined benefit plan	(4,098)	(4,241)
A33000	Cash generated from operations	5,511,593	6,872,921
A33100	Interest received	63,584	77,349
A33300	Interest paid	(27,984)	(21,073)
A33500	Income tax paid	(466,591)	(806,858)
AAAA	Net cash provided by (used in) operating activities	5,080,602	6,122,339

Code	Items	2016	2015
BBBB	Cash flows from investing activities:		
B00400	Disposal of available-for-sale financial assets	-	46,520
B00600	Acquisition of bond investments for which no active market exists	-	(3,057)
B01800	Acquisition of investment accounted for under equity method	(602,000)	-
B02700	Acquisition of property, plant and equipment	(4,255,307)	(4,172,476)
B02800	Proceeds from disposal of property, plant and equipment	241,776	5
B03800	Decrease (increase) in refundable deposits	(1,636)	3,145
B04500	Acquisition of intangible assets	(14,536)	(24,028)
BBBB	Net cash provided by (used in) investing activities	(4,631,703)	(4,149,891)
CCCC	Cash flows from financing activities:		
C00100	Increase in (repayment of) short-term loans	(554,166)	1,100,468
C01600	Increase in long-term loans	800,000	-
C01700	Repayment of long-term loans	(303,111)	(339,432)
C03000	Increase in guarantee deposits received	2,000	-
C04500	Payment of cash dividends	(1,559,075)	(1,784,000)
C04900	Treasury stock purchased	-	(32,885)
CCCC	Net cash provided by (used in) financing activities	(1,614,352)	(1,055,849)
EEEE	Net Increase (decrease) in cash and cash equivalents	(1,165,453)	916,599
E00100	Cash and cash equivalents at beginning of period	10,998,903	10,082,304
E00200	Cash and cash equivalents at end of period	$9,833,450	$10,998,903

(The accompanying notes are an integral part of the parent-company-only financial statements.)

Chairman: Ming-Dong Guo CEO: Ho-Shu Chen Head of Accounting: Su-Zhen Liu

1. HISTORY AND ORGANIZATION

Kinsus Interconnect Technology Corp. (referred to "the Company") was established on September 11, 2000. Its main business activities include the manufacture of electronic products, the whole-sale and retail-sale of electronic materials, and the consultation services of business operation and management. The Company's stocks have been governmentally approved on May 20, 2004 to be listed and traded in Taiwan Stock Exchange starting November 1, 2004.The registered business premise and main operation address is at No. 1245, Chung Hua Rd., Hsinwu District, Taoyuan City, Taiwan 32747.

2. DATE AND PROCEDURE OF AUTHORIZATION FOR FINANCIAL STATEMENTS ISSUANCE

The financial statements of the Company were authorized to be issued in accordance with a resolution of the Board of Directors'meeting held on February 8, 2017.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

(1) Standards or interpretations issued, revised or amended, which are recognized by Financial Supervisory Commission ("FSC"), but not yet adopted by the Group at the date of issuance of the Group's financial statements are listed below:

(a) IAS 36 "Impairment of Assets" (Amendment)

These amendments relate to those issued in May 2011 and require entities to disclose the recoverable amount of an asset (including goodwill) or a cash-generating unit when an impairment loss has been recognized or reversed during the period. The amendments also require detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognized or reversed, including valuation techniques used, level of fair value hierarchy of assets and key assumptions used in measurement. The amendments are effective for annual periods beginning on or after January 1, 2014.

(b) IFRIC 21 "Levies"

This interpretation provides guidance on when to recognize a liability for a levy imposed by a government (both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain). The interpretation is effective for annual periods beginning on or after January 1, 2014.

(c) IAS 39 “Financial Instruments: Recognition and Measurement” (Amendment)

Under the amendments, there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met. The interpretation is effective for annual periods beginning on or after January 1, 2014.

(d) IAS 19 “Employee Benefits” (Defined benefit plans: employee contributions)

The amendments apply to contributions from employees or third parties to define benefit plans. The objective of the amendments is to provide a policy choice for a simplified accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The amendments are effective for annual periods beginning on or after July 1, 2014.

(e) Improvements to International Financial Reporting Standards (2010-2012 cycle):

IFRS 2 “Share-based Payment”

The annual improvements amend the definitions of 'vesting condition' and 'market condition' and add definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition'). The amendments prospectively apply to share-based payment transactions for which the grant date is on or after July 1, 2014.

IFRS 3 “Business Combinations”

The amendments include: (1) deleting the reference to "other applicable IFRSs" in the classification requirements; (2) deleting the reference to "IAS 37 Provisions, Contingent Liabilities and Contingent Assets or other IFRSs as appropriate", other contingent consideration that is not within the scope of IFRS 9 shall be measured at fair value at each reporting date and changes in fair value shall be recognized in profit or loss; (3) amending the classification requirements of IFRS 9 Financial Instruments to clarify that contingent consideration that is a financial asset or financial liability can only be measured at fair value, with changes in fair value being presented in profit or loss depending on the requirements of IFRS 9. The amendments apply prospectively to business combinations for which the acquisition date is on or after July 1, 2014.

IFRS 8 “Operating Segments”

The amendments require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments. The amendments also clarify that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly. The amendments are effective for annual periods beginning on or after July 1, 2014.

IFRS 13 “Fair Value Measurement”

The amendments to the Basis for Conclusions of IFRS 13 clarify that when deleting paragraph B5.4.12 of IFRS 9 Financial Instruments and paragraph AG79 of IAS 39 Financial Instruments: Recognition and Measurement as consequential amendments from IFRS 13 Fair Value Measurement, the IASB did not intend to change the measurement requirements for short-term receivables and payables.

IAS 16 “Property, Plant and Equipment”

The amendments clarify that when an item of property, plant and equipment is revalued, the accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset. The amendments are effective for annual periods beginning on or after July 1, 2014.

IAS 24 “Related Party Disclosures”

The amendments clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. The amendments are effective for annual periods beginning on or after July 1, 2014.

IAS 38 “Intangible Assets”

The amendments clarify that when an intangible asset is revalued, the accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset. The amendments are effective for annual periods beginning on or after July 1, 2014.

(f) Improvements to International Financial Reporting Standards (2011-2013 cycle):

IFRS 1 “First-time Adoption of International Financial Reporting Standards”

The amendments clarify that an entity, in its first IFRS financial statements, has the choice between applying an existing and currently effective IFRS or applying early a new or revised IFRS that is not yet mandatorily effective, provided that the new or revised IFRS permits early application.

IFRS 3 “Business Combinations”

These amendments clarify that paragraph 2(a) of IFRS 3 Business Combinations excludes the formation of all types of joint arrangements as defined in IFRS 11 Joint Arrangements from the scope of IFRS 3; and the scope exception only applies to the financial statements of the joint venture or the joint operation itself. The amendments are effective for annual periods beginning on or after July 1, 2014.

IFRS 13 “Fair Value Measurement”

The amendments clarify that paragraph 52 of IFRS 13 includes a scope exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis. The objective of the amendments is to clarify that this portfolio exception applies to all contracts within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation. The amendments are effective for annual periods beginning on or after July 1, 2014.

IAS 40 “Investment Property”

The amendments clarify the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property; in determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 Business Combinations and investment property as defined in IAS 40 Investment Property, separate application of both standards independently of each other is required. The amendments are effective for annual periods beginning on or after July 1, 2014.

(g) IFRS 14 “Regulatory Deferral Accounts”

IFRS 14 permits first-time adopters to continue to recognize amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognize such amounts, the Standard requires that the effect of rate regulation must be presented separately from other items. IFRS 14 is effective for annual periods beginning on or after January 1, 2016.

(h) IFRS 11 “Joint Arrangements” (Accounting for Acquisitions of Interests in Joint Operations)

The amendments provide new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments require the entity to apply all of the principles on business combinations accounting in IFRS 3 “Business Combinations”, and other IFRS (that do not conflict with the guidance in IFRS 11), to the extent of its share in a joint operation acquired. The amendments also require certain disclosure. The amendments are effective for annual periods beginning on or after January 1, 2016.

(i) IAS 16 “Property, Plant and Equipment and IAS 38 “Intangible Assets” — Clarification of Acceptable Methods of Depreciation and Amortization

The amendments clarify that the use of revenue-based methods to calculate depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, such as selling activities and change in sales volumes or prices. The amendments also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. The amendments are effective for annual periods beginning on or after January 1, 2016.

(j) IAS 16 “Property, Plant and Equipment and IAS 41 “Agriculture” — Agriculture: Bearer Plants

The IASB decided that bearer plants should be accounted for in the same way as property, plant and equipment in IAS 16 Property, Plant and Equipment, because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, and the produce growing on bearer plants will remain within the scope of IAS 41. The amendments are effective for annual period beginning on or after January 1, 2016.

(k) IAS 27 “Separate Financial Statements” — Equity Method in Separate Financial Statements

The IASB restored the option to use the equity method under IAS 28 for an entity to account for investments in subsidiaries and associates in the entity’s separate financial statements. In 2003, the equity method was removed from the options. These amendments remove the only difference between the separate financial statements prepared in accordance with IFRS and those prepared in accordance with the local regulations in certain jurisdictions. The amendments are effective for annual periods beginning on or after January 1, 2016.

(l) Improvements to International Financial Reporting Standards (2012-2014 cycle):

IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”

The amendments clarify that a change of disposal method of assets (or disposal groups) from disposal through sale or through distribution to owners (or vice versa) should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. The amendments also require identical accounting treatment for an asset (or disposal group) that ceases to be classified as held for sale or as held for distribution to owners. The amendments are effective for annual periods beginning on or after January 1, 2016.

IFRS 7 “Financial Instruments: Disclosures”

The amendments clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset and therefore the disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety under IFRS 7 Financial Instruments: Disclosures is required. The amendments also clarify that whether the IFRS 7 disclosure related to the offsetting of financial assets and financial liabilities are required to be included in the condensed interim financial report would depend on the requirements under IAS 34 Interim Financial Reporting. The amendments are effective for annual periods beginning on or after January 1, 2016.

IAS 19 “Employee Benefits”

The amendments clarify the requirement under IAS 19.83, that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. The amendments are effective for annual periods beginning on or after January 1, 2016.

IAS 34 “Interim Financial Reporting”

The amendments clarify what is meant by “elsewhere in the interim financial report” under IAS 34; the amendments state that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. The amendments are effective for annual periods beginning on or after January 1, 2016.

(m) Disclosure Initiative — Amendment to IAS 1 “Presentation of Financial Statements”:

The amendments contain (1) clarifying that an entity must not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. The amendments reemphasize that, when a standard requires a specific disclosure, the information must be assessed to determine whether it is material and, consequently, whether presentation or disclosure of that information is warranted, (2) clarifying that specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated, and how an entity shall present additional subtotals, (3) clarifying that entities have flexibility as to the order in which they present the notes to financial statements, but also emphasize that understandability and comparability should be considered by an entity when deciding on that order, (4) removing the examples of the income taxes accounting policy and the foreign currency accounting policy, as these were considered unhelpful in illustrating what significant accounting policies could be, and (5) clarifying that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, classified between those items that will or will not be subsequently reclassified to profit or loss. The amendments are effective for annual periods beginning on or after January 1, 2016.

(n) IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities”, and IAS 28“Investments in Associates and Joint Ventures” — Investment Entities: Applying the Consolidation Exception

The amendments contain (1) clarifying that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity when the investment entity measures all of its subsidiary at fair value, (2) clarifying that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated when all other subsidiaries of an investment entity are measured at fair value, and (3) allowing the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. The amendments are effective for annual periods beginning on or after January 1, 2016.

The abovementioned standards and interpretations issued by IASB and recognized by FSC are applicable for annual periods beginning on or after January 1, 2017. The Company assesses that there will be no significant impact on the Campany’s financial statements then.

(2)Standards or interpretations issued, revised or amended, by IASB but not yet recognized by FSC at the date of issuance of the Company’s financial statements are listed below:

(a) IFRS 15 “Revenue from Contracts with Customers”

The core principle of the new Standard is for companies to recognize revenue to depict the transfer of promised goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The new Standard includes a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The Standard is effective for annual periods beginning on or after January 1, 2018.

(b) IFRS 9 “Financial Instruments”

The IASB has issued the final version of IFRS 9, which combines classification and measurement, the expected credit loss impairment model and hedge accounting. The standard will replace IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9 Financial Instruments (which include standards issued on classification and measurement of financial assets and liabilities and hedge accounting).

Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity’s business model for managing the financial assets and the financial asset’s contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore there is requirement that ‘own credit risk’ adjustments are not recognized in profit or loss.

Impairment: Expected credit loss model is used to evaluate impairment. Entities are required to recognize either 12-month or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

Hedge accounting: Hedge accounting is more closely aligned with risk management activities and hedge effectiveness is measured based on the hedge ratio.

The new standard is effective for annual periods beginning on or after January 1, 2018.

(c) IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

The effective date of the amendments has been postponed indefinitely, but early adoption is allowed.

(d) IFRS 16“Leases”

The new standard requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions). Lessor accounting still uses the dual classification approach: operating lease and finance lease. The Standard is effective for annual periods beginning on or after January 1, 2019.

(e) IAS 12“Income Taxes” — Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify how to account for deferred tax assets for unrealized losses. The amendments are effective for annual periods beginning on or after January 1, 2017.

(f) Disclosure Initiative — Amendment to IAS 7 “Statement of Cash Flows”

The amendments relate to changes in liabilities arising from financing activities and to require a reconciliation of the carrying amount of liabilities at the beginning and end of the period. The amendments are effective for annual periods beginning on or after January 1, 2017.

(g) IFRS 15 “Revenue from Contracts with Customers” — Clarifications to IFRS 15

The amendments clarify how to identify a performance obligation in a contract, determine whether an entity is a principal or an agent, and determine whether the revenue from granting a licence should be recognized at a point in time or over time. The amendments are effective for annual periods beginning on or after January 1, 2018.

(h) IFRS 2 “Shared-Based Payment” — Amendments to IFRS 2

The amendments contain (1) clarifying that vesting conditions (service and non-market performance conditions), upon which satisfaction of a cash-settled share-based payment transaction is conditional, are not taken into account when estimating the fair value of the cash-settled share-based payment at the measurement date. Instead, these are taken into account by adjusting the number of awards included in the measurement of the liability arising from the transaction, (2) clarifying if tax laws or regulations require the employer to withhold a certain amount in order to meet the employee’s tax obligation associated with the share-based payment, such transactions will be classified in their entirety as equity-settled share-based payment transactions if they would have been so classified in the absence of the net share settlement feature, and (3) clarifying that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The equity-settled share-based payment transaction is measured by reference to the fair value of the equity instruments granted at the modification date and is recognised in equity, on the modification date, to the extent to which goods or services have been received. The liability for the cash-settled share-based payment transaction as at the modification date is derecognised on that date. Any difference between the carrying amount of the liability derecognised and the amount recognised in equity on the modification date is recognised immediately in profit or loss. The amendments are effective for annual periods beginning on or after January 1, 2018.

