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

Ticker: 3189

Kinsus Interconnect Technology Corp. and Subsidiaries
Consolidated Financial Statements
With Review Report of Independent Auditors
As of March 31, 2017 and 2016
And For The Three-month Periods Then Ended

Address: 1245, Chung Hua Rd., Hsinwu District, Taoyuan City, Taiwan 32747
Telephone: (03)487-1919

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.

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

REVIEW REPORT OF INDEPENDENT AUDITORS

To The Board of Directors of
Kinsus Interconnect Technology Corp.

We have reviewed the accompanying consolidated balance sheets of Kinsus Interconnect Technology Corp. and subsidiaries as of March 31, 2017 and 2016, and the related consolidated statements of comprehensive incomes, changes in equity and cash flows for the three-month periods then ended. The preparation of these consolidated financial statements is the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

Except as discussed in the following paragraph, we conducted our reviews in accordance with the Statements of Auditing Standards No. 36, "Review of Financial Statements" of the Republic of China. A review is limited primarily to applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

As disclosed at Note 4.(3), we did not review the financial statements of certain subsidiaries of the Company as of March 31, 2017 and 2016, and for the three-month periods then ended. The total assets of those un-reviewed subsidiaries as of March 31, 2017 and 2016 were NT$2,879,123 thousand and NT$1,904,264 thousand, representing 7.10% and 4.52% of the total consolidated assets, respectively, and the related total liabilities were NT$837,929 thousand and NT$617,665 thousand, representing 8.67% and 5.68% of the total consolidated liabilities, respectively, while the comprehensive incomes for the three-month periods then ended were NT$10,099 thousand and NT$22,206 thousand, representing (6.86)% and 5.73% of total consolidated comprehensive incomes. Also as disclosed at Note 6.(8), the financial statements of the associate investee accounted for under equity method was not reviewed by independent accountants. Long-term investments in the associate investee amounted to NT$387,994 thousand as of March 31, 2017 while the related investment loss and the shares of other comprehensive incomes from the associate for the three-month period then ended amounted to NT$(34,398) thousand and NT$(10,297), respectively. The related information, as disclosed in Note 13 to the consolidated financial statements, with respect to those subsidiaries and the associate accounted for under equity method were not reviewed either.

(To be continued)

(Continued)

Based on our reviews, expect for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to review those financial statements of such subsidiaries as of March 31, 2017 and 2016 and for the three-month periods then ended, and the associate equity investee mentioned in above paragraph as of March 31, 2017 and for the three-month period then ended, we are not aware of any material modifications that should be made to the consolidated financial statements referred to in the first paragraph in order for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting," endorsed by the Financial Supervisory Commission of the Republic of China.

Ernst & Young

Ernst & Young
Taiwan, R.O.C.
April 28th, 2017

<u>*Notices to Readers*</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Consolidated Balance Sheets

As of March 31, 2017, December 31, 2016 and March 31, 2016 (March 31, 2017 and 2016 are reviewed but unaudited)

(Amounts Expressed In Thousands of New Taiwan Dollars)

Assets			As of March 31, 2017		As of December 31, 2016		As of March 31, 2016	
Code	Accounts	Notes	Amount	%	Amount	%	Amount	%
	Current assets							
1100	Cash and cash equivalents	6(1)	$11,756,961	29	$11,212,646	27	$12,282,263	29
1110	Financial assets at fair value through profit or loss	6(2)	2,567,787	6	3,268,435	8	3,603,825	9
1147	Bond investments with no active market	6(3)	423,057	1	423,057	1	428,039	1
1150	Notes receivable, net	6(5)	-	-	3,030	-	68	-
1170	Accounts receivable, net	6(6)	2,684,612	7	3,197,829	8	2,997,619	7
1180	Accounts receivable - related parties	6(6), 7	371,814	1	399,736	1	308,325	1
1200	Other receivables		209,649	1	289,514	1	469,675	1
1210	Other receivables - related parties	7	24,286	-	307,646	1	1,410	-
130x	Inventories, net	6(7)	2,206,161	6	2,258,244	5	2,155,034	5
1410	Prepayments		140,942	-	134,676	-	179,865	1
1470	Other current assets		148,433	-	120,742	-	147,995	-
11xx	Total current assets		20,533,702	51	21,615,555	52	22,574,118	54
	Non-current assets							
1543	Financial assets carried at cost	6(4)	50,000	-	50,000	-	50,000	-
1550	Investment accounted for under equity method	6(8)	387,994	1	432,689	1	-	-
1600	Property, plant and equipment, net	6(9), 8	16,149,464	40	16,578,663	40	15,985,873	38
1780	Intangible assets	6(10)	23,906	-	18,820	-	28,169	-
1840	Deferred income tax assets	4, 6(25)	9,661	-	9,882	-	9,627	-
1900	Other non-current assets	6(11), 7, 8	281,020	-	295,385	1	318,323	1
1915	Prepaid equipment	6(9), 9	3,099,155	8	2,252,721	6	3,130,105	7
15xx	Total non-current assets		20,001,200	49	19,638,160	48	19,522,097	46
1xxx	Total Assets		$40,534,902	100	$41,253,715	100	$42,096,215	100

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Consolidated Balance Sheets-(Continued)

As of March 31, 2017, December 31, 2016 and March 31, 2016 (March 31, 2017 and 2016 are reviewed but unaudited)

(Amounts Expressed In Thousands of New Taiwan Dollars)

Liabilities and Equity			As of March 31, 2017		As of December 31, 2016		As of March 31, 2016	
Code	Accounts	Notes	Amount	%	Amount	%	Amount	%
	Current liabilities							
2100	Short-term loans	6(12)	$1,851,039	5	$2,228,478	6	$2,821,087	7
2150	Notes payable		35,596	-	48,092	-	38,622	-
2170	Accounts payable		1,940,075	5	2,126,485	5	1,719,608	4
2180	Accounts payable - related parties	7	27,574	-	16,059	-	-	-
2200	Other payables	6(13),7	3,158,960	8	3,021,801	7	3,597,851	9
2230	Current income tax liabilities	4, 6(25)	559,048	1	510,591	1	678,008	2
2250	Provisions	6(14)	-	-	-	-	175	-
2300	Other current liabilities	6(15)	685,670	2	688,291	2	640,253	1
21xx	Total current liabilities		8,257,962	21	8,639,797	21	9,495,604	23
	Non-current liabilities							
2540	Long-term loans	6(16), 8	1,322,332	3	1,508,390	4	1,264,164	3
2570	Deferred income tax liabilities	4, 6(25)	-	-	631	-	32,410	-
2600	Other non-current liabilities	6(17)	86,959	-	90,128	-	88,513	-
25xx	Total non-current liabilities		1,409,291	3	1,599,149	4	1,385,087	3
2xxx	Total liabilities		9,667,253	24	10,238,946	25	10,880,691	26
31xx	Equity attributable to shareholders of the parent							
3100	Capital	6(19)						
3110	Common stock		4,460,000	11	4,460,000	11	4,460,000	11
3200	Capital surplus	6(19)	5,939,819	14	5,939,819	14	5,939,819	14
3300	Retained earnings	6(19)						
3310	Legal reserve		3,340,018	8	3,340,018	8	3,049,623	7
3350	Unappropriated earnings		15,299,919	38	15,163,371	37	15,295,221	36
3400	Other components of equity		(149,264)	-	(613)	-	158,239	-
3500	Treasury Stock	6(19)	(32,885)	-	(32,885)	-	(32,885)	-
36xx	Non-controlling interests	6(19)	2,010,042	5	2,145,059	5	2,345,507	6
3xxx	Total equity		30,867,649	76	31,014,769	75	31,215,524	74
	Total liabilities and equity		$40,534,902	100	$41,253,715	100	$42,096,215	100

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Consolidated Statements of Comprehensive Income

For the three-month periods ended March 31, 2017 and 2016 (Reviewed but unaudited)

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

Code	Accounts	Notes	For the 3-month period ended March 31, 2017 Amount	2017 %	2016 Amount	2016 %
4000	Operating revenues	6(20), 7	$4,970,344	100	$5,370,156	100
5000	Operating costs	7	(4,029,809)	(81)	(4,093,705)	(76)
5900	Gross profit		940,535	19	1,276,451	24
6000	Operating expenses	7				
6100	Sales and marketing		(148,160)	(3)	(132,271)	(2)
6200	General and administrative		(367,398)	(7)	(255,664)	(5)
6300	Research and development		(323,775)	(7)	(349,940)	(7)
	Total operating expenses		(839,333)	(17)	(737,875)	(14)
6900	Operating income		101,202	2	538,576	10
7000	Non-operating incomes and expenses					
7010	Other incomes	6(23), 7	73,688	2	53,936	1
7020	Other gains and losses	6(23)	1,263	-	(9,984)	-
7050	Finance costs	6(23)	(17,134)	-	(17,930)	-
7060	Share of profit or loss of associates and joint ventures	6(8)	(34,398)	(1)	-	-
	Total non-operating incomes and expenses		23,419	1	26,022	1
7900	Income before income tax		124,621	3	564,598	11
7950	Income tax expense	4, 6(25)	(49,937)	(1)	(115,881)	(3)
8200	Net income		74,684	2	448,717	8
8300	Other comprehensive income (loss)	6(24)				
8360	Items that may be reclassified subsequently to profit or loss					
8361	Items that may be reclassified subsequently to profit or loss		(211,507)	(4)	(68,418)	(1)
8370	Share of profit or loss of associates and joint ventures		(10,297)	(1)	-	-
8399	Income tax related to items that may be reclassified subsequently to P/L		-	-	7,424	-
	Total other comprehensive income, net of tax		(221,804)	(5)	(60,994)	(1)
8500	Total comprehensive income		$(147,120)	(3)	$387,723	7
8600	Net income (loss) attributable to:					
8610	Shareholders of the parent		$136,548	3	$515,126	10
8620	Non-controlling interests		(61,864)	(1)	(66,409)	(2)
			$74,684	2	$448,717	8
8700	Total comprehensive income (loss) attributable to:					
8710	Shareholders of the parent		$(12,103)	-	$478,881	9
8720	Non-controlling interests		(135,017)	(3)	(91,158)	(2)
			$(147,120)	(3)	$387,723	7
9750	Earnings per share - basic (In NT$)	6(26)	$0.31		$1.16	
9850	Earnings per share - diluted (In NT$)	6(26)	$0.30		$1.14	

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Consolidated Statements of Changes in Equity

For the three-month periods ended March 31, 2017 and 2016 (Reviewed but unaudited)

(Amounts Expressed In Thousands of New Taiwan Dollars)