(i) Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts — Amendments to IFRS 4

The amendments help to resolve issues arising from the different effective dates for IFRS 9 “Financial Instruments” (January 1, 2018) and the new insurance contracts standard about to be issued by the IASB (still to be decided, but not before January 1, 2020). The amendments allow entity issuing insurance contracts within the scope of IFRS 4 to mitigate certain effects of applying IFRS 9 “Financial Instruments” before the IASB’s new insurance contracts standard becomes effective. The amendments introduce two approaches: an overlay approach and a temporary exemption. The overlay approach allows an entity applying IFRS 9 to remove from profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before the new insurance contracts standard is applied. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 until 2021 (these entities that defer the application of IFRS 9 will continue to apply IAS 39).

(j) Transfers of Investment Property — Amendments to IAS 40

The amendments relate to the transfers of investment property. The amendments clarify that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use, the entity should transfer property into and out of investment property accordingly. A mere change in management’s intentions for the use of a property does not provide evidence of a change in use. The amendments are effective for annual periods beginning on or after January 1, 2018.

(k) Improvements to International Financial Reporting Standards (2014-2016 cycle):

IFRS 1 “First-time Adoption of International Financial Reporting Standards”

The amendments revise and amend transition requirements relating to certain standards and delete short-term exemptions under Appendix E for first-time adopter. The amendments are effective for annual periods beginning on or after January 1, 2018.

IFRS 12 “Disclosure of Interests in Other Entities”

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity’s interests that are classified as held for sale or discontinued operations. The amendments are effective for annual periods beginning on or after January 1, 2017.

IAS 28 “Investments in Associates and Joint Ventures”

The amendments clarify that when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organisation, or a mutual fund, unit trust and other qualifying entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with IFRS 9 “Financial Instruments” on an investment-by-investment basis. Besides, if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries on an investment-by-investment basis. The amendments are effective for annual periods beginning on or after January 1, 2018.

(l) IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

The interpretation clarifies that when applying paragraphs 21 and 22 of IAS 21 “The Effects of Changes in Foreign Exchange Rates”, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation is effective for annual periods beginning on or after January 1, 2018.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company’s financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Company is still currently determining the potential impact of the standards and interpretations listed under (1) to (2), it is not practicable to estimate their impact on the Company at this point in time. All other standards and interpretations have no material impact on the Company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1)Statement of compliance

The parent-company-only financial statements of the Company for the years ended December 31, 2016 and 2015 were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”).

(2) Basis of preparation

The Company prepared parent-company-only financial statements in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent-company-only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent-company-only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments.

The parent-company-only financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The parent-company-only financial statements are expressed in thousands of New Taiwan Dollars (“NT$”) unless otherwise stated.

(3)Foreign currency transactions

The Company’s parent-company-only financial statements are presented in its functional currency, New Taiwan Dollars (NTD). Items included in the parent-company-only financial statements are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Company at functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

(a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

(b) Foreign currency items within the scope of IAS 39 Financial Instruments: Recognition and Measurement are accounted for based on the accounting policy for financial instruments.

(c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(4) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NTD at the closing rate of exchange prevailing at the reporting date and the income and expenses are translated at an average exchange rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following are accounted for as disposals even if an interest in the foreign operation is retained by the Company: the loss of control over a foreign operation, the loss of significant influence over a foreign operation, or the loss of joint control over a foreign operation.

On partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(5)Current and non-current distinction

An asset is classified as current when:

(a) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
(b) The Company holds the asset primarily for the purpose of trading.
(c) The Company expects to realize the asset within twelve months after the reporting period.
(d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

(a) The Company expects to settle the liability in its normal operating cycle.
(b) The Company holds the liability primarily for the purpose of trading.
(c) The liability is due to be settled within twelve months after the reporting period.
(d) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(6)Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (include fixed-term deposits that have matures of 3 months from the date of acquisition).

(7)Financial instruments

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

Financial assets and financial liabilities within the scope of IAS 39 Financial Instruments: Recognition and Measurement are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A.Financial assets

The Company accounts for regular way purchase or sales of financial assets on the trade date.

Financial assets of the Company are classified as financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables. The Company determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

A financial asset is classified as held for trading if:

i. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;

ii. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

iii. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial asset at fair value through profit or loss; or a financial asset may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

i. it eliminates or significantly reduces a measurement or recognition inconsistency; or

ii. a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss (including those received during the period of initial investment).

If financial assets don’t have quoted prices in an active market and their far value cannot be reliably measured, they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, at the reporting date.

Available-for-sale financial assets

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

Foreign exchange gains and losses and interest calculated using the effective interest method relating to monetary available-for-sale financial assets, or dividends on an available-for-sale equity instrument, are recognized in profit or loss. Subsequent measurement of available-for-sale financial assets at fair value is recognized in equity until the investment is derecognized, at which time the cumulative gain or loss is reclassified to profit or loss.

If equity instrument investments do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company upon initial recognition designates as available-for-sale, classified as at fair value through profit or loss, or those for which the holder may not recover substantially all of its initial investment.

Loans and receivables are separately presented on the balance sheet as receivables or bond investments for which no active market exists. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset other than the financial assets at fair value through profit or loss is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset. The carrying amount of the financial asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss.

A significant or prolonged decline in the fair value of an available-for-sale equity instrument below its cost is considered a loss event.

Other loss events include:

(a)significant financial difficulty of the issuer or obligor; or
(b)breach of contract, such as a default or delinquency in interest or principal payments; or
(c)it becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(d)the disappearance of an active market for that financial asset due to financial difficulties of the issuer.

For held-to-maturity financial assets and loans and receivables measured at amortized cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial asset that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exits for an individually assessed financial asset, whether significant or not, it includes the asset in a Company of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. Interest income is accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

In the case of equity investments classified as available-for-sale, where there is evidence of impairment, the amount recorded for impairment is the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. The impairment amount is reclassified from equity to profit or loss. Impairment losses on equity investments are not reversed through profit or loss. Increases in their fair value after impairment are recognized directly in equity.

In the case of debt instruments classified as available-for-sale, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. Future interest income is based on the reduced carrying amount of assets and calculated using the effective interest rate which is the discount rate for measuring impairment loss. Interest income is recognized in profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

Derecognition of financial assets

A financial asset is derecognized when:

(a)The ights to receive cash flows from the asset have expired
(b)The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred
(c)The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

B.Financial liabilities and equity instruments

Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract of the Company that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

A financial liability is classified as held for trading if:

(a)it is acquired principally for the purpose of selling it in short term;
(b)on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
(c)it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated upon initial recognition as at fair value through profit or loss when doing so results in more relevant information, because either:

(a)it eliminates or significantly reduces measurement or recognition inconsistency; or
(b)a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss, including interests, are recognized in profit or loss.

If financial liabilities at fair value through profit or loss do not have quoted prices in an active market and their far value cannot be reliably measured, they are classified as financial liabilities measured at cost on balance sheet and carried at cost as of the reporting date.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include payables and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Relevant gains or losses and amortization amounts are recognized in profit or loss when the liabilities are derecognized and amortized through the effective interest rate method.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(8)Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(a) In the principal market for the asset or liability, or
(b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(9)Inventories

Inventories are valued at lower of cost or net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials - At actual purchase cost, using weighted average method
Finished goods and work in progress - Including cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity, using weighted average method.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(10)Investments accounted for using the equity method

The Company accounted for its investments in subsidiaries using equity method and made necessary adjustments in accordance with Article 21 of the Regulations. Such adjustments were made after the Company considered the different accounting treatments to account for its investments in subsidiaries in the consolidated financial statements under IFRS 10 "Consolidated Financial Statements" and the different IFRSs adopted from different reporting entity's perspectives, and the Company recorded such adjustments by crediting or debiting to investments accounted for under the equity method, share of profit or loss of subsidiaries, associates and joint ventures and share of other comprehensive income of subsidiaries, associates and joint ventures.

The Company's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence.

Under the equity method, the investment in the associate or joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the Company's related interest in the associate.

When changes in the net assets of an associate or joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Company's percentage of ownership interests in the associate or joint venture, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate on a prorate basis.

When the associate or joint venture issues new stocks, and the Company's interest in an associate is reduced or increased as the Company fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate is recognized in Additional Paid in Capital and Investment in associate. When the interest in the associate is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate or joint venture' in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Company estimates:

(a) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows form the operations of the associate or joint venture and the proceeds on the ultimate disposal of the investment; or
(b) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 *Impairment of Assets*.

Upon loss of significant influence over the associate or jointly controlled entity of joint venture, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or jointly controlled entity and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

(11)Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 “Property, plant and equipment”. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	10 to 25 years
Machinery	4 to 5 years
Transportation	5 years
Office equipment	3 to 5 years
Other equipment	3 to 25 years

An item of property, plant and equipment or any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The property, plant and equipment's residual values, useful lives and methods of depreciation are reviewed at each financial year. If the expected values differ from the estimates, the differences are recorded as a change in accounting estimate.

(12)Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, not meeting the recognition criteria, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit (CGU) level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are recognized in profit or loss.

The Company’s accounting policies for intangible assets are as follows:

	Cost of Computer Software
Useful economic life	1 year
Amortization method	Straight-line method during the contract term
Internally generated or acquired externally	Acquired externally

(13)Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 “Impairment of Assets” may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company would conduct impairment tests at individual or CGU level. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired. An asset’s recoverable amount is the higher of an asset’s net fair value or its value in use.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the recoverable amount of the asset or CGU. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years.

Impairment loss or reversals of continuing operations are recognized in profit or loss.

(14)Treasury Stock

The Company’s own equity instruments repurchased (treasury shares) are recognized at repurchase cost and deducted from equity. Any difference between the carrying amount and the consideration is recognized in equity.

(15)Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. Conditions and methods for the recognition of various types of revenue are listed below:

Sale of goods

Revenue from the sale of goods is recognized when all the following conditions have been satisfied: significant risks and rewards of ownership of the goods have passed to the buyer; neither continuing managerial involvement nor effective control over the goods sold have been retained; the amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to the entity; and the costs incurred in respect of the transaction can be measured reliably.

Interest income

Interest incomes from financial assets at amortized costs (including loans and receivables and held-to-maturity financial assets) and available-for-sale financial assets are estimated using the effective interest method and recognized in profit or loss.

Dividend income

Dividend incomes are recognized only when the Company has the right to receive the dividends.

(16)Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(17)Post-employment benefits

All regular employees of the Company are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company. Therefore, fund assets are not included in the Company's parent-company-only financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions.Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

(a) the date of the plan amendment or curtailment, and
(b) the date that the Company recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted and disclosed for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

(18)Income tax

Income tax expense (benefit) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The 10% income tax for undistributed earnings of the Company is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred income tax

Deferred income tax is a temporary difference between the tax bases of assets and liabilities and their carrying amounts in balance sheet at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

(a) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit (loss);

(b) In respect of taxable temporary differences associated with investments in subsidiaries, and associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, any unused tax losses and carry forward of unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

(a) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

(b) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed and recognized at each reporting date.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that would have a significant risk for a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are discussed below.

(1)Post-employment benefits

The cost of post-employment benefit pension plan and the present value of the defined benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions, including the change in the discount rate and expected salary level. The assumptions used for measuring pension cost and defined benefit obligation are disclosed in Note 6.

(2)Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax benefit and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provision is based on various factors, such as past experience in tax audit and different interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies. As of December 31, 2016, the un-recognized portion of the Company's defferred tax assets was disclosed in Note 6.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1)Cash and cash equivalents

	As of December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Cash and petty cash	200	200
Checkings and savings	2,153,840	2,373,292
Time deposit	7,679,410	8,625,411
Total	9,833,450	10,998,903

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

	As of December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Held for trading:		
Money market fund	2,769,911	3,442,558
Valuation adjustments	69,422	82,184
Total	2,839,333	3,524,742

No financial asset at fair value through profit or loss was pledged as collateral.

(3)Bond investments with no active market

	As of December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Time deposits	423,057	423,057
Current	423,057	423,057

There was no bond investments with no active market pledged as collateral.

(4)Notes receivable

	As of December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Notes receivable – from operations	3,030	1,835
Less: allowance for doubtful accounts	-	-
Net	3,030	1,835

No notes receivable was pledged by the Company as collateral.

(5)Accounts receivable and accounts receivable - related parties, net

A. Accounts receivable, net

	As of December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Accounts receivable, gross	2,589,202	2,968,030
Less: allowance for doubtful accounts	(51,680)	(47,391)
allowance for sales returns and discounts	(24,076)	-
Net of allowances	2,513,446	2,920,639
Accounts receivable - related parties, gross	33,730	21,759
Less: allowance for doubtful accounts	-	-
Net of allowances	33,730	21,759
Total accounts receivable, net	2,547,176	2,942,398

B. The Company estimates the sales returns and discounts based on historical experience and other known reasons, as a reduction of operating income at sale of goods.

C. The Company entered into factoring agreements with banks. Accounts receivables from selected customers are transferred to banks without recourse. Details of the agreed credit limits and accounts receivables transferred as of December 31, 2016 and 2015 were as follows:

	Financial Institution	Accounts receivable de-recognized (NT$'000)	Advance received (NT$'000)	Collateral	Credit Limit
12/31/2016	Mega International Commercial Bank - LanYa Branch	249,402	49,298	None	Note
12/31/2015	Mega International Commercial Bank - LanYa Branch	251,600	-	None	Note

Note: The credit limits were US$30,000 thousand as of December 31, 2016 and 2015.

D. The collection term of accounts receivables are generally on 60 to 120 day after monthly closing. The movement schedule of the impairment provision for accounts receivable, including related parties, was presented as below. (Please also refer to Note 12 for credit risk disclosure)

	Impaired Individually (NT$'000)	Impaired Collectively (NT$'000)	Total (NT$'000)
As of January 1, 2016	-	47,391	47,391
Provision (reversal)	-	4,289	4,289
Effect of exchange rate changes	-	-	-
As of December 31, 2016	-	51,680	51,680
As of January 1, 2015	-	64,570	64,570
Provision (reversal)	-	(17,179)	(17,179)
Effect of exchange rate changes	-	-	-
As of December 31, 2015	-	47,391	47,391

Aging analysis for the net accounts receivable, including related parties, were as follows.

		Accounts receivable – past due, but not impaired				
	Neither past due nor impaired (NT$'000)	Less than 61 days (NT$'000)	61 to 90 days (NT$'000)	91 to 120 days (NT$'000)	Longer than 120 days (NT$'000)	Total (NT$'000)
12/31/2016	2,369,493	177,683	-	-	-	2,547,176
12/31/2015	2,776,357	166,041	-	-	-	2,942,398

(6)Inventory

A. Details of inventory:

	As of December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Raw material	368,051	349,620
Supplies	40,165	40,460
Work in process	523,069	563,882
Finished goods	332,253	336,273
Merchandises	54,720	27,514
Total	1,318,258	1,317,749

B. For the years ended December 31, 2016 and 2015, the Company recognized NT$13,222,128 thousand and NT$12,513,748 thousand under the caption of costs of sale, respectively. The following items were also included in cost.

	For the year ended December 31,	
Item	2016 (NT$'000)	2015 (NT$'000)
Loss from (Gains on recovery of) inventory market decline	(20,268)	(136,990)
Loss (gain) from physical	29,935	(1,853)
Loss in inventory written-off and obselencense	1,366,931	1,191,343
Total	1,376,598	1,052,500

The Company recognized gains on recovery of inventory market decline because some of the inventories previously provided with market loss or obsolescence were disposed.

C. The inventories were not pledged.

(7)Investments Accounted For Under the Equity Method

	As of December 31,			
	2016		2015	
Investee companies	Amount (NT$'000)	Percentage of Ownership	Amount (NT$'000)	Percentage of Ownership
Investments in subsidiaries:				
KINSUS CORP. (USA)	36,663	100.00%	32,462	100.00%
KINSUS HOLDING (SAMOA) LIMITED	2,526,740	100.00%	3,011,949	100.00%
KINSUS INVESTMENT CO., LTD.	1,214,882	100.00%	566,385	100.00%
Total	3,778,285		3,610,796	

A. Investments in subsidiaries

Investments in subsidiaries were present in the parent-company-only financial statements under the caption of investments accounted for under equity method. Valuation adjustment is made if deemed necessary.

B. The Company's investments accounted for under the equity method were not pledged.

(8)Property, plant and equipment

	Land (NT$'000)	Buildings (NT$'000)	Machinery (NT$'000)	Office Equipment (NT$'000)	Transportation (NT$'000)	Other Equipment (NT$'000)	Construction in progress and equipment awaiting inspection (including prepaid equipment) (NT$'000)	Total (NT$'000)
Cost:								
As of 1/1/2016	1,557,800	2,546,735	9,147,835	37,056	4,090	2,304,567	5,061,609	20,659,692
Addition	-	1,940	8,905	5,590	1,805	161,701	3,658,657	3,838,598
Disposals	-	(10,510)	(1,653,554)	(7,231)	(1,355)	(393,889)	-	(2,066,539)
Effect of EXrate	-	-	-	-	-	-	-	-
Reclassification	4,642	1,030,743	2,879,980	850	-	562,702	(4,478,917)	-
As of 2/31/2016	1,562,442	3,568,908	10,383,166	36,265	4,540	2,635,081	4,241,349	22,431,751

As of 1/1/2015	1,366,426	2,472,080	9,676,936	23,626	2,735	2,194,275	2,761,524	18,497,602
Addition	-	-	441	6,121	1,355	58,051	4,296,512	4,362,480
Disposals	-	-	(2,049,861)	-	-	(150,529)	-	(2,200,390)
Effect of EXrate	-	-	-	-	-	-	-	-
Reclassification	191,374	74,655	1,520,319	7,309	-	202,770	(1,996,427)	-
As of 2/31/2015	1,557,800	2,546,735	9,147,835	37,056	4,090	2,304,567	5,061,609	20,659,692
Depreciation and impairment:								
As of 1/1/2016	-	891,996	5,442,776	16,603	1,462	1,545,212	-	7,898,049
Depreciation	-	152,661	1,718,269	11,473	1,003	376,538	-	2,259,944
Impairment loss	-	-	17,100	-	-	-	-	17,100
Disposal	-	(10,510)	(1,417,196)	(7,231)	(418)	(388,957)	-	(1,824,312)
Effect of EXrate	-	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-	-
As of 12/31/2016	-	1,034,147	5,760,949	20,845	2,047	1,532,793	-	8,350,781
As of 1/1/2015	-	766,015	5,925,647	7,992	723	1,444,107	-	8,144,484
Depreciation	-	125,981	1,557,893	8,611	739	260,006	-	1,953,230
Impairme loss	-	-	-	-	-	-	-	-
Disposal	-	-	(2,049,501)	-	-	(150,164)	-	(2,199,665)
Effect of EXrate	-	-	-	-	-	-	-	-
Reclassification	-	-	8,737	-	-	(8,737)	-	-
As of 12/31/2015	-	891,996	5,442,776	16,603	1,462	1,545,212	-	7,898,049
Net carrying amount:								
As of 12/31/2016	1,562,442	2,534,761	4,622,217	15,420	2,493	1,102,288	4,241,349	14,080,970
As of 12/31/2015	1,557,800	1,654,739	3,705,059	20,453	2,628	759,355	5,061,609	12,761,643

A. “ Significant components ” of buildings primarily comprised the main buildings and the facilities, which are depreciated based on their respective useful economic life of 20 to 25 years and 10 to 20 years.

B. Details of property, plant & equipment and prepayment for machinery is as follows:

	As of December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Property, plant and equipment	11,947,782	10,309,220
Prepaid equipment	2,133,188	2,452,423
Total	14,080,970	12,761,643

C. Please refer to Note 8 for details on property, plant and equipment pledged as collaterals.

D. The Company purchased 40 parcels of land with a total area of 36,287.15 square meters. Lands are located at the addresses of No. 1113, 1114, 1438 to 1443,1479,1486 to 1487 at ShiLeiZi Sub-section, ShiLeiZi Section, No. 1044, 1047 to 1049 at QingHua Section, and No. 0001, 697 to 700 and 712 to 726 at RongHua Section, XinFeng Village. Due to regulatory restrictions, land cannot be registered under the Company's name while it has been temporarily registered under the general manager's name and, to secure the Company's right to the land, mortgage registration has been set aside with the Company being the obligee.

(9)Intangible assets

	Computer software (NT$'000)
Cost:	
As of January 1, 2016	24,028
Additions – acquired separately	14,536
Derecognized upon retirement	(26,478)
Effect of exchange rate changes	-
As of December 31, 2016	12,086
As of January 1, 2015	23,080
Additions – acquired separately	24,028
Derecognized upon retirement	(23,080)
Effect of exchange rate changes	-
As of December 31, 2015	24,028

Amortization and Impairment:	
As of January 1, 2016	14,159
Amortization	19,197
Derecognized upon retirement	(26,478)
Effect of exchange rate changes	-
As of December 31, 2016	6,878
As of January 1, 2015	11,153
Amortization	26,086
Derecognized upon retirement	(23,080)
Effect of exchange rate changes	-
As of December 31, 2015	14,159
Carrying amount, net:	
As of December 31, 2016	5,208
As of December 31, 2015	9,869

Amounts of amortization recognized for intangible assets are as follows:

	For the year ended December 31,	
	2016	2015
	(NT$'000)	(NT$'000)
Operating expense	19,197	26,086

(10) Other non-current assets

	As of December 31,	
	2016	2015
	(NT$'000)	(NT$'000)
Refundable deposits	3,838	2,202

(11) Short-term loans

	Interest interval (%)	As of December 31, 2016 (NT$'000)	2015 (NT$'000)
Unsecured bank loans	0.88~1.33	1,277,100	1,831,266

As of December 31, 2016 and 2015, the line of unused short-term loan credit for the Company amounted to NT$5,360,400 thousand and NT$2,907,734 thousand, respectively.

(12) Other payable

	As of December 31, 2016 (NT$'000)	2015 (NT$'000)
Accrued expense	1,744,694	2,007,409
Equipment payable	669,227	1,085,936
Accrued interest	898	1,106
Total	2,414,819	3,094,451

(13) Other current liabilities

	As of December 31, 2016 (NT$'000)	2015 (NT$'000)
Other current liabilities	25,365	28,405
Unearned sales revenue	3,893	3,133
Current portion of long-term loans	295,100	298,051
Total	324,358	329,589

(14) Long-term loans

Debtor	Type of Loan	Maturity	Loan Balance As of 12/31/2016 (NT$'000)	Repayment
Mega International Commercial Bank - LanYa Branch	Credit loan	2018.08.12-2021.09.05	890,300	Note 2、4

Taipei Fubon Commercial Bank - BeiTou Branch	Credit loan	2017.12.15	193,500	Note 3
Total			1,083,800	
Less: current portion			(295,100)	
Non-current portion			788,700	

Debtor	Type of Loan	Maturity	Loan Balance As of 12/31/2015 (NT$'000)	Repayment
Mega International Commercial Bank - LanYa Branch	Secured bank loan	2015.10.27-2016.12.15	48,581	Note 1
Mega International Commercial Bank - LanYa Branch	Credit loan	2015.10.27-2018.08.12	144,430	Note 2
Taipei Fubon Commercial Bank - BeiTou Branch	Credit loan	2017.12.15	393,900	Note 3
Total			586,911	
Less: current portion			(298,051)	
Non-current portion			288,860	

Note 1: A term is defined as every 3 months starting from the initial draw-down date. Grace period is 2 years (8 terms). The interest is repayable in installments of equal amount for 20 terms.

Note 2: Interest shall be paid for the first 12 months from the initial draw-down date. Starting from the 13th month, interest shall be paid monthly with principal repaid every 3 months.

Note 3: One year after the initial draw-down date is considered term one and the following terms are defined as every 6 months since then. The principal and interest are repayable in installments of equal amount for 5 terms.

Note 4: A term is defined as every 3 months starting from the initial draw-down date. Loan period is 5 years. Grace period is 1 year (4 terms). Interest shall be paid monthly with principal repaid every 3months. The rest is repayable in installments of equal amount for 16 terms.

A portion of property, plant and equipment were pledged to Mega International Commercial Bank and Shanghai Commercial & Savings Bank (the first-priority mortgagors) as collaterals for secured bank loans. Please refer to Note 8 for more details.

As of December 31, 2016 and 2015, the interest rate intervals for long-term loans were 1.076% ~1.98% and 1.02%~1.3214%, respectively.

(15) Other non-current liabilities

	As of December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Accrued pension costs	31,009	34,148
Guarantee deposits received	2,000	-
Total	33,009	34,148

(16) Post-employment benefits

Defined contribution plan

The Company adopted a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Expenses under the defined contribution plan for the years ended December 31, 2016 and 2015 are NT$95,057 thousand and NT$93,793 thousand, respectively.

Defined benefits plan

The Company adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contributes an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee.

The fund is operated in a potofolio basis by Goernance Committee on Labor Retirement Fund in accordance with the Rule for Custody and Operating the Labor Retirement Fund. The investment of the Fund may be executed either by the Committee itself or by outsourced other profession institutions with its investment stategy, including both active and passive management, targeting in a medium or longer term. In considering the risks of market, credit and liquidity, the Committee establishes the ceiling of fund investment and control plan, in one hand, to reduce investment risk to an affordable extent and, in the other hand, to achieve the targeted return flexibly. As of December 31, 2016, the Company plans to contribute

NT$4,969 thousand to the funds under its defined benefit scheme during the following fiscal year.

As of December 31, 2016 and 2015, the maturities of the Company's defined benefit plan were expected in 2035 and 2036 and the detail information is listed as below.

	As of December 31,	
Matured in	2016 (NT$'000)	2015 (NT$'000)
Less than one year	13,014	14,162
More than one year but less than five years	17,313	3,038
More than five years	113,555	22,213
Total	143,882	39,413

Pension costs recognized in profit or loss are as follows:

	For the year ended December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Current service costs	189	152
Net interest of defined benefit liability (asset)	683	668
Past service cost	-	-
Settlement	-	-
Total	872	820

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	As of		
	Dec. 31, 2016 (NT$'000)	Dec. 31,2015 (NT$'000)	Jan. 1, 2015 (NT$'000)
Defined benefit obligation	130,404	127,707	116,697
Plan assets at fair value	(99,395)	(93,559)	(87,029)
Other non-current liabilities – net defined benefit liability	31,009	34,148	29,668

Reconciliation of liability (asset) of the defined benefit liability is as follows:

	Present value of defined benefit obligation (NT$'000)	Fair value of plan assets (NT$'000)	Net defined benefit liability(asset) (NT$'000)
1/1/2015	116,697	(87,029)	29,668
Current service cost	152	-	152
Interest cost	2,626	(1,958)	668
Past service cost and settlement	-	-	-
Total	2,778	(1,958)	820
Re-measurment on defined benefit liability/assets:			
Actuarial gain/loss due to change in population statistic assumptions	2,453	-	2,453
Actuarial gian/loss due to change in financial assumptions	6,154	-	6,154
Experience gian/loss	474	(360)	114
Re-measurement on defined benefit assets	-	-	-
Total	9,081	(360)	8,721
Benefits paid	(849)	849	-
Contributions by employer	-	(5,061)	(5,061)
Effect of exchange rate	-	-	-
12/31/2015	127,707	(93,559)	34,148
Current service cost	189	-	189
Interest cost	2,554	(1,871)	683
Pasts service cost and settlement	-	-	-
Total	2,743	(1,871)	872
Re-measurment on defined benefit liability/assets:			
Actuarial gain/loss due to change in population statistic assumptions	(726)	-	(726)
Actuarial gian/loss due to change in financial assumptions	5,073	-	5,073
Experience gian/loss	(4,393)	1,005	(3,388)
Re-measurement on defined benefit assets	-	-	-
Total	(46)	1,005	959
Benefits paid	-	-	-
Contributions by employer	-	(4,970)	(4,970)
Effect of exchange rate	-	-	-
12/31/2016	130,404	(99,395)	31,009

The % of major categories of total plan assets at fair value was as follows:

	Pension plan (%) as of December 31,	
	2016	2015
Cash	100.00%	100.00%

The actuarial assumptions used for the Company's defined benefit plan are shown below:

	As of December 31,	
	2016	2015
Discount rate	1.80%	2.00%
Expected rate of salary increases	3.00%	3.00%

Sensitivity analysis:

	For the year ended December 31,			
	2016 (NT$'000)		2015 (NT$'000)	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increased by 0.5%	-	(12,157)	-	(12,150)
Discount rate decreased by 0.5%	13,692	-	13,746	-
Expected salary level increased by 0.5%	13,454	-	13,534	-
Expected salary level decreased by 0.5%	-	(12,080)	-	(12,095)

For the purpose of sensitivity analysis above, the Company calculated the impact on defined benefit obligation due to a reasonable and feasible change of one singal assumption (i.e. discount rate or expected salary level) with other assumptions remaining equal. Please note that the sensitivity analysis has its limitation due to the co-relation between different actuarial assumptions and the rarity that only one assumption changes at a time. The method used in the analysis is consistent for both current and prior years.