		Equity Attributable to Shareholders of the Parent								
				Retained Earnings		Others				
		Capital	Capital Surplus	Legal Reserve	Unappropriated Earnings	Exchange differences arising on translation of foreign operations	Treasury Stock	Total	Non-controlling Interests	Total Equity
Code	Items	3100	3200	3310	3350	3410	3500	31XX	36XX	3XXX
A1	Balance as of January 1, 2016	$4,460,000	$5,939,819	$3,049,623	$14,780,095	$194,484	$(32,885)	$28,391,136	$2,436,665	$30,827,801
D1	Net income for the three-month period ended March 31, 2016				515,126			515,126	(66,409)	448,717
D3	Other comprehensive income (loss), net of tax, for the three-month period ended March 31, 2016					(36,245)		(36,245)	(24,749)	(60,994)
D5	Total comprehensive income	-	-	-	515,126	(36,245)	-	478,881	(91,158)	387,723
Z1	Balance as of March 31, 2016	$4,460,000	$5,939,819	$3,049,623	$15,295,221	$158,239	$(32,885)	$28,870,017	$2,345,507	$31,215,524
A1	Balance as of January 1, 2017	$4,460,000	$5,939,819	$3,340,018	$15,163,371	$(613)	$(32,885)	$28,869,710	$2,145,059	$31,014,769
D1	Net income for the three-month period ended March 31, 2017				136,548			136,548	(61,864)	74,684
D3	Other comprehensive income (loss), net of tax, for the three-month period ended March 31, 2017					(148,651)		(148,651)	(73,153)	(221,804)
D5	Total comprehensive income	-	-	-	136,548	(148,651)	-	(12,103)	(135,017)	(147,120)
Z1	Balance as of March 31, 2017	$4,460,000	$5,939,819	$3,340,018	$15,299,919	$(149,264)	$(32,885)	$28,857,607	$2,010,042	$30,867,649

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Consolidated Statements of Cash Flows

For the three-month periods ended March 31, 2017 and 2016 (Reviewed but unaudited)

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	For the 3-month period ended March 31, 2017	For the 3-month period ended March 31, 2016
AAAA	Cash flows from operating activities:		
A10000	Income before income tax	$124,621	$564,598
A20000	Adjustments:		
A20010	Income and expense adjustments:		
A20100	Depreciation	862,343	860,644
A20200	Amortization	5,684	8,731
A20300	Bad debt expense (gain on recovery)	(35,318)	(20,022)
A20400	Net gain of financial assets at fair value through P/L	(2,524)	(3,476)
A20900	Interest expense	17,134	17,930
A21200	Interest income	(16,044)	(19,975)
A22300	Share of profit or loss of associates and joint ventures	34,398	-
A22500	Loss on disposal of property, plant and equipment	1,979	3,382
A23800	Gain on disposal of investments	(1,020)	-
A30000	Changes in operating assets and liabilities:		
A31110	Financial assets at fair value through profit or loss	703,172	(63,979)
A31130	Notes receivable	3,030	1,767
A31150	Accounts receivable	548,768	612,553
A31160	Accounts receivable - related parties	27,922	(59,416)
A31180	Other receivables	80,369	(132,919)
A31190	Other receivables - related parties	283,360	671
A31200	Inventories	52,083	130,402
A31220	Prepayments	(6,266)	(20,660)
A31240	Other current assets	(27,691)	(11,618)
A31990	Long-term prepaid rents	14,827	5,661
A32130	Notes payable	(12,496)	(16,862)
A32150	Accounts payable	(186,410)	(277,191)
A32160	Accounts payable - related parties	11,515	-
A32180	Other payables	(309,557)	(291,836)
A32200	Provisions	-	(119)
A32210	Unearned sales revenue	(19,141)	348
A32230	Other current liabilities	(11,087)	14,619
A32240	Accrued pension liabilities	(1,026)	(1,037)
A33000	Cash generated from (used in) operations	2,142,625	1,302,196
A33100	Interest received	15,459	19,751
A33300	Interest paid	(17,921)	(18,325)
A33500	Income tax paid	(1,890)	(7,354)
AAAA	Net cash provided by (used in) operating activities	2,138,273	1,296,268

Code	Items	For the 3-month period ended March 31, 2017	For the 3-month period ended March 31, 2016
BBBB	Cash flows from investing activities:		
B00700	Disposal of bond investments with no active market	-	73
B02700	Acquisition of property, plant and equipment	(1,043,602)	(1,337,690)
B02800	Disposal of property, plant and equipment	-	4,446
B03800	Decrease (increase) in refundable deposits	(462)	(5,199)
B04500	Acquisition of intangible assets	(11,342)	(6,603)
BBBB	Net cash provided by (used in) investing activities	(1,055,406)	(1,344,973)
CCCC	Cash flows from financing activities:		
C00100	Increase in (repayment of) short-term loans	(377,439)	(273,943)
C01700	Repayments of long-term loans	(111,647)	(145,550)
C03000	Increase (decrease) in deposits received	(2,143)	3,556
CCCC	Net cash provided by (used in) financing activities	(491,229)	(415,937)
DDDD	Effect of exchange rate changes	(47,323)	598
EEEE	Increase (decrease) in cash and cash equivalents	544,315	(464,044)
E00100	Cash and cash equivalents at beginning of period	11,212,646	12,746,307
E00200	Cash and cash equivalents at end of period	$11,756,961	$12,282,263

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

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.

Pegatron Corporation is the ultimate controller of the Group to which the Company belongs.