(17) Equity

A. Common shares

As of December 31, 2016 and 2015, the Company's authorized capital and paid-in capital were NT$5,500,000 thousand and NT$4,460,000 thousand, respectively, each share at par value of NT$10, divided into 446,000 thousand shares. Each share represents a voting right and a right to receive dividends.

Treasury stocks brought back by the Company for the purpose of transfer to employee during the period from August 18, 2015 to September 25, 2015 totaled to 550 thousand shares. Please refer to Note 6(17)-C to the financial statements for more details.

B. Capital surplus

	As of December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Additional paid-in capital	5,850,000	5,850,000
Differences between equity purchase price and carrying amount arising from actual acquisition or disposal of subsidiaries	50,925	50,925
All changes in interests in subsidiaries	38,894	38,894
Total	5,939,819	5,939,819

According to Taiwan Company Act, the capital surplus shall not be used except for making good the deficit of the Company. When a company incurs no loss, it may distribute the capital surplus related to the income derived from the issuance of new shares at a premium or income from endowments received by the company up to a certain percentage of paid-in capital. The said capital surplus could be distributed in cash to its shareholders in proportion to the number of shares being held by each of them. Capital surplus related to long-term equity investments cannot be used for any purpose.

C. Treasury stock

Treasury stock amounting to NT$32,885 thousand, divided into 550 thousand shares, was held by the Company as of December 31, 2016 and 2015.

For the year ended December 31, 2016, there was no change in shares of treasury stock. The movement schedule of treasury stock for the year ended December 31, 2015 was as below (in thousand shares).

Purpose of repurchase	Beginning balance	Addition	Decrease	Endingbalance
For the years ended December 31, 2015				
To be transfered to employees	-	550	-	550

According to the Securities and Exchange Law of the R.O.C., the total shares of treasury stock shall not exceed 10% of the Company's issued stock, and the total purchase amount shall not exceed the sum of the retained earnings, additional paid-in capital-premiums and realized additional paid-in capital. As such, the ceiling number of shares of treasury stock that the Company could hold as of December 31, 2016 were 44,600 thousand shares, with the maximum payments of NT$24,353,389 thousand.

In compliance with Securities and Exchange Law of the R.O.C., treasury stock should not be pledged, nor should it be entitled to voting rights or receiving dividends.

D. Appropriation of earnings and dividend policies

(a) Earning distribution

The Company's earnings in current year, if any, shall firstly be made to pay all taxes and dues and then to offset prior year's operation losses. 10% of the remaining amount shall be set aside as legal reserve and special reserve shall be provided pursuant to Article 41 of the Securities and Exchange Act. Any remaining earnings after the said deductions shall be appropriated as follows:

a. 1% as remuneration to directors
b. Bonues to employees cannot be less than 1% of the total bonus to employees and shareholders. Bonus to employees can be distributed in cash or stocks. The parties receiving the stock dividends shall include employees in affiliated companies who met certain conditions stipulated by the Board of Directors.
c. The Board of Directors would propose an earning distribution plan based on the remaining balance combined with the undistributed earnings accumulated during previous years to be resolved at the shareholders' meeting.

However, according to the addition of Article 235-1 of the Company Act announced on May 20, 2015, the Company shall provide a fixed amount or percentage of the actual profit for a year to be distributed as "employees' compensation". The Company's shareholders' meeting held on May 27, 2016 passed the resolution of amending the Articles of Incorporation, according to the revised Articles of Incorporations, current year's earnings, if any, shall be distributed in the following order:

a. Payment of all taxes and dues;
b. Offset prior years' operation losses;
c. Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
d. Set aside or reverse special reserve in accordance with law and regulations; and

e. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

(b) Dividend policies

The Company is in an industry with versatile environment. For long-term finance planning requirements and to meet the shareholders' demand for cash, dividend policy aims for a steady balance. Cash dividends distributed each year cannot be less than 10% of the total dividends paid.

(c) Legal reserve

According to the Company Act, legal reserve shall be set aside until such amount equal total authorized capital. Legal reserve can be used to offset deficits. If the Company does not incur any loss, the portion of legal reserve exceeding 25% of the paid-in capital may be distributed to shareholders by issuing new shares or by cash in proportion to the number of shares held by each shareholder.

(d) Special reserve

Following the adoption of Taiwan IFRS, the Company complies with Order No. Jin-Guan-Zheng-Fa 1010012865 issued by FSC on April 6, 2012. On the Company's first-time adoption of the Taiwan IFRS, for any unrealized revaluation gains and cumulative translation adjustments recorded under shareholders' equity that the Company elects to transfer to retained earnings by application of the exemption under IFRS 1, an equal amount of special capital reserve shall be set aside. After the adoption of Taiwan IFRS for the preparation of financial statements, the Company shall set aside supplemental special reserve based on the difference between the amount already set aside according to the requirements in the preceding point and other net deductions from shareholders' equity when appropriating distributable earnings. For any subsequent reversal of other net deductions from shareholders' equity, the amount reserved may be distributed as earnings.

The Company did not incur any special reserve upon the first-time adoption of Taiwan IFRS.

(e) The appropriations of earnings for the Year 2016 and 2015 were approved through the Board of Directors' meetings and shareholders' meetings held on February 8, 2017 and May 27, 2016, respectively. The details of the distributions are as follows:

	Appropriation of earnings		Dividend per share (in NT$)	
	2016 (NT$'000)	2015 (NT$'000)	2016	2015
Legal reserve	223,370	290,395		
Cash dividend	1,336,350	1,559,075	3.00	3.50
Total	1,559,720	1,849,470		

Please refer to Note 6(19) for details on employees' compensation and remuneration to directors and supervisors.

(18) Sale

	For the year ended December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Sale of goods	17,849,275	17,812,750
Less: sales returns and allowances	(318,624)	(344,226)
Services revenue	157,707	190,589
Other operating revenue	243,492	168,138
Total	17,931,850	17,827,251

(19) Summary statement of employee benefits, depreciation and amortization by function is as follows:

Function / Nature	2016 (NT$'000)			2015 (NT$'000)		
	Cost of goods sold	Operating expense	Total	Cost of goods sold	Operating expense	Total
Employee benefit						
Salaries & wages	2,054,934	548,028	2,602,962	2,173,729	589,420	2,763,149
Labor and health insurance	168,255	47,653	215,908	171,635	44,402	216,037
Pension	72,220	23,709	95,929	73,253	21,360	94,613
Other employee benefit	104,705	29,542	134,247	93,204	22,096	115,300
Depreciation	2,029,919	230,025	2,259,944	1,851,526	101,704	1,953,230
Amortization	-	19,197	19,197	-	26,086	26,086

Note: The headcounts of the Company amounted to 3,684 and 3,801 respectively on December 31, 2016 and 2015.

A resolution was passed at the shareholders’ meeting of the Company held on May 27, 2016 to amend the Articles of Incorporation of the Company. According to the resolution, not lower than 10% of profit of the current year is distributable as employees’ compensation and no higher than 1% of profit of the current year is distributable as remuneration to directors and supervisors. However, the company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees’ compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders’ meeting. Information on the Board of Directors’ resolution regarding the employees’ compensation and remuneration to directors and supervisors can be obtained from the “Market Observation Post System” on the website of the TWSE.

Based on profit of the year ended December 31, 2016, the Company estimated the amounts of the employees’ compensation and remuneration to directors and supervisors for the year ended December 31, 2016 to be not lower than 10% and not higher than 1% of profit of the current year, respectively, recognized as employee benefits expense. As such, employees’ compensation and remuneration to directors and supervisors for the year ended December 31, 2016 amount to NT$343,533 thousand and NT$20,911 thousand, respectively. The Company estimated the amounts of the employees’ compensation and remuneration to directors and supervisors for the year ended December 31, 2015 to be NT$442,444 thousand and NT$26,026 thousand, respectively. The aforementioned employees’ compensation and remuneration to directors and supervisors for the years ended December 31, 2016 and 2015 were estimated based on post-tax net income of the period and recognized as salaries expense. The number of stocks distributed as employees’ compensation was calculated based on the closing price one day earlier than the date of shareholders’ meeting. For example, if there was different between the estimated amount and the actual distribution of the employee bonuses and remuneration to directors and supervisors, it will recognize in profit or loss to next year.

The Company’s Board has determined the employees’ compensation and directors’ renumeration, all in cash, to be NT$343,533 thousand and NT$20,911 thousand, respectively, in a meeting held on February 8, 2017.

No material differences exist between the estimated amount and the actual distribution of the employee bonuses and remuneration to directors and supervisors for the year ended December 31, 2016.

The Company’s Board has determined the employees’ compensation and directors’ renumeration, all in cash, to be NT$442,444 thousand and NT$26,026 thousand, respectively, in a meeting held on February 1, 2016.

No material differences exist between the estimated amount and the actual distribution of the employee bonuses and remuneration to directors and supervisors for the year ended December 31, 2015.

(20) Non-operating incomes and expenses

A. Other incomes

	For the year ended December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Interest income	62,885	76,970
Gain on reversal of bad debts	-	17,179
Other income－others	92,300	24,431
Total	155,185	118,580

B. Other gains and losses

	For the year ended December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Gain (loss) from disposal of property, plant and equipment	(451)	(720)
Foreign exchange gains, net	18,374	14,237
Financial assets at fair value through profit	(12,762)	24,447
Gain from disposal of investment	22,921	30,845
Impairment loss on property, plant and equipment	(17,100)	-
Other expenses	(2,591)	(2,377)
Total	8,391	66,432

C. Finance costs

	For the year ended December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Interests due to bank loans	27,776	21,360

(21) Components of other comprehensive income (OCI)

For the year ended December 31, 2016

	Arising during the period (NT$'000)	Reclassification during the period (NT$'000)	Subtotal (NT$'000)	Income tax benefit (expense) (NT$'000)	OCI, Net of tax (NT$'000)
Not reclassified to profit or loss:					
Actuarial gains or losses on defined benefits plan	(959)	-	(959)	-	(959)
To be reclassified to profit or loss in subsequent period:					
Exchange differences arising on translation of foreign operations	(234,931)	-	(234,931)	39,834	(195,097)
Total OCI	(235,890)	-	(235,890)	39,834	(196,056)

For the year ended December 31, 2015

	Arising during the period (NT$'000)	Reclassification during the period (NT$'000)	Subtotal (NT$'000)	Income tax benefit (expense) (NT$'000)	OCI, Net of tax (NT$'000)
Not reclassified to profit or loss:					
Actuarial gains or losses on defined benefits plan	(8,721)	-	(8,721)	-	(8,721)
To be reclassified to profit or loss in subsequent period:					
Exchange differences arising on translation of foreign operations	(72,922)	-	(72,922)	12,397	(60,525)
Unrealized valuation gain (loss) on available-for-sale financial assets	6,151	(30,845)	(24,694)	-	(24,694)
Total OCI	(75,492)	(30,845)	(106,337)	12,397	(93,940)

(22) Income tax

A. The major components of income tax expense (income) are as follows:

Income tax expense (benefit) recognized in profit or loss

	For the year ended December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Current income tax expense (benefit):		
Current income tax expense	564,778	658,713
Reversal of uncertain tax position upon finalization	(170,902)	(213,398)
Deferred tax expense (benefit):		
Deferred tax expense (benefit) relating to origination and reversal of temporary differences	351	(1,765)
Total income tax expense	394,227	443,550

B. Income tax recognized in other comprehensive income

	For the year ended December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Deferred tax expense (benefit):		
Exchange differences arising on translation of foreign operations	(39,834)	(12,397)

C. A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the year ended December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Accounting profit (loss) before tax from continuing operations	2,627,932	3,347,502
Tax payable at the enacted tax rates	446,748	569,075
10% surtax on undistributed earnings	104,576	148,730
Tax effect of income tax-exempted	(29,413)	(101,893)

Tax effect of expenses not deductible for tax purposes	-	404
Tax effect of deferred tax assets/liabilities	43,218	40,632
Reversal of uncertain tax position upon finalization	(170,902)	(213,398)
Total income tax recognized in profit or loss	394,227	443,550

D. Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2016

	Beginning balance as of January 1, 2016 (NT$'000)	Deferred tax income (expense) recognized in profit or loss (NT$'000)	Deferred tax income (expense) recognized in other comprehensive income (NT$'000)	Deferred tax income (expense) recognized in equity (NT$'000)	Increase from business acquisition (NT$'000)	Exchange adjustments (NT$'000)	Ending balance as of December 31, 2016 (NT$'000)
Temporary differences							
Prepaid appreciation tax on agricultural land	9,593	-	-	-	-	-	9,593
Unrealized exchange loss (gain)	-	(351)	-	-	-	-	(351)
Cumulative translation adjustment	(39,834)	-	39,834	-	-	-	-
Deferred tax income/ (expense)		(351)	39,834	-	-	-	
Net deferred tax assets/(liabilities)	(30,241)						9,242
Reflected in balance sheet as follows:							
Deferred tax assets	9,593						9,593
Deferred tax liabilities	(39,834)						(351)

For the year ended December 31, 2015

	Beginning balance as of January 1, 2015 (NT$'000)	Deferred tax income (expense) recognized in profit or loss (NT$'000)	Deferred tax income (expense) recognized in other comprehensive income (NT$'000)	Deferred tax income (expense) recognized in equity (NT$'000)	Increase from business acquisition (NT$'000)	Exchange adjustments (NT$'000)	Ending balance as of December 31, 2015 (NT$'000)
Temporary differences							
Prepaid appreciation tax on agricultural land	-	9,593	-	-	-	-	9,593
Unrealized exchange loss (gain)	(1,765)	1,765	-	-	-	-	-
Cumulative translation adjustment	(52,231)	-	12,397	-	-	-	(39,834)
Deferred tax income/ (expense)		11,358	12,397	-	-	-	
Net deferred tax assets/(liabilities)	(53,996)						(30,241)
Reflected in balance sheet as follows:							
Deferred tax assets	-						9,593
Deferred tax liabilities	(53,996)						(39,834)

E. Unrecognized deferred tax assets

As of December 31, 2016 and 2015, deferred tax assets that have not been recognized as they may not be used to offset future taxable income amounted to NT$520,599 thousand and NT$447,381 thousand, respectively.

F. The Company's investments and capital additions are qualified as the investment on manufacture or technology service industry during the period from July 1, 2008 to December 31, 2009 and, therefore, entitled to a 5-year tax-exmpted holiday. The details of tax holiday enjoyed by the Company are listed as below.

Item	Approval authority	Approval document	Exemption period
1	Ministry of Economic Affairs	No. 10005112010 issued at Aug. 25, 2011	2013.01.01~2017.12.31

G. Imputation credit information

	As of December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Balances of imputation credit	2,140,790	1,942,384

The Company's expected/actual creditable ratio for 2016 and 2015 were 16.09% and 14.50%. However, effective January 1, 2015, the creditable ratio for the individual shareholders residing in the Republic of China will be half of the original creditable ratio according to the revised Article 66-6 of the Income Tax Law.

As of December 31, 2016, the Company did not have unappropriated earnings resulted in the years of 1997 and before.

H. The status of assessment of income tax return

	The assessment of income tax returns
The Company	Assessed and approved up to 2013

(23) Earnings per share

Basic earnings per share is calculated by dividing net profit for the year attributable to the common shareholders of the parent entity by the weighted average number of common shares outstanding during the year.

Diluted earnings per share are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting any influences) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

A. Basic earnings per share

	For the year ended December 31,	
	2016	2015
Net income available to common shareholders of the parent (NT$'000)	2,233,705	2,903,952
Weighted average number of common shares outstanding (in thousand shares)	445,450	445,822
Basic earnings per share (in NT$)	5.01	6.51

B. Diluted earnings per share

	For the year ended December 31	
	2016	2015
Net income available to common shareholders of the parent (NT$'000)	2,233,705	2,903,952
Net income available to common shareholders of the parent after dilution (NT$'000)	2,233,705	2,903,952
Weighted average number of common shares outstanding (in thousand shares)	445,450	445,822
Effect of dilution:		
Employee bonus (compensation) – stock (in thousand shares)	5,383	9,611
Weighted average number of common shares outstanding after dilution (in thousand shares)	450,833	455,433
Diluted earnings per share (in NT$)	4.95	6.38

No other transactions that would significantly change the outstanding common shares or potential common shares incurred during the period subsequent to reporting date and up to the approval date of financial statements.

7. RELATED PARTY TRANSACTIONS

(1)Significant transactions with related parties

A. Sales to

	For the year ended December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Subsidiaries	9,323	6,822
Other related parties	53,438	62,426
Total	62,761	69,248

Selling prices and collection terms to related parties are similar to those to third party customers for the years ended December 31, 2016 and 2015. The collection terms are 30 to 60 days from the end of delivery month by telegraphic transfer.

B. Purchases

	For the year ended December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Subsidiaries	2,021,720	1,845,144
Other related parties	15,870	-
Total	2,037,590	1,845,144

The product specification of goods purchased from related parties in the year ended December 31, 2016 and 2015, differed from those purchased from other vendors. Thus, transaction prices are not comparable. The payment terms for related parties and non-related parties are 30 to 120 days from the end of delivery month by telegraphic transfer.

C. Accounts receivable - related parties

	As of December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Other related parties	33,730	21,759
Less: allowance for doubtful accounts	-	-
Net	33,730	21,759

D. Account payable- related parties

	As of December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Subsidiaries	191,819	428,877
Other related parties	16,058	-
Total	207,877	428,877

E. The Company recognized commission expenses amounting to NT$40,806 thousand and NT$40,798 thousand, respectively, for the years ended December 31, 2016 and 2015 due to delegating its subsidiaries for marketing.

F. For the years ended December 31, 2016 and 2015, the Company recognized travelling of NT$134 thousand and NT$64 thousand, respectively, for commissioning subsidiaries to handle travelling logistics.

For the years ended December 31, 2016 and 2015, the Company recognized travelling of NT$34 thousand and NT$185 thousand, respectively, for commissioning other related parties to handle travelling logistics.

G. The Company's subcontracting fees to its subsidiaries amounted to NT$6,470 thousand and NT$15,350 thousand, respectively, for the years ended December 31, 2016 and 2015.

H. The Company charged its subsidiaries for providing technology support in amount of NT$6,930 thousand and NT$3,253 thousand, recorded under the caption of other non-operating incomes, for the years ended December 31, 2016 and 2015, respectively.

I. For the years ended December 31, 2016 and 2015, the Company recognized operating expenses of NT$1,877 thousand and NT$2,968 thousand, respectively, for services provided by other related parties.

Moreover, the years ended December 31, 2015, the Company recognized operating expenses of NT$188 thousand, respectively, for services provided by the Parent.

J. The Company recognized other incomes in amount of NT$15,831 thousand and NT$16,096 thousand for the years ended December 31, 2016 and 2015, respectively, due to selling tools and spare parts to its subsidiaries.

The Company recognized other incomes in amount of NT$41,930 thousand for the years ended December 31, 2016, respectively, due to selling tools and spare parts to its related parties.

K. The Company provided bank loan garranty in total of NT$2,921,850 thousand for its subsidiaries as of December 31, 2016. The garranty amount is of contingency and not recognized at the balance sheets and the statements of comprehensive incomes yet.

L. Salaries and rewards to key management of the Company

	For the year ended December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Short-term employee benefits	96,019	86,728
Post-employee benefits	810	819
Total	96,829	87,547

M. Other receivables

	As of December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Subsidiaries	8,136	7,489
Other related parties	305,891	-
Total	314,027	7,489

N. Accrued expenses

	As of December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Parent company	-	69
Subsidiaries	4,605	4,431
Other related parties	-	42
Total	4,605	4,542

O. Transaction of asset

The Company did not conduct any transactions related to property, plant and equipment with related parties during the year ended December 31, 2015. For 2016, it is shown at the following table.

Type of Assets	Related Parties	Book Value (NT$'000)	Selling price (NT$'000)	Gain (NT$'000)	Price reference
For the year ended December 31, 2016					
Machinery	Other related parties	241,776	241,776	-	Negotiated

8. PLEDGED ASSETS

The following assets of the Company are pledged as collaterals:

Item	Carrying Amount As of December 31, 2016 (NT$'000)	Carrying Amount As of December 31, 2015 (NT$'000)	Purpose
Property, plant and equipment - machinery (carrying amount)	Note	-	Long-term secured loans

Note l: The Company has sent an application for cancellation of secured transaction for movable properties on December 30, 2016 and received a letter of approval for cancellation of registration on January 4, 2017.

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) The Company's unused letters of credit (LC) as of December 31, 2016 were as follows:

Currency	LC Amount (in thousand)		Security (in thousand)
JPY	JPY	1,449,732	-
USD	USD	7,893	-
EURO	EUR	53	-

(2) Detail of significant constructions in progress and outstanding contracts of property, plant and equipment as of December 31, 2016 was as follow:

Nature of Contract	Contract Amount (NT$'000)	Amount Paid (NT$'000)	Outstanding Balance (NT$'000)
Machinery and contruction contracts	3,585,623	2,940,999	644,624

(3) The Company provided bank loan garranty in total of NT$2,921,850 thousand for its subsidiariesas as of December 31, 2016. The garranty amount is of contingency and not recognized at the balance sheets and the statements of comprehensive incomes yet.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENT

None.

12. OTHERS

(1) Categories of financial instruments

Financial assets

	As of December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Financial assets at fair value through profit or loss:		
Held for trading	2,839,333	3,524,742
Loans and receivable		
Cash and cash equivalents (excluding cash on hand)	9,833,250	10,998,703
Bond investments with no active market	423,057	423,057
Notes receivable	3,030	1,835
Accounts receivable	2,513,446	2,920,639
Accounts receivable - related parties	33,730	21,759
Other receivable	243,431	281,480
Other receivable - related parties	314,027	7,489
Total	16,203,304	18,179,704

Financial liabilities

	As of December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Financial liabilities measured at amortized cost:		
Short-term loans	1,277,100	1,831,266
Payables	3,741,055	4,622,464

Long-term loans (including current portion)	1,083,800	586,911
Total	6,101,955	7,040,641

(2) Objectives and policies of financial risk management

The Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activates. The Company identifies, measures, and manages the aforementioned risks based on its policy and risk preferences.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market risk comprises currency risk, interest rate risk and other price risk (e.g. equity instruments).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables. There are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Company's exposure to foreign currency risk relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign operations.

The Company has certain foreign currency receivables denominated in the same foreign currency as certain foreign currency payables, therefore natural hedge is achieved. Thus, hedge accounting is not adopted.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit (loss) and equity is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rates of US dollars. The sensitivity analysis is as follows:

If NT dollars appreciates/depreciates against US dollars by 1%, the net income (loss) for the years ended December 31, 2016 and 2015would increase/decrease by NT$80 thousand and NT$37 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk relates primarily to the Company's investments with variable interest rates and loans with fixed and variable interest rates, which are all categorized as loans and receivables.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as of the end of the reporting period and presumed to be held for one accounting year, including investments and loans with variable interest rates. If interest rate increases/decreases by 0.1%, the net income (loss) for the years ended December 31, 2016 and 2015 would decrease/increase by NT$207 thousand and decrease/increase by NT$45 thousand, respectively.

(4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract and result in a financial loss. The Company is exposed to credit risk from operating activities (primarily for accounts and notes receivable) and financing activities (primarily for bank deposits and other financial instruments).

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit risk of all customers are assessed based on a comprehensive review of the customers' financial status, credit ratings from credit institutions, past transactions, current economic conditions and the Company's internal credit ratings. The Company also employs some credit enhancement instruments (e.g. prepayment or insurance) to reduce certain customers' credit risk.

As of December 31, 2016 and 2015, receivables from the top ten customers were accounted for 53.32% and 52.06% of the Company's total accounts receivable, respectively. The concentration of credit risk is relatively not significant for the remaining receivables.

Credit risk from balances with banks, fixed-income securities and other financial instruments is managed by the Company's finance division in accordance with the Company's policy. The counterparties that the Company transacts with are determined by internal control procedures. They are banks with fine credit ratings and financial institutions, corporate and government agencies with investment-grade credit ratings. Thus, there is no significant default risk. Conclusively, no significant credit risk is expected by the Company.

(5) Liquidity risk management

The Company maintains financial flexibility through the use of cash and cash equivalents, highly-liquid marketable securities, bank loans, etc. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted interest payment relating to borrowings with variable interest rates is extrapolated based on the estimated yield curve as of the end of the reporting period.

Non-derivative financial instruments

	Less than 1 year (NT$'000)	1 to 2 years (NT$'000)	2 to 3 years (NT$'000)	3 to 4 years (NT$'000)	4 to 5 years (NT$'000)	Total (NT$'000)
As of December 31, 2016						
Loans	1,597,373	247,536	205,918	203,766	151,614	2,406,207
Payables	3,741,055	-	-	-	-	3,741,055
As of December 31, 2015						
Loans	2,152,079	253,258	39,898	-	-	2,445,235
Payables	4,622,464	-	-	-	-	4,622,464

(6) Fair values of financial instruments

A. The evaluation methods and assumptions applied in determining the fair value

Fair value is the price that would be received to sell a financial asset or paid to transfer a financial liability in an orderly transaction between willing market participants (not under coercion or liquidation). The following methods and assumptions are used by the Company in estimating the fair values of financial assets and liabilities:

(a) The carrying amount of cash and cash equivalents, receivables, payables and other current liabilities approximate their fair value due to their short maturity terms.

(b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (e.g. listed stocks and bonds).

(c) Fair value of equity instruments without active markets (including listed companies' shares from private placement, stocks of public companies not traded in an active market and unlisted stocks) are estimated using the market approach. Under the approach, factors, such as the trading prices of comparable equity instruments in an active market, and other relevant informations (i.e. discount due to lack of liquidity, stock price-to-earning ratio (PER) and price-to-book ratio (PBR) of similar companies) are input into the pricing model for its fair value.

B. Fair value of financial instruments measured at amortized cost

The carrying amount of the Company's financial assets and liabilities measure at amortized cost approximates their fair value.

C. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(7) for fair value measurement hierarchy for financial instruments of the Company.

(7) Fair value measurement hierarchy

A. Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

B. Fair value measurement hierarchy of the Company's assets and liabilities

The Company does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Company's assets and liabilities measured at fair value on a recurring basis is as follows:

As of December 31, 2016

	Level 1 (NT$'000)	Level 2 (NT$'000)	Level 3 (NT$'000)	Total (NT$'000)
Financial assets:				
Financial assets at fair value through profit or loss				
Funds	2,839,333	-	-	2,839,333
Financial liabilities:				
None				

As of December 31, 2015

	Level 1 (NT$'000)	Level 2 (NT$'000)	Level 3 (NT$'000)	Total (NT$'000)
Financial assets:				
Financial assets at fair value through profit or loss				
Funds	3,524,742	-	-	3,524,742
Financial liabilities:				
None				

Transfers between Level 1 and Level 2 during the period

For December 31, 2016 and 2015, there were no transfers between Level 1 and Level 2 fair value hierarchy.

(8) Significant financial assets and liabilities denominated in foreign currencies

Information regarding the Company's significant financial assets and liabilities denominated in foreign currencies was listed below: (In Thousands)

	As of December 31,					
	2016			2015		
	Foreign Currencies ($'000)	Exchange Rate	NTD (NT$'000)	Foreign Currencies ($'000)	Exchange Rate	NTD (NT$'000)
Financial assets						
Monetary items:						
USD	72,124	32.25	2,326,014	85,167	32.825	2,795,604
Non-monetary item:						
USD	79,485	32.25	2,563,403	92,747	32.825	3,044,411
Financial liabilities						
Monetary items:						
USD	72,376	32.25	2,334,096	85,281	32.825	2,799,338

The above information is disclosed based on the carrying amount of foreign currency (after being converted to functional currency).

Foreign exchange gains or losses on monetary financial assets and financial liabilities are shown as below.

	For the year ended December 31,	
Foreign currency resulting in exchange gain or loss	2016 (NT$'000)	2015 (NT$'000)
USD	15,758	9,393
Other	2,616	4,845

(9) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages and adjusts its capital structure in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. ADDITIONAL DISCLOSURES

(1) Information on significant transactions

A. Financing provided to others: None.

B. Endorsement/Guarantee provided to others: Please refer to attachment 1.

C. Marketable securities held as of December 31, 2016 (excluding investments in subsidiaries, associates and joint ventures): Please refer to attachment 2.

D. Individual securities acquired or disposed of with accumulated amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2016: Please refer to attachment 3.

E. Acquisition of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2016: Please refer to attachment 4.

F. Disposal of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2016: None.

G. Related party transactions with purchase or sales amount of at least NT$100 million or 20 percent of the paid-in capital for the year ended December 31, 2016: Please refer to attachment 5.

H. Receivables from related parties of at least NT$100 million or 20 percent of the paid-in capital as of Decemer 31, 2016: Please refer to attachment 6.

I. Derivative instrument transactions: None.

(2) Information on investees

A. Investees over whom the Company exercises significant influence or control (excluding investees in Mainland China): Please refer to attachment 7.

B. Investees over which the Company exercises control shall be disclosed of information under Note 13(1):

(a) Financing provided to others: None.

(b) Endorsement/Guarantee provided to others: None.