2. DATE AND PROCEDURE OF AUTHORIZATION FOR FINANCIAL STATEMENTS ISSUANCE

The consolidated financial statements of the Company and its subsidiaries ("the Group") were authorized to be issued in accordance with a resolution of the Board of Directors' meeting held on April 28, 2017.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

(1) The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after January 1, 2017.

(2) Standards or interpretations issued, revised or amended, by IASB but not yet recognized by FSC at the date of issuance of the Group'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 this amendment 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 amendment clarifies how to account for deferred tax assets for unrealized losses. The amendment is effective for annual periods beginning on or after January 1, 2017.

(f) Disclosure Initiative — Amendment to IAS 7 "Statement of Cash Flows":

The amendment relates 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 amendment is effective for annual periods beginning on or after January 1, 2017.

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

The amendment clarifies 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 amendment is effective for annual periods beginning on or after Jaunary 1, 2018.

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

The amendment contains (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 transacitons will be classified in their entirety as equity-settled share-based payment transacitons 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 amendment is effective for annual periods beginning on or after Jaunary 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 entities 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 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 Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Group is still currently determining the potential impact of the standards and interpretations listed under (a) ~ (b), it is not practicable to estimate their impact on the Group at this point in time. All other standards and interpretations have no material impact on the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The consolidated financial statements for the three-month periods ended March 31, 2017 and 2016 have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting," by the FSC of the Republic of China.

Except the following 4(3) ~ 4(5), the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2016. For more details, please refer to Note 4 of the Company's consolidated financial statements for the year ended December 31, 2016.

(2) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are presented in thousands of New Taiwan Dollars ("NT$") unless otherwise specified.

(3)Basis of consolidation

The same principles of consolidation have been applied in the Company's consolidated financial statements as those applied in the Company's consolidated financial statements for the year ended December 31, 2016. For the principles of consolidation, please refer to Note 4(3) of the Company's consolidated financial statements for the year ended December 31, 2016.

The consolidated entities are listed as follows:

			Percentage of Ownership (%), as of		
Investor	Subsidiary	Main business	Mar. 31, 2017	Dec. 31, 2016	Mar. 31, 2016
The Company	KINSUS CORP. (USA)	Designing substrates, formulating marketing strategy analysis, developing new customers, researching and development new product technology	100.00%	100.00%	100.00%
The Company	KINSUS HOLDING (SAMOA) LIMITED	Investing activities	100.00%	100.00%	100.00%
The Company	KINSUS INVESTMENT CO., LTD.	Investing activities	100.00%	100.00%	100.00%
KINSUS HOLDING (SAMOA) LIMITED	KINSUS HOLDING (CAYMAN) LIMITED	Investing activities	100.00%	100.00%	100.00%
KINSUS HOLDING (SAMOA) LIMITED	PIOTEK HOLDINGS LTD. (CAYMAN)	Investing activities	51.00%	51.00%	51.00%
KINSUS INVESTMENT CO., LTD.	PEGAVISION CORPORATION	Manufacture of medical equipment	36.81%	36.81%	36.81% (Note)

KINSUS HOLDING (CAYMAN) LIMITED	KINSUS INTERCONNECT TECHNOLOGY SUZHOU CORP.	Manufacturing and selling printed circuit board (PCB) (not high-density fine-line)	100.00%	100.00%	100.00%
KINSUS HOLDING (CAYMAN) LIMITED	XIANG-SHOU (SUZHOU) TRADING LIMITED	Trading of PCB related products and materials (not high-density fine-line)	100.00%	100.00%	100.00%
PIOTEK HOLDINGS LTD. (CAYMAN)	PIOTEK HOLDING LIMITED	Investing activities	100.00%	100.00%	100.00%
PIOTEK HOLDING LIMITED	PIOTEK COMPUTER (SUZHOU) CO., LTD.	Researching, developing, producing and selling electronic components, PCBs and related products and providing after-sale services	100.00%	100.00%	100.00%
PIOTEK HOLDING LIMITED	PIOTEK (H.K.) TRADING LIMITED	Trading activities	100.00%	100.00%	100.00%
PEGAVISION CORPORATION	PEGAVISION HOLDINGS CORPORATION	Investing activities	100.00%	100.00%	100.00%
PEGAVISION CORPORATION	PEGAVISION JAPAN INC.	Selling medical equipment	100.00%	100.00%	100.00%
PEGAVISION HOLDINGS CORPORATION	PEGAVISION CONTACT LENSES (SHANGHAI) CORPORATION	Selling medical equipment	100.00%	100.00%	100.00%

The financial statements of certain subsidiaries as of March 31, 2017 and 2016 and for the three-month periods then ended were not reviewed by independent auditors. Total assets of the unreviewed subsidiaries were NT$2,879,123 thousand and NT$1,904,264 thousand, respectively, while the total liabilities were NT$837,929 thousand and NT$617,665 thousand, respectively. The un-reviewed comprehensive incomes were NT$10,099 thousand and NT$22,206 thousand for the three-month periods then ended.

Note: The Group owned a compound 36.81% of ownership of Pegavision Corporation as of March 31, 2017, December 31, 2016 and March 31, 2016. The management decided to include Pegavision Corporation as a consolidated entity because the Group, in substance, possessed the control over this entity.

(4)Post-employment benefits

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.

(5)Income tax

Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group’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.

The same significant accounting judgments, estimates and assumptions have been applied in the Company’s consolidated financial statements for the three-month period ended March 31, 2017 as those applied in the Company’s consolidated financial statements for the year ended December 31, 2016. For significant accounting judgments, estimates and assumptions, please refer to Note 5 of the Company’s consolidated financial statements for the year ended December 31, 2016.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1)Cash and cash equivalents

	As of		
	3/31/2017 (NT$'000)	12/31/2016 (NT$'000)	3/31/2016 (NT$'000)
Cash and petty cash	4,023	5,693	5,942
Checking and saving	2,401,273	2,948,555	2,896,089
Time deposit	9,351,665	8,258,398	9,380,232
Total	11,756,961	11,212,646	12,282,263

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

	As of		
	3/31/2017 (NT$'000)	12/31/2016 (NT$'000)	3/31/2016 (NT$'000)
Held for trading:			
Money market fund	2,503,568	3,198,334	3,518,186
Valuation adjustment	64,219	70,101	85,639
Total	2,567,787	3,268,435	3,603,825

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

(3)Bond investments with no active market

	As of		
	3/31/2017 (NT$'000)	12/31/2016 (NT$'000)	3/31/2016 (NT$'000)
Time deposits	423,057	423,057	428,039
Current	423,057	423,057	428,039
Non-current	-	-	-

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

(4)Financial assets carried at cost

	As of		
	3/31/2017 (NT$'000)	12/31/2016 (NT$'000)	3/31/2016 (NT$'000)
Stocks	50,000	50,000	50,000
Non-current	50,000	50,000	50,000

A. Because the interval of reasonable estimates of the fair value of unlisted stocks held by the Group is significantly variable and the probabilities of each estimate cannot be reasonably evaluated, these stocks cannot be measured in fair value. Thus they are carried at cost.

B. No financial assets carried at cost were pledged as collateral.

(5)Notes receivable

	As of		
	3/31/2017 (NT$'000)	12/31/2016 (NT$'000)	3/31/2016 (NT$'000)
Notes receivable – from operations	-	3,030	68
Less: allowance for doubtful accounts	-	-	-
Net	-	3,030	68

No notes receivable was pledged by the Group as collateral.

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

A. Accounts receivable, net

	As of		
	3/31/2017 (NT$'000)	12/31/2016 (NT$'000)	3/31/2016 (NT$'000)
Accounts receivable, gross	2,722,104	3,282,698	3,028,601
Less: allowance against doubtful accounts	(17,752)	(53,303)	(27,820)
Less: allowance against return & discount	(19,740)	(31,566)	(3,162)

Net of allowances	2,684,612	3,197,829	2,997,619
Accounts receivable - related parties, gross	371,814	399,736	308,325
Less: allowance against doubtful accounts	-	-	-
Net of allowances	371,814	399,736	308,325
Total accounts receivable, net	3,056,426	3,597,565	3,305,944

B. The Group evaluated sales return and discount based on experiences and other known factors and recorded it as a reduction against sales at the time of recognizing revenue.

C. The Group 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 were as follows:

	Financial Institution	Accounts receivable de-recognized (NT$'000)	Advance received (NT$'000)	Collateral	Credit Limit
3/31/2017	Mega International Commercial Bank - LanYa Branch	225,458	146,018	None	Note
12/31/2016	Mega International Commercial Bank - LanYa Branch	249,402	49,298	None	Note
3/31/2016	Mega International Commercial Bank - LanYa Branch	330,812	-	None	Note

Note: The credit limits were US$30,000 thousand as of March 31, 2017, December 31, 2016 and March 31, 2016.

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, 2017	-	53,303	53,303
Provision (reversal)	-	(35,318)	(35,318)
Effect of exchange rate changes	-	(233)	(233)
As of March 31, 2017	-	17,752	17,752
As of January 1, 2016	-	47,799	47,799
Provision (reversal)	-	(20,022)	(20,022)
Effect of exchange rate changes	-	43	43
As of March 31, 2016	-	27,820	27,820

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 121 days (NT$'000)	Total (NT$'000)
3/31/2017	2,952,584	103,842	-	-	-	3,056,426
12/31/2016	3,391,325	206,240	-	-	-	3,597,565
3/31/2016	3,129,197	176,747	-	-	-	3,305,944

(7)Inventory

A. Details of inventory:

	As of		
	3/31/2017 (NT$'000)	12/31/2016 (NT$'000)	3/31/2016 (NT$'000)
Raw material	749,865	682,338	580,927
Supplies	42,227	41,619	33,178
Work in process	701,215	769,623	715,953
Finished goods	660,665	711,312	779,132
Merchandises	52,189	53,352	45,844
Total	2,206,161	2,258,244	2,155,034

B. For the three-month periods ended March 31, 2017 and 2016 the Group recognized NT$4,029,809 thousand and NT$4,093,705 thousand under the caption of costs of sale, respectively. The following items were also included in cost.

Item	For the three-month ended March 31, 2017 (NT$'000)	2016 (NT$'000)
Loss from inventory market decline	(18,446)	119,670
Loss from physical	10,176	3,110
Loss in inventory write-off obselencense	500,716	256,135
Total	492,446	378,915

The Group 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.

(8)Investments accounted for under the equity method

	As of					
	3/31/2017		12/31/2016		3/31/2016	
Investees	Carrying amount (NT$'000)	Percentage of ownership (%)	Carrying amount (NT$'000)	Percentage of ownership (%)	Carrying amount (NT$'000)	Percentage of ownership (%)
Investments in associates:						
FuYang Technology Corp.	387,994	36.00%	432,689	36.00%	-	-%

A. The Group invested cash in FuYang Technology Corp. during May 2016 for interest ownership of 36%. The investment is accounted for as an investment in associates due to the Group's significant influence.