(c) Marketable securities held as of December 31, 2016 (excluding investments in subsidiaries, associates and joint ventures): Please refer to attachment 8.

(d) Individual securities acquired or disposed of with accumulated amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2016: Please refer to attachment 9.

(e) Acquisition of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2016: None.

(f) Disposal of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2016: None.

(g) Related party transactions with purchase or sales amount of at least NT$100 million or 20 percent of the paid-in capital for the year ended December 31, 2016: Please refer to attachment 10.

(h) Receivables from related parties of at least NT$100 million or 20 percent of the paid-in capital as of December 31, 2016: Please refer to attachment 11.

(i) Derivative instrument transactions: None.

(3) Information on investments in Mainland China:

A. Name of investee in China, main business, paid-in capital, method of investment, investment flows, percentage of ownership, investment gain or loss, carrying amount at the end of reporting period, inward remittance of earning or loss and the upper limit on investment in China:

(In Thousands of New Taiwan Dollars)

Name of Investee in China	Main Business (NT$'000)	Paid-in Capital (NT$'000)	Method of Investment (NT$'000)	Accumulated Outflow of Investment from Taiwan as of January 1, 2016 (NT$'000)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2016 (NT$'000)	Profit/ Loss of Investee (NT$'000)	Percentage of Ownership (Direct or Indirect Investment) (NT$'000)	Share of Profit/Loss (NT$'000)	Carrying Amount as of December 31, 2016 (NT$'000)	Accumulated Inward Remittance of Earnings as of December 31, 2016 (NT$'000)	Accumulated Outflow of Investment from Taiwan to Mainland China as of December 31, 2016 (NT$'000)	Investment Amounts Authorized by Investment Commission, MOEA (NT$'000)	Upper Limit on Investment in China by Investment Commission, MOEA (NT$'000)
					Outflow (NT$'000)	Inflow (NT$'000)									
Kinsus Interconnect Technology Suzhou Corp.	Manufacturing and selling PCB (not high-density fine-line)	2,257,500 (Note 2)	(Note 1)	2,257,500 (Note 2)	-	-	2,257,500 (Note 2)	31,763 (Note 2 and Note 4)	100%	31,763 (Note 2 and Note 4)	1,034,889 (Note 2 and Note 4)	-	2,257,500 (Note 2)	2,257,500 (Note 2)	No upper limit (Note 5)

Piotek Computer (Suzhou) Co., Ltd.	Researching, developing, producing and selling electronic components, PCBs and related products and providing after-sale services	5,376,075 (Note 2)	(Note 1)	3,039,683 (Note 2)	-	-	3,039,683 (Note 2)	(584,054) (Note 2 and Note 4)	51%	(297,868) (Note 2 and Note 4)	2,723,648 (Note 2 and Note 4)	-	3,039,683 (Note 2)	3,039,683 (Note 2)	No upper limit (Note 5)
Xiang-Shuo (Suzhou) Trading Limited	Trading of PCB (not high-density fine-line) and material for related products	64,500 (Note 2)	(Note 1)	64,500 (Note 2)	-	-	64,500 (Note 2)	1,511 (Note 2 and Note 4)	100%	1,511 (Note 2 and Note 4)	65,149 (Note 2 and Note 4)	-	64,500 (Note 2)	64,500 (Note 2)	No upper limit (Note 5)
Pegavision Contact Lenses (Shanghai) Corporation	Selling medical equipment	65,062 (Note 3)	(Note 1)	65,062	-	-	65,062	5,832 (Note 2 and Note 4)	100%	5,832 (Note 2 and Note 4)	46,013 (Note 2 and Note 4)	-	65,062	65,062	735,270 (Note 6)

Note 1: Investment in Mainland China through companies in the third area.

Note 2: Amounts in foreign currencies are translated into New Taiwan dollars using the exchange rates on the balance sheet date.

Note 3: The paid-in capital is USD2,100 thousand, equivalent to NT$65,062 thousand.

Note 4: Gain/loss on investment is recognized based on the audited financial statements of the parent company in Taiwan.

Note 5: The Company meets the conditions of corporate operation headquarter in the Principle of Evaluation for Investment and Technical Cooperation in Mainland China. Thus, there is no upper limit on investment amount.

Note 6: The upper limit on investment for Pegavision Contact Lenses (Shanghai) Corporation is calculated as 60% of the net value of the financial statements audited by recent accountants of Pegavision Corporation.

B. Significant transactions with investees in China:

(a) Purchase and balances of related accounts payable as of December 31, 2016:

	Purchases		Accounts Payable	
	Amount (NT$'000)	% to Net Purchase	Amount (NT$'000)	% to Account Balance
The Company's purchase from Kinsus Interconnect Technology Suzhou	2,006,751	27.33%	191,819	14.95%
The Company's purchase from Piotek Computer (Suzhou) Co., Ltd.	14,969	0.20%	-	-%

The product specification of goods purchased by the Company from Kinsus Interconnect Technology Suzhou Corp. and Piotek Computer (Suzhou) Co., Ltd. in the year ended December 31, 2016 differed from goods purchased from other vendors. Thus, transaction prices are not comparable. Payment term for related parties is 30 to 60 days from the end of delivery month. The payment terms for non-related parties are 30 to 120 days from the end of delivery month by telegraphic transfer.

(b) Sales, the ending balance of related accounts receivable and their weightings:

	Sales		Accounts receivable	
	Amount	% to Net Sales	Amount	% to Account Balance
Sale of Piotek Computer (Suzhou) to Piotek (H.K.) Trading ($'000)	USD18,401	16.67%	USD2,431	8.70%
Sale of Piotek Computer (Suzhou) to Xiang-Shuo (Suzhou) Trading ($'000)	USD2,597	2.35%	USD825	2.95%
Sale of Xiang-Shuo (Suzhou) Trading to Piotek Computer (Suzhou) Trading ($'000)	RMB25,825	54.29%	RMB4,649	44.73%

Sale of Xiang-Shuo (Suzhou) Trading to Kinsus Interconnect Technology Suzhou ($'000)	RMB4,380	9.21%	RMB866	8.33%
Sale of the Company to Xiang-Shuo (Suzhou) Trading(NT$'000)	56	-%	-	-%
Sale of the Company to Kinsus Interconnect Technology Suzhou(NT$'000)	9,267	0.05%	-	-%

The product specification of goods sold between subsidiaries in the year ended December 31, 2016 differed from goods sold to other customers. Thus, transaction prices cannot be reasonably compared. Sales of the Company to Kinsus Interconnect Technology Suzhou Corp. and Xiang-Shuo (Suzhou) Trading Limited have the same product prices as sales to non-related parties. Collection terms are also equivalent to the ones for non-related parties, which is 30 to 60 days from delivery by telegraphic transfer.

(c) Ending balance of endorsements/guarantees or collateral provided and the purposes: Please refer to attachment 1.

(d) Maximum balance, ending balance, interest rate range and total interest for current period from financing provided to others: None.

(e) Transactions that have significant impact on profit or loss of current period or the financial position, such as services provided or rendered:

a. The Company commissioned Kinsus Interconnect Technology (Suzhou) Corp. for processing of NT$6,470 thousand for the year ended December 31, 2016. Payable amounted to NT1,209 thousand as of December 31, 2016.

b. The Company sold fixtures and spare parts to Piotek Computer (Suzhou) Co., Ltd., Kinsus Interconnect Technology Suzhou Corp. Trading Limited and Xiang-Shuo (Suzhou) Trading and recognized other income of NT$15,831 thousand for the year ended December 31, 2016.

c. As of December 31, 2016, the balance of other receivables amounted to NT$1,104 thousand, NT$6,069 thousand and NT$963 thousand, respectively.The other receivable were resulted from the Company's sale of fixtures to Piotek Computer (Suzhou) Co., Ltd., Kinsus Interconnect Technology Suzhou Corp and Xiang-Shuo (Suzhou) Trading Limited.

d. As of December 31, 2016, other receivables of Xiang-Shuo (Suzhou) Trading Limited due to payment and collection on behalf of Piotek Computer (Suzhou) Co., Ltd. amounted to RMB31 thousand.

14. OPERATING SEGMENT INFORMATION

The Company has provided the operating segment disclosure in the consolidated financial statements.

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

Endorsement/Guarantee Provided to Others

For the Year Ended December 31, 2016

Attachment 1

(In Thousands of Foreign Currency / New Taiwan Dollars)

Endorsement/ Guarantee Provider		Guaranteed Party												
No. (Note 1)	Name	Name	Nature of Relationship	Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee secured by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowed	Endorsement provided by parent company to subsidiaries	Endorsement provided by subsidiaries to parent company	Endorsement provided to entities in China
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	Investee accounted for using equity method indirectly	The overall amount of guarantees/ endorsements provided to a subsidiary in which the Company holds directly over 50% (inclusive) of common equity interest shall not exceed 20% of the net worth in the current financial statements. $5,773,942	$3,708,750 (USD 115,000) (Note 2)	$1,935,000 (USD 60,000) (Note 2)	$951,375	$-	6.70%	Shall not exceed 50% of the net worth in the current financial statements. $14,434,855	Y	N	Y
0	Kinsus Interconnect Technology Corp.	Piotek Computer (Suzhou) Co., Ltd.	Investee accounted for using equity method indirectly	The overall amount of guarantees/ endorsements provided to a subsidiary in which the Company holds directly over 50% (inclusive) of common equity interest shall not exceed 20% of the net worth in the current financial statements. $5,773,942	$986,850 (USD 30,600) (Note 2)	$986,850 (USD 30,600) (Note 2)	$400,908	$-	3.42%	Shall not exceed 50% of the net worth in the current financial statements. $14,434,855	Y	N	Y

Note 1: Kinsus Interconnect Technology Corp. is coded "0".

Note 2: Amounts in foreign currencies are converted to New Taiwan Dollars using the exchange rates as of the balance sheet date.

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

Marketable Securities

As of December 31, 2016

Attachment 2

(In Thousands of New Taiwan Dollars)

Name of Held Company	Type and Name of Marketable Securities	Relationship with the Issuer	Financial Statement Account	As of December 31, 2016				Note
				Shares / Units	Carrying Amount	Shareholding %	Fair Value (Note)	
Kinsus Interconnect Technology Corp.	Money market funds:							
	Capital Money Market Fund	-	Financial assets at fair value through profit or loss	32,783,435	$510,667	-%	$523,951	
	Taishin Ta Chong Money Market Fund	-	Financial assets at fair value through profit or loss	18,812,748	255,796	-%	264,712	
	Taishin 1699 Money Market Fund	-	Financial assets at fair value through profit or loss	30,522,218	400,000	-%	408,961	
	FSITC Money Market Fund	-	Financial assets at fair value through profit or loss	1,168,258	200,000	-%	206,443	
	Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss	41,465,474	500,000	-%	514,931	
	Jih Sun Money Market	-	Financial assets at fair value through profit or loss	31,315,952	450,000	-%	459,396	
	Union Money Market Fund	-	Financial assets at fair value through profit or loss	15,838,553	203,448	-%	207,214	
	UPAMC James Bond Fund	-	Financial assets at fair value through profit or loss	15,322,946	250,000	-%	253,725	
	Subtotal				2,769,911		$2,839,333	
	Add: Valuation adjustments of financial assets held for trading				69,422			
	Total				$2,839,333			

Note: Companies without quotes in the open markets are valued at net equities.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp

Marketable Securities Acquired and Disposed of At Costs or Prices of At Least NT$300 Million or 20% of The Paid-In Capital

For the Year Ended December 31, 2016

Attachment 3

(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Carrying Value	Gain/Loss on Disposal	Shares/Units	Amount
Kinsus Interconnect Technology Corp.	Stock: Kinsus Investment Co., Ltd.	Investments accounted for using the equity method	-	-	39,800,000	$398,000	60,200,000	$602,000	-	$-	$-	$-	100,000,000	$1,000,000

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

Acquisition of Individual Real Estate with Amount of at Least NT$300 million or 20% of the Paid-in Capital

For the Year Ended December 31, 2016

Attachment 4

(In Thousands of New Taiwan Dollars)

Acquiring Company	Name of Property	Transaction Date	Transaction Amount	Payment Status	Counter-party	Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose and Use of Acquisition	Other Terms
							Owner	Relationship with the Company	Transfer Date	Amount			
Kinsus Interconnect Technology Corp.	Houses and buildings Construction of XinFeng Plant	2014.02.13 2015.03.24	$2,268,036	NT$ 2,146,042 thousand was paid as of December 31, 2016	Guo-Gong Construction Co., Ltd.	None	None	None	None	None	Bidding	Production expansion and operation planning	None

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

Related Party Transactions with Purchase or Sales Amount of At least NT$100 Million or 20% of the Paid-in Capital

For the Year Ended December 31, 2016

Attachment 5

(In Thousands of New Taiwan Dollars)

			Transaction Details				Abnormal Transaction		Notes/ Accounts Payable or Receivable		
Company Name	Related Party	Nature of Relationship	Purchase/ Sale	Amount	% to Total	Payment/ Collection Term	Unit Price	Payment/ Collection Term	Ending Balance	% to Total	Note
Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	Investee accounted for using equity method indirectly	Purchase	$2,006,751	27.33%	Payment within 30 days from the end of delivery month	Specs of goods purchased are different from others. Cannot be reasonablely compared.	Other vendors also enjoy payment within 30~120 days from the end of delivery month	Accounts payable $(191,819)	(14.95)%	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

Receivables from Related Parties of at Least NT$ 100 Million or 20% of the Paid-in Capital

As of December 31, 2016

Attachment 6

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Ratio	Overdue		Amount Received in	Allowance for Doubtful
					Amount	Action Taken		
Kinsus Interconnect Technology Corp.	FuYang Technology Corp.	Other related parties	$305,891 (Note)	-	$-	-	$-	$-

Note: Other receivable

Kinsus Interconnect Technology Corp.