B. Investments in associates

The aggregate carrying amount of the Group's interests in FuYang Technology Corp. is NT$387,994 thousand. The aggregate financial information based on Group's share of FuYang Technology Corp. is as follows:

	For the three-month period ended Mar. 31, 2017 (NT$'000)
Profit or loss from continuing operations	(34,398)
Other comprehensive income (post-tax)	(10,297)
Total comprehensive income	(44,695)

There were no contingent liabilities or capital commitments with respect to the investment in the associate as of March 31, 2017. Nor any of the Group's share interest on FuYang was pledged as collateral.

C. The Group's investment accounted for under equity method as of March 31, 2017 amounted to NT$387,994 thousand, while the related investment income/loss and joint venture income and other comprehensive income were NT$(34,398) thousand and NT$(10,297) thousand, respectively, for the three-month period then ended. They were measured based on the un-reviewed financial statements of the investee.

D. No investment accounted for under equity method was pledged as collateral.

(9)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 1/1/2017	1,562,442	6,339,169	17,574,081	144,191	15,587	4,305,580	4,376,874	34,317,924
Addition	-	-	-	13,669	770	7,474	1,469,238	1,491,151
Disposals	-	(338)	(19,149)	-	(1,121)	(28,952)	-	(49,560)
Effect of EX rate	-	(150,695)	(332,890)	(3,139)	(540)	(70,652)	(6,370)	(564,286)
Reclassification	-	-	512,496	1,889	-	40,760	(555,145)	-
As of 3/31/2017	1,562,442	6,188,136	17,734,538	156,610	14,696	4,254,210	5,284,597	35,195,229

As of 1/1/2016	1,557,800	5,556,743	16,781,076	131,576	15,809	3,992,908	5,238,467	33,274,379
Addition	-	2,177	4,119	4,006	-	29,945	1,254,800	1,295,047
Disposals	-	-	(53,186)	-	-	(17,129)	-	(70,315)
Effect of EX rate	-	(43,929)	(95,268)	(880)	(155)	(19,893)	(1,856)	(161,981)
Reclassification	4,642	-	643,190	5,573	-	72,234	(727,113)	(1,474)
As of 3/31/2016	1,562,442	5,514,991	17,279,931	140,275	15,654	4,058,065	5,764,298	34,335,656
Depreciation and impairment:								
As of 1/1/2017	-	1,943,702	10,758,229	96,815	12,926	2,674,868	-	15,486,540
Depreciation	-	73,227	617,592	7,556	249	163,719	-	862,343
Impairment loss	-	-	-	-	-	(1,020)	-	(1,020)
Disposal	-	(338)	(17,170)	-	(1,121)	(28,952)	-	(47,581)
Effect of EX rate	-	(50,295)	(247,711)	(2,626)	(531)	(52,509)	-	(353,672)
Reclassification	-	-	(23)	6	-	17	-	-
As of 3/31/2017	-	1,966,296	11,110,917	101,751	11,523	2,756,123	-	15,946,610
As of 1/1/2016	-	1,743,546	10,148,920	80,839	11,552	2,531,103	-	14,515,960
Depreciation	-	65,940	646,950	7,164	754	139,836	-	860,644
Impairment loss	-	-	-	-	-	-	-	-
Disposal	-	-	(45,364)	-	-	(17,123)	-	(62,487)
Effect of EX rate	-	(13,000)	(65,907)	(713)	(141)	(13,409)	-	(93,170)
Reclassification	-	-	-	-	-	(1,269)	-	(1,269)
As of 3/31/2016	-	1,796,486	10,684,599	87,290	12,165	2,639,138	-	15,219,678
Net carrying amount:								
As of 3/31/2017	1,562,442	4,221,840	6,623,621	54,859	3,173	1,498,087	5,284,597	19,248,619
As of 12/31/2016	1,562,442	4,395,467	6,815,852	47,376	2,661	1,630,712	4,376,874	18,831,384
As of 3/31/2016	1,562,442	3,718,505	6,595,332	52,985	3,489	1,418,927	5,764,298	19,115,978

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 3 to 20 years.

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

	As of		
	3/31/2017 (NT$'000)	12/31/2016 (NT$'000)	3/31/2016 (NT$'000)
Property, plant and equipment	16,149,464	16,578,663	15,985,873
Prepaid equipment	3,099,155	2,252,721	3,130,105
Total	19,248,619	18,831,384	19,115,978

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, the agricultural 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.

(10)Intangible assets

	Computer software (NT$'000)
Cost:	
As of 1/1/2017	42,255
Additions – acquired separately	11,342
Derecognized upon retirement	(2,116)
Reclassification	-
Effect of exchange rate changes	(1,080)
As of 3/31/2017	50,401
As of 1/1/2016	55,622
Additions – acquired separately	6,603
Derecognized upon retirement	(10,448)
Reclassification	1,474
Effect of exchange rate changes	(324)
As of 3/31/2016	52,927

Amortization and Impairment:	
As of 1/1/2017	23,435
Amortization	5,684
Derecognized upon retirement	(2,116)
Reclassification	-
Effect of exchange rate changes	(508)
As of 3/31/2017	26,495
As of 1/1/2016	25,342
Amortization	8,731
Derecognized upon retirement	(10,448)
Reclassification	1,269
Effect of exchange rate changes	(136)
As of 3/31/2016	24,758
Carrying amount, net:	
As of 3/31/2017	23,906
As of 12/31/2016	18,820
As of 3/31/2016	28,169

Amounts of amortization recognized for intangible assets are as follows:

	For the three-month period ended Mar. 31,	
	2017 (NT$'000)	2016 (NT$'000)
Cost of goods sold	43	70
Selling	173	356
General and administrative	5,441	8,034
Research and development	27	271
Total	5,684	8,731

(11)Other non-current assets

	As of		
	3/31/2017 (NT$'000)	12/31/2016 (NT$'000)	3/31/2016 (NT$'000)
Refundable deposits	50,381	49,919	50,305
Long-term prepaid rent	230,639	245,466	268,018
Total	281,020	295,385	318,323

As of March 31, 2017, December 31, 2016 and March 31, 2016, land use rights, recorded under the caption of long-term prepaid rent, amounted to NT$230,639 thousand, NT$245,466 thousnad and NT$268,018 thousand, respectively.

(12)Short-term loans

		As of		
	Interest interval (%)	3/31/2017 (NT$'000)	12/31/2016 (NT$'000)	3/31/2016 (NT$'000)
Unsecured bank loans	1.19%~2.18%	1,851,039	2,228,478	2,821,087

As of March 31, 2017, December 31, 2016 and March 31, 2016, the line of unused short-term loan credit for the Group amounted to NT$6,193,641 thousand, NT$6,192,525 thousand and NT$4,537,173 thousand, respectively.

(13)Other payable

	As of		
	3/31/2017 (NT$'000)	12/31/2016 (NT$'000)	3/31/2016 (NT$'000)
Accrued expense	1,984,208	2,293,765	2,371,130
Equipment payable	1,173,241	725,692	1,223,115
Accrued interest	1,511	2,344	3,606
Total	3,158,960	3,021,801	3,597,851

(14)Provisions

	Sales Returns and Allowances (NT$'000)
As of 1/1/2017	294
Additions	-
Used	-
Reversal	(119)
Adjustment to present value due to discount rate change and passage of time	-
As of 3/31/2017	175

	As of		
	3/31/2017 (NT$'000)	12/31/2016 (NT$'000)	3/31/2016 (NT$'000)
Current	-	-	175
Non-current	-	-	-
Total	-	-	175

Sales returns and allowances

The Group incurred sales returns and allowances based on past experience and other known factors as reductions against sales revenue upon sale, recording it under the caption of provisions.

(15)Other current liabilities

A.

	As of		
	3/31/2017 (NT$'000)	12/31/2016 (NT$'000)	3/31/2016 (NT$'000)
Other current liabilities	56,685	69,362	88,163
Unearned sales revenue	61,908	81,049	21,955
Deferred revenue - Customer Loyalty Programmes	3,213	1,623	910
Current portion of long-term loans	563,864	536,257	529,225
Total	685,670	688,291	640,253

B. Customer loyalty programs

	For the three-month period ended March 31,	
	2017 (NT$'000)	2016 (NT$'000)
Balance, beginning	1,623	1,302
Deferred during the period	13,029	-
Recognized in profit or loss	(11,439)	(392)
Balance, ending	3,213	910

	As of		
	3/31/2017 (NT$'000)	12/31/2016 (NT$'000)	3/31/2016 (NT$'000)
Current	3,213	1,623	910
Non-current	-	-	-
Total	3,213	1,623	910

(16)Long-term loans

Details of long-term loans were as follows:

Debtor	Type of Loan	Maturity	Loan Balance As of 3/31/2017 (NT$'000)	Repayment
Mega International Commercial Bank - LanYa Branch	Secured bank loan	2020.05.07	84,000	Note 6
Mega International Commercial Bank - LanYa Branch	Credit loan	2018.08.12 - 2021.09.05	1,555,216	Note 5
The Shanghai Commercial & Savings Bank - ZhongLi Branch	Secured bank loan	2017.04.15 - 2019.01.15	63,750	Notes 4 and 5
The Shanghai Commercial & Savings Bank - ZhongLi Branch	Credit loan	2017.04.15	1,250	Note 5
Taipei Fubon Commercial Bank – BeiTou Branch	Credit loan	2017.12.14	181,980	Note 3
Total			1,886,196	
Less: current portion			(563,864)	
Non-current portion			1,322,332	

Debtor	Type of Loan	Maturity	As of 12/31/2016 (NT$'000)	Repayment
Mega International Commercial Bank - LanYa Branch	Secured bank loan	2020.05.07	96,000	Note 6
Mega International Commercial Bank - LanYa Branch	Credit loan	2018.08.12 - 2021.09.05	1,676,397	Note 5
The Shanghai Commercial & Savings Bank - ZhongLi Branch	Secured bank loan	2017.04.15 - 2019.01.15	75,000	Notes 4 and 5
The Shanghai Commercial & Savings Bank - ZhongLi Branch	Credit loan	2017.01.15 - 2017.04.15	3,750	Note 5
Taipei Fubon Commercial Bank – BeiTou Branch	Credit loan	2017.12.14	193,500	Note 3
Total			2,044,647	
Less: current portion			(536,257)	
Non-current portion			1,508,390	

Debtor	Type of Loan	Maturity	As of 3/31/2016 (NT$'000)	Repayment
Mega International Commercial Bank - LanYa Branch	Secured bank loan	2016.11.06 - 2020.05.07	152,600	Notes 1, 2 and 6
Mega International Commercial Bank - LanYa Branch	Credit loan	2018.08.12 - 2020.12.04	1,094,290	Note 5
The Shanghai Commercial & Savings Bank - ZhongLi Branch	Secured bank loan	2016.07.15 - 2019.01.15	118,052	Notes 4 and 5

The Shanghai Commercial & Savings Bank - ZhongLi Branch	Credit loan	2017.01.15 - 2017.04.15	11,250	Note 5
Land Bank of Taiwan - ZhongLi Branch	Credit loan	2016.04.27	30,977	Note 2
Taipei Fubon Commercial Bank – BeiTou Branch	Credit loan	2017.12.14	386,220	Note 3
Total			1,793,389	
Less: current portion			(529,225)	
Non-current portion			1,264,164	

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 rest 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. Grace period is 2 years (8 terms). The rest is repayable in installments of equal amount for 12 terms.

Note 5: 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.

Note 6: The first year is the grace period while the loan principal is repaid in 16 installments 4% for each of the first 15 installments and 40% for the very last installment.

A. 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.

B. As of March 31, 2017, December 31, 2016 and March 31, 2016, the interest rate intervals for long-term loans were 1.076%~2.59%, 1.076%~2.59% and 1.02%~2.20%, respectively.

(17)Other non-current liabilities

	As of		
	3/31/2017 (NT$'000)	12/31/2016 (NT$'000)	3/31/2016 (NT$'000)
Accrued pension costs	29,983	31,009	33,111
Deposits received	56,976	59,119	55,402
Total	86,959	90,128	88,513

(18)Post-employment benefits

Defined contribution plan

Expenses under the defined contribution plan for the three-month periods ended March 31, 2017 and 2016 were NT$28,170 thousand and NT$28,344 thousand, respectively.

Defined benefits plan

Expenses under the defined benefits plan for the three-month periods ended March 31, 2017 and 2016 were NT$173 thousand and NT$218 thousand, respectively.

(19)Equity

A. Common shares

As of March 31, 2017, December 31, 2016 and March 31, 2016, 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 500,000 thousand and 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 to September 25, 2015 totaled to 550 thousand shares. Please refer to Note 6(19)-C to the financial statements for more details.

B. Capital surplus

	As of		
	3/31/2017 (NT$'000)	12/31/2016 (NT$'000)	3/31/2016 (NT$'000)
Additional paid-in capital	5,850,000	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	50,925
All changes in interests in subsidiaries	38,894	38,894	38,894
Total	5,939,819	5,939,819	5,939,819

According to the 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 stocks held by the Group as of March 31, 2017, December 31, 2016 and March 31, 2016 amounted to NT$32,885 thousand, divided into 550 thousand shares.

For the three-month periods ended March 31, 2017 and 2016, there was no change in shares of treasury stock.

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 March 31, 2017 were 44,600 thousand shares, with the maximum payments of NT$24,489,937 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) Retained earnings and dividend policies

According to the Company's original Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

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 T-IFRS, the FSC on April 6, 2012 issued Order No. Financial-Supervisory-Securities-Corporate-1010012865, which sets out the following provisions for compliance:

On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

The Company did not incur any special reserve upon the first-time adoption of T-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 Feb 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(22) for details on employees' compensation and remuneration to directors and supervisors.

E. Non-controlling interests

	For the three-month period ended Mar. 31,	
	2017 (NT$'000)	2016 (NT$'000)
Beginning balance	2,145,059	2,436,665
Net loss attributable to NCIs	(61,864)	(66,409)
Other comprehensive income attributable to NCIs:		
Exchange differences arising on translation of foreign operations	(73,153)	(24,749)
Ending balance	2,010,042	2,345,507

(20)Sale

	For the three-month period ended March 31,	
	2017 (NT$'000)	2016 (NT$'000)
Sale of goods	5,004,205	5,370,744
Less: sales returns and allowances	(131,390)	(117,842)
Services rendered	40,561	45,038
Other operating revenue	56,968	72,216
Total	4,970,344	5,370,156

(21)Operating lease

A. Group as a lessee

The commercial leasing agreements that the Group entered into for buildings and plants have an average term of one to five years. There are no restrictive covenants for the Group in the contracts.

Total future minimum lease payments due to irrevocable leasing contracts were as follows:

	As of		
	3/31/2017 (NT$'000)	12/31/2016 (NT$'000)	3/31/2016 (NT$'000)
Less than one year	92,567	89,893	87,805
More than one year but less than five years	279,015	304,162	371,582
Total	371,582	394,055	459,387

Operating lease expenses recognized are as follows:

	For the three-month period ended March 31,	
	2017 (NT$'000)	2016 (NT$'000)
Minimum lease payment	41,270	34,678

B. Group as a lessor

The leasing agreements that the Group entered into for plants have an average term of one year.

Future minimum rentals receivable under non-cancellable operating leases as of March 31, 2017, December 31, 2016 and March 31, 2016, are as follows:

	As of		
	3/31/2017 (NT$'000)	12/31/2016 (NT$'000)	3/31/2016 (NT$'000)
Less than one year	4,773	-	4,232

For the three-month periods ended March 31, 2017 and 2016, rent incomes of the Group amounted to NT$14,856 thousand and NT$5,143 thousand, respectively.

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

Function / Nature	For the three-month period ended March 31, 2017 (NT$'000)			For the three-month period ended March 31, 2016 (NT$'000)		
	Cost of goods sold