Investees over Which the Company Exercise Significant Influence or Control Directly or Indirectly (Excluding Investees in Mainland China)

As of December 31, 2016

Attachment 7

(In Thousands of Foreign Currency / New Taiwan Dollars)

Investor	Investee	Business Location	Main Business and Product	Original Investment Amount		Balance as of December 31, 2016			Net Income (Loss) of the Investee	Share of Income (Loss) of the Investee	Note
				As of December 31, 2015	As of December 31, 2016	Shares	%	Carrying Value			
Kinsus Interconnect Technology Corp.	KINSUS CORP. (USA)	CA. U.S.A.	Designing substrates, formulating marketing strategy analysis, developing new customers, researching and development new product technology	USD500	USD500	500,000 shares	100.00%	$36,663	$4,769	$4,769	
Kinsus Interconnect Technology Corp.	KINSUS HOLDING (SAMOA) LIMITED	Samoa	Investing activities	USD166,309	USD166,309	166,308,720 shares	100.00%	$2,526,740	$(256,869)	$(256,869)	
Kinsus Interconnect Technology Corp.	Kinsus Investment Co., Ltd.	Taoyuan City	Investing activities	$398,000 (Note1)	$1,000,000 (Note1)	100,000,000 shares	100.00%	$1,214,882	$52,520	$52,520	
Kinsus Investment Co., Ltd.	Pegavision Corporation	Taoyuan City	Manufacturing medical equipment	$286,418	$286,418	22,088,736 shares	36.81%	$451,144	$186,891	$68,803	
Kinsus Investment Co., Ltd.	FuYang Technology Corp.	Hsinchu County	Electronic Parts and Components Manufacturing	$-	$450,000	45,000,000 shares	36.00%	$432,689	$(35,509)	$(12,783)	
KINSUS HOLDING (SAMOA) LIMITED	KINSUS HOLDING (CAYMAN) LIMITED	Cayman Islands	Investing activities	USD72,000	USD72,000	72,000,000 shares	100.00%	USD 34,110	USD 1,032	USD 1,032	
KINSUS HOLDING (SAMOA) LIMITED	PIOTEK HOLDINGS LTD. (CAYMAN)	Cayman Islands	Investing activities	USD94,309	USD94,309	95,755,000 shares	51.00%	USD 44,239	USD (17,641)	USD (8,997)	
PIOTEK HOLDINGS LTD. (CAYMAN)	PIOTEK HOLDING LIMITED	British Virgin Islands	Investing activities	USD139,841	USD139,841	139,840,790 shares	100.00%	USD 86,743	USD (17,641)	USD (17,641)	
PIOTEK HOLDING LIMITED	PIOTEK (H.K.) TRADING LIMITED	Hong Kong	Trading activities	USD26	USD26	200,000 shares	100.00%	USD 2,261	USD 476	USD 476	
Pegavision Corporation	PEGAVISION HOLDINGS CORPORATION	Samoa	Investing activities	USD2130	USD2,130	2,130,000 shares	100.00%	$35,419	$5,769	$5,769	
Pegavision Corporation	PEGAVISION JAPAN INC.	JAPAN	Selling medical equipment	JPY9,900	JPY 9,900	198 shares	100.00%	$3,102	$354	$354	

Note1 : The Company's original investment in Kinsus Investment Co., Ltd. was NT$500,000 thousand. Kinsus Investment Co., Ltd. reduced capital by NT$102,000 thousand to offset deficits in 2013.
And increased capital by NT$602,000 thousand in 2016. After the increase, investment amount increased to NT$1,000,000 thousand.

Kinsus Interconnect Technology Corp.

Marketable Securities (Excluding Investments in Subsidiaries, Associates and Jointly Controlled Entities)

As of December 31, 2016

Attachment 8

(In Thousands of New Taiwan Dollars)

Name of Held Company	Type and Name of Marketable Securities	Relationship with the Issuer	Financial Statement Account	As of December 31, 2016				Guarantee, Pledge or Other Restricted Conditions		Note
				Shares (Unit)	Carrying Amount	%	Fair Value (Net Equity)	Shares	Carrying Amount	
Kinsus Investment Co., Ltd.	Money market funds:									
	Taishin Ta Chong Money Market Fund	-	Financial assets at fair value through profit or loss	829,070	$11,315	-%	$11,666	-	$-	
	Valuation adjustments of financial assets held for trading				351					
	Total				$11,666					
Kinsus Investment Co., Ltd.	Stocks:									
	Yi-Shuo Creative Co., Ltd.	-	Financial assets carried at cost	5,000,000	$50,000	7.49%	$- (Note)	-	$-	
Pegavision Corporation	Money market funds:									
	Yuanta Wan Tai Money Market Fund	-	Financial assets at fair value through profit or loss	17,879,293	$268,108	-%	$268,381	-	$-	
	Yuanta De-Li Money Market Fund			9,229,182	149,000		149,055			
	Valuation adjustments of financial assets held for trading				328		$417,436			
	Total				$417,436					

Note: No quotes in active markets and fair values cannot be measured reliably.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

Marketable Securities Acquired and Disposed of At Costs or Prices of At Least NT$300 Million or 20% of The Paid-In Capital

For the Year Ended December 31, 2016

Attachment 9

(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Carrying Value	Gain/Loss on Disposal	Shares/Units	Amount
Kinsus Investment Co., Ltd.	Stock: FuYang Technology Corp.	Investments accounted for using the equity method	-	-	-	$-	45,000,000	$450,000	-	$-	$-	$-	45,000,000	$450,000

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

Related Party Transactions with Purchase or Sales Amount of At least NT$100 Million or 20% of the Paid-in Capital

For the Year Ended December 31, 2016

Attachment 10

(In Thousands of US Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details: Purchase/ Sale	Transaction Details: Amount	Transaction Details: % to Total	Transaction Details: Payment/ Collection Term	Abnormal Transaction: Unit Price	Abnormal Transaction: Payment/ Collection Term	Notes/Accounts Payable or Receivable: Ending Balance	Notes/Accounts Payable or Receivable: % to Total	Note
Piotek Computer (Suzhou) Co., Ltd.	Pegatron Corporation	Parent company	Sales	USD 43,213	39.15%	Payment within 60 days from the end of delivery month	Specs of goods sold are different from others. Cannot be reasonably `	No non-related parties to be compared with.	Accounts receivable USD 11,071	39.62%	
Piotek Computer (Suzhou) Co., Ltd.	Piotek (H.K.) Trading Limited	Also a subsidiary under the Company's control	Sales	USD 18,401	16.67%	Payment within 60 days from the end of delivery month	Specs of goods sold are different from others. Cannot be reasonably compared.	No non-related parties to be compared with.	Accounts receivable USD 2,431	8.70%	
Piotek (H.K.) Trading Limited	Piotek Computer (Suzhou) Co., Ltd.	Also a subsidiary under the Company's control	Purchase	USD 18,401	100.00%	Payment within 60 days from the end of delivery month	Specs of goods sold are different from others. Cannot be reasonably compared.	No non-related parties to be compared with.	Accounts payable USD (2,431)	(100.00)%	
Kinsus Interconnect Technology Suzhou Corp.	Kinsus Interconnect Technology Corp.	Parent company	Sales	USD 62,404	100.00%	Payment within 30 days from the end of delivery month	Specs of goods sold are different from others. Cannot be reasonably compared.	No non-related parties to be compared with.	Accounts receivable USD 6,015	100.00%	
Piotek Computer (Suzhou) Co., Ltd.	Xiang-Shuo (Suzhou) Trading Limited	Also a subsidiary under the Company's control	Purchase	USD 3,428	4.90%	Payment within 60 days from the end of delivery month	Specs of goods sold are different from others. Cannot be reasonably	No non-related parties to be compared with.	Accounts payable USD 567	2.41%	
Xiang-Shuo (Suzhou) Trading Limited	Piotek Computer (Suzhou) Co., Ltd.	Also a subsidiary under the Company's control	Sales	USD 3,428	47.81%	Payment within 60 days from the end of delivery month	Specs of goods sold are different from others. Cannot be reasonably compared.	No non-related parties to be compared with.	Accounts receivable USD 670	44.73%	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

Receivables from Related Parties of at Least NT$ 100 Million or 20% of the Paid-in Capital

As of December 31, 2016

Attachment 11

(In Thousands of US Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Ratio	Overdue		Amount Received in Subsequent Periods	Allowance for Doubtful Debts
					Amount	Action Taken		
Piotek Computer (Suzhou) Co., Ltd.	Pegatron Corporation	Parent company	USD 11,071 (Note)	4.80	$-	-	$-	$-
Kinsus Interconnect Technology Suzhou Corp.	Kinsus Interconnect Technology Corp.	Parent company	USD 6,015 (Note)	6.67	$-	-	$-	$-

Note: Accounts receivable

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

1. Statement of Cash and Cash Equivalents

As of December 31, 2016

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Petty cash:		$200	1.Exchange Rate
			USD:NTD= 32.25 : 1
			JPY:NTD= 0.2756 : 1
			GBP:NTD= 39.61 : 1
Savings:			EUR:NTD= 33.9 : 1
Mega International Commercial Bank－LanYa Branch	#00938-6	1,293,892	2.Cash and Cash equivalents
Standard Chartered International Commercial Bank－Tunpei Branch	#00985-8	163,602	were not pledged.
Taishin International Bank－Jianbei Branch	#03812-1	712	
Shanghai Commercial & Saving Bank－ZhongLi Branch	#01581-8	96,563	
Land Bank of Taiwan－ZhongLi Branch	#34180-5	103,964	
Bank Of Taiwan－BeiTou Branch	#110093-5	86,395	
KGI Bank－Sungjiang Branch	#81681-0-2	62,434	
Taipei Fubon Commercial Bank－ZhongLi Branch	#01822-9	16,010	
Taipei Fubon Commercial Bank－BeiTou Branch	#00136-8	12,987	
Taipei Fubon Commercial Bank－BeiTou Branch	#07578-8	135	
Foreign currency bank accounts:			
Mega International Commercial Bank－LanYa Branch	#01566-9	247,762	
Shanghai Commercial & Saving Bank－ZhongLi Branch	#00918-6	2,735	
Taipei Fubon Commercial Bank－BeiTou Branch	#01182-8	63,452	
Bank of Taiwan－BeiTou Branch	#7070888	318	
Standard Chartered International Commercial Bank－Tunpei Branch	#00928-9	501	
HSBC－Taipei Branch	#8997061	2,076	
Taishin International Bank－Jianbei Branch	#01007-8	204	
Land Bank of Taiwan－ZhongLi Branch	#03355-5	98	
Subtotal		2,153,840	
Fixed-term deposits:			
Mega International Commercial Bank－LanYa Branch		4,430,410	
Shanghai Commercial & Saving Bank－ZhongLi Branch		2,639,000	
Bank of Taiwan－BeiTou Branch		210,000	
Land Bank of Taiwan－ZhongLi Branch		200,000	
KGI Bank－Sungjiang Branch		200,000	
Subtotal		7,679,410	
Total		$9,833,450	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

2. Statement of Financial Assets at Fair Value through Profit or Loss

As of December 31, 2016

(In Thousands of New Taiwan Dollars)

Financial Instruments	Shares	Par value(NTD)	Amount	Interest Rates	Acquisition costs	Fair Value		Note
						Unit price(NTD)	Amount	
Money market funds:								
Capital Money Market Fund	32,783,435	-	$510,667	-	$510,667	15.9822	$523,951	
Taishin Ta Chong Money Market Fund	18,812,748	-	255,796	-	255,796	14.0709	264,712	
Taishin 1699 Money Market Fund	30,522,218	-	400,000	-	400,000	13.3988	408,961	
FSITC Money Market Fund	1,168,258	-	200,000	-	200,000	176.7100	206,443	
Mega Diamond Money Market Fund	41,465,474	-	500,000	-	500,000	12.4183	514,931	
Jih Sun Money Market	31,315,952	-	450,000	-	450,000	14.6697	459,396	
Union Money Market Fund	15,838,553	-	203,448	-	203,448	13.0829	207,214	
UPAMC James Bond Fund	15,322,946	-	250,000	-	250,000	16.5585	253,725	
Subtotal			$2,769,911		2,769,911		$2,839,333	
Add: Valuation adjustments of financial assets held for trading					69,422			
Total					$2,839,333			

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

3. Statement of Bond Investment with no Active Market－Current

As of December 31, 2016

(In Thousands of New Taiwan Dollars)

Item	Description	Shares	Par value	Total amount	Interest Rates	Carrying amount	Note
Mega International Commercial Bank－LanYa Branch	Fixed-term deposits	-	-	-	-	$423,057	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

4. Statement of Notes Receivable, net

As of December 31, 2016

(In Thousands of New Taiwan Dollars)

Client Name	Amount	Note
Client A	$2,437	1.Non related parties.
Client B	593	
Subtotal	3,030	
Less: allowance for doubtful accounts	-	
Net	$3,030	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

5. Steatment of Accounts Receivable, net

As of December 31, 2016

(In Thousands of New Taiwan Dollars)

Client Name	Amount	Note
Client A	$425,951	1.The amount of individual client included
Client B	428,361	in others does not exceed 5% of the account balance.
Client C	163,646	2.Non related parties.
Others	1,571,244	
Subtotal	2,589,202	
Less: allowance for sales returns and discounts	(24,076)	
Less: allowance for doubtful accounts	(51,680)	
Net	$2,513,446	

Kinsus Interconnect Technology Corp.

6. Statement of Receivable from Related Parties

As of December 31, 2016

(In Thousands of New Taiwan Dollars)

Related Parties	Amount	Note
AzureWave Technologies Inc.	$265	Sale of goods.
FuYang Technology Corp.	32,319	
AzureWave Technologies (Shanghai) Inc.	1,146	
	$33,730	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

7. Statement of Other Receivables

As of December 31, 2016

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Receivale from sale of accounts receivable	$200,104	
Compensation receivable	7,734	
Receivable from sale of scraps	33,953	
Interest receivable	1,640	
Total	$243,431	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

8. Statement of Other Receivables from Related Parties

As of December 31, 2016

(In Thousands of New Taiwan Dollars)

	Amount	Note
Kinsus Interconnect Technology Suzhou Corp.	$6,069	The other receivable incurred mainly from disposal of fixed assets, tools and spare parts.
Piotek Computer (Suzhou) Co., Ltd.	1,104	
Xiang-Shuo (Suzhou) Trading Limited	963	
FuYang Technology Corp.	305,891	
Total	$314,027	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

9. Statement of Inventories

As of December 31, 2016

(In Thousands of New Taiwan Dollars)

Item	Amount		Note
	Cost	Net Realizable Value	
Raw materials	$409,483	$389,027	1.Inventories are valued at lower of cost or net realizable value item by item.
Supplies & parts	45,041	45,518	
Work in progress	545,529	834,429	
Finished goods	473,807	623,587	2.The insurance coverage for inventories was NT$1,614,253 thousand as of December 31, 2016.
Merchandises	54,921	59,385	
Subtotal	1,528,781	$1,951,946	
Less: allowance for inventory valuation losses	(210,523)		3.Inventories were not pledged.
Net	$1,318,258		

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

10. Statement of Prepayments

As of December 31, 2016

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Supplies Inventory	$28,761	
Prepayment for purchases	353	
Prepaid rents	18,854	
Prepaid insurance	8,528	
Others	17,446	
Total	$73,942	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

11. Statement of Other Current Assets

As of December 31, 2016

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Overpaid VAT	$29,811	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

12. Statement of Changes in Long-term Investment Accounted for Under the Equity Method

For the Year ended December 31, 2016

(In Thousands of New Taiwan Dollars)

	As of January 1, 2016		Additions		Decrease		As of December 31, 2016			Fair Value/Net assets value		Collateral	Note
Investee companies	Shares	Amount	Shares	Amount	Shares	Amount	Shares	%	Amount	Unit price (NTD)	Total amount		
KINSUS CORP. (USA)	500,000	$32,462	-	$4,201 (Note1)	-	$-	500,000	100.00%	$36,663	$73.33	$36,663	None	
KINSUS HOLDING (SAMOA) LIMITED	166,308,720	3,011,949	-	-	-	485,209 (Note2)	166,308,720	100.00%	2,526,740	15.19	2,526,740	None	
KINSUS INVESTMENT CO., LTD.	39,800,000	566,385	60,200,000	648,497 (Note3)	-	-	100,000,000	100.00%	1,214,882	12.15	1,214,882	None	
Total		$3,610,796		$652,698		$485,209			$3,778,285		$3,778,285		

Note1: Including investment gain recognized under equity method amounted to NT$4,769 thousand and foreign currency statements translation adjustments amounted to NT$568 thousand.

Note2: Including investment loss recognized under equity method amounted to NT$256,869 thousand and foreign currency statements translation adjustments amounted to NT$228,340 thousand.

Note3: Including investment gain recognized under equity method amounted to NT$52,520 thousand 、foreign currency statements translation adjustments amounted to NT$6,023 thousand and capital increased to NT$602,000 thousand .

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

13. Statement Of Changes In Property, Plant and Equipment

For the Year ended December 31, 2016

(In Thousands of New Taiwan Dollars)

Item	As of January 1, 2016	Additions	Disposals	Transfer	As of December 31, 2016	Note
Cost						1.Please refer to Note 8 for
Land	$1,557,800	$-	$-	$4,642	$1,562,442	more details on property, plant
Buildings	2,546,735	1,940	(10,510)	1,030,743	3,568,908	and equipment under pledge.
Machinery	9,147,835	8,905	(1,653,554)	2,879,980	10,383,166	2.The insurance coverage for property,
Transportation	4,090	1,805	(1,355)	-	4,540	plant and equipment was NT$21,935,461
Office equipment	37,056	5,590	(7,231)	850	36,265	thousand as of December 31, 2016.
Other equipment	2,304,567	161,701	(393,889)	562,702	2,635,081	
Prepaid equipment	2,452,423	3,115,477	-	(3,434,712)	2,133,188	
Construction in progress	2,609,186	543,180	-	(1,044,205)	2,108,161	
Total	20,659,692	3,838,598	(2,066,539)	-	22,431,751	
Accumulated depreciation						
Buildings	891,996	152,661	(10,510)	-	1,034,147	
Machinery	5,442,776	1,718,269	(1,417,196)	-	5,743,849	
Transportation	1,462	1,003	(418)	-	2,047	
Office equipment	16,603	11,473	(7,231)	-	20,845	
Other equipment	1,545,212	376,538	(388,957)	-	1,532,793	
Total	7,898,049	2,259,944	(1,824,312)	-	8,333,681	
Accumulated Impairment Loss						
Machinery	-	17,100	-	-	17,100	
Subtotal	12,761,643				14,080,970	
Less: Prepaid equipment	2,452,423				2,133,188	
Net	$10,309,220				$11,947,782	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

14. Statement of Changes in Intanbiagle Assets－Cost of Computer Software

For the Year ended December 31, 2016

(In Thousands of New Taiwan Dollars)

Item	As of January 1, 2016	Additions	Decrease	As of December 31, 2016	Note
Cost of computer software	$9,869	$14,536	$(19,197)	$5,208	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

15. Statement of Deferred Tax Assets

As of December 31, 2016

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Prepaid appreciation tax on agricultural land	$9,593	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

16. Statement of Refundable Deposits

As of December 31, 2016

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Land and house leasing deposit	$2,735	
Others	1,103	
Total	$3,838	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

17. Statement of Short-term Loan

As of December 31, 2016

(In Thousands of New Taiwan Dollars)

Description	Type	As of December 31, 2016	Contract Period	Interest Rates	Collateral	Note
Mega International Commercial Bank－LanYa Branch	Credit loans	$180,600	2016.10.19-2017.11.28	Note	None	
HSBC－Taipei Branch	Credit loans	967,500	2014.01.20-2021.01.20	Note	None	
Bank Of Taiwan－BeiTou Branch	Credit loans	129,000	2016.05.17-2017.05.17	Note	None	
		$1,277,100				

Note: As of December 31, 2016, the interest rate intervals for short-term loans were 0.88%~1.33%.

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

18. Statement of Notes Payable

As of December 31, 2016

(In Thousands of New Taiwan Dollars)

Vendor Name	Amount	Note
Mec Taiwan Company Ltd.	$9,575	1.The amount of individual vendor included in others does not exceed 5% of the account balance.
Hsin House International Co., Ltd.	8,758	2. Non related parties.
Chang Chun Petrochemical Co., Ltd.	5,632	
Hotai Car-Leasing Corporation	4,388	
Joint Fair Enterprise Co., Ltd.	3,207	
Nan Ya Plastics Corporation	2,563	
JIH SUN INTERNATIONAL LEASING & FINANCE CO.,LTD.	2,363	
Others	7,012	
Total	$43,498	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

19. Statement of Accounts Payable

As of December 31, 2016

(In Thousands of New Taiwan Dollars)

Vendor Name	Amount	Note
Mitsubishi Corporation	$157,549	1.The amount of individual vendor included in others does not exceed 5% of the account balance.
Taiwan Uyemura Co., Ltd.	98,438	
Hitachi Chemical Co. (Hong Kong) Ltd.	74,724	
Others	744,150	2. Non related parties.
Total	$1,074,861	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

20. Statement of Payables to Related Parties

As of December 31, 2016

(In Thousands of New Taiwan Dollars)

Related Parties	Amount	Note
Kinsus Interconnect Technology Suzhou Corp.	$191,819	Purchase of goods.
FuYang Technology Corp.	16,058	
Total	$207,877	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

21. Statement of Other Payables

As of December 31, 2016

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Employee Bonus	$590,625	The amount of individual vendor included in others does not exceed 5% of the account balance.
Accrued Payroll	482,883	
Accrued Manufacturing Overhead－outsourced	172,208	
Accrued Insurance	42,971	
Accrued Repair And Maintenance Expense	196,908	
Compensation Payable To Directors And Supervisors	20,911	
Accrued Pension Expenses	15,720	
Accrued Commission Expenses	20,938	
Accrued Testing Disposable Expense	52,221	
Accrued Miscellaneous Purchase	20,492	
Accrued Professional Service Fees	17,369	
Accrued Interest Payable	898	
Payables On Equipment	669,227	
Accrued Manufacturing Overhead-outsourced－related parties	1,209	
Accrued Commission Expense－related parties	3,396	
Others	106,843	
Total	$2,414,819	
Payables On Equipment		
Orc Manufacturing Co., Ltd.	$116,272	
Shin Wu Machinery Trading Co., Ltd.	100,737	
Chu Yang Technology Engineering Co., Ltd.	47,688	
Delta Hydropower Engineering Co., Ltd.	47,511	
Xuan-Tong Technology Enterprise Co., Ltd	45,064	
Guo-Gong Construction Co., Ltd.	44,131	
Process Automation Ltd	38,158	
Others	229,666	
Total	$669,227	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

22. Statement of Changes in Current Tax Liablities

For the Year ended December 31, 2016

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Balance as of January 1, 2016	$541,841	
Add: Income tax accrual for 2016	460,202	
10% surtax on 2015 undistributed earnings	104,576	
Less：Income tax payment for 2015	(170,902)	
Prior years' accrued uncertain tax position reversed upon finalization	(195,219)	
Additional tax payment for 2013 due to tax assessment	(5,518)	
Interest withheld	(6,357)	
Interim temporary tax payment	(259,497)	
Balance as of December 31, 2016	$469,126	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

23. Statement of Other Current Liabilities

As of December 31, 2016

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Receipts in advance		The amount of individual vendor included in others does not exceed 5% of the account total.
IMI SOLUTION CO.	$2,934	
SIGNETICS KOREA CO., LTD.	319	
MEMS SOLUTION INC.	309	
Others	331	
Total	3,893	
Other current liabilities		
Temporary receipts	8,771	
Receipts under custody	16,523	
Others	71	
Total	25,365	
Current portion of long-term loans	295,100	
Total other current liabilities	$324,358	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

24. Statement of Long-Term Loans

As of December 31, 2016

(In Thousands of New Taiwan Dollars)

Lenders	Description	Year maturity	Interest Rates	Amount	Reimbursement	Collateral
Mega International Commercial Bank－LanYa Branch	Credit loans	2021.09.05	Note	$800,000	A term is defined as every 3 months starting from the initial draw-down date. Grace period is 1 years (4 terms). The rest is repayable in installments of equal amount for 16 terms.	None
Mega International Commercial Bank－LanYa Branch	Credit loans	2018.08.12	Note	90,300	The first year is the grace period from the initial draw-down date. Starting from the 13th month, interest shall be paid monthly with principal repaid every 3 months.	None
Taipei Fubon Commercial Bank－BeiTou Branch	Credit loans	2017.12.15	Note	193,500	One year after the initial draw-down date is considered term one and the following terms are defined as every 6 months since then. The principal and interest are repayable in installments of equal amount for 5 terms.	None
Total				1,083,800		
Less: Current portion of long-term loans				(295,100)		
Non-current portion of long-term loans				$788,700		

Note：As of December 31, 2016, the interest rate intervals for long-term loans were 1.076% ~1.9800%

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

25. Statement of Deferend Tax Liabilities－Non-Current

As of December 31, 2016

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Exchange differences from unrealized cumulative translation adjustment	$351	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

26. Statement of Changes in Accrued Pension Liabilities

For the Year ended December 31, 2016

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Accrued pension liabilities	$31,009	
Guarantee deposits received	2,000	
Total	$33,009	
As of January 1, 2016	$34,148	
Add: Pension costs	872	
Actuarial gains and losses for the period	959	
Less: Benefits paid to Taiwan bank trust account	(4,970)	
As of December 31, 2016	$31,009	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

27. Statement of Operating Revenues

For the Year ended December 31, 2016

(In Thousands of New Taiwan Dollars)

Item	Quanity	Amount	Note
BGA Substrate	5,226,008 thousands PCS	$15,278,813	
Service revenue		157,707	
Others		2,495,330	
Total net opearating revenues		$17,931,850	

Kinsus Interconnect Technology Corp.

28. Statement of Operating Costs

For the Year ended December 31, 2016

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Direct Materials		
Beginning balance	$385,955	
Add: Raw materials purchased	3,513,312	
Less: Ending balance	(409,483)	
Raw materials sold directly	(221,993)	
Transferred to supplies and parts	(7,404)	
Scrapped	(40,076)	
Shortage	(29,935)	
Transferred to other accounts	(1,039)	
Direct materials used	3,189,337	
Supplies and parts		
Beginning balance	43,677	
Add: Supplies and parts purchased	1,823,096	
Transferred from direct materials	7,404	
Less: Ending balance	(45,041)	
Supplies and parts sold directly	(22,133)	
Scrapped	(6)	
Ransferred to other accounts	(24,605)	
Supplies and parts used	1,782,392	
Direct labor	1,205,273	
Manufacturing overhead (Detailed list 29)	5,380,230	
Manufacturing cost	11,557,232	
Add: Work in process, beginning balance	571,324	
Less: Work in process, ending balance	(545,529)	
Scrapped	(2,732)	
Intermediate goods sold directly	(5,788)	
Transferred from other accounts	(1,626)	
Cost of finished goods	11,572,881	
Add: Finished goods, beginning balance	517,991	
Less: Finished goods, ending balance	(473,807)	
Scrapped	(1,321,489)	
Transferred to other accounts	(435,566)	
Cost of goods sold at normal production level	9,860,010	
Merchandise cost		
Beginning balance	28,693	
Add: Merchandise purchased	2,007,543	
Less: Ending balance	(54,921)	
Scrapped	(2,628)	
Transferred to other accounts	(72)	
Cost of merchandise sold	1,978,615	
Cost of raw materials sold directly	221,993	
Cost of supplies and parts sold directly	22,133	
Cost of intermediate goods sold directly	5,788	
Loss from inventory valuation	(20,268)	
Loss from inventory scrapped	1,366,931	
Gain from inventory physical taking	29,935	
Revenue from sale of scraps	(243,009)	
Total	$13,222,128	

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Kinsus Interconnect Technology Corp.

29. Statement of Manufacting Overhead

For the Year ended December 31, 2016

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Indirect labor	$653,597	
Employee compensation	268,284	
Repair and maintenance	649,091	
Utilities	718,864	
Insurance	194,972	
Manufacturing overhead－outsourced	576,220	
Depreciation	2,029,919	
Meals	104,705	
Employee benefits	44,389	
Professional service fees	33,828	
Employment Security Fee	34,440	
Others	71,921	
Total	$5,380,230	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

30. Statement of Selling

For the Year ended December 31, 2016

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Salaries and wages	$57,408	
Employee compensation	8,389	
Travelling	23,484	
Shipping	21,652	
Depreciation	17	
Meal	3,201	
Sample fee	19,567	
Commission expenses	29,467	
Import fee	14,655	
Others	26,719	
Total	$204,559	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

31. Statement of General and Administrative

For the Year ended December 31, 2016

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
salaries and wages	$216,785	
Employee compensation	34,699	
Remuneration of directors and supervisors	20,911	
Utilities	45,115	
Insurance	24,456	
Taxes and duties	16,147	
Depreciation	193,758	
Amortization	19,197	
Meal	12,461	
Cleaning	39,432	
Repair and maintenance	50,675	
Security	24,733	
Professional fee	13,339	
Miscellaneous purchase	53,510	
Others	94,165	
Total	$859,383	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

32. Statement of Research and Development

For the Year ended December 31, 2016

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Salaries and wages	$201,384	
Employee compensation	32,161	
Insurance	20,371	
Depreciation	36,250	
Meal	11,427	
Materials utilized for testing	472,782	
Testing	159,012	
Others	20,681	
Total	$954,068	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

33. Statement of Non-Operaring Incomes and Expenses

For the Year ended December 31, 2016

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Other incomes			
	Interest income	$62,885	
	Rent revenue	9,446	
	Other income－others	82,854	
Total		$155,185	
Other gains and losses			
	Loss on disposal of property, plant and equipment	$(451)	
	Foreign exchange gains, net	18,374	
	Gain on financial assets at fair value through profit	(12,762)	
	Gain on disposal of investments	22,921	
	Impairment loss on property, plant and equipment	(17,100)	
	Other expenses	(2,591)	
Total		$8,391	
Finance costs			
	Interest on borrowings from banks	$27,776	
Share of profit or loss of subsidiaries, associates and joint ventures			
	Investment losses	$199,580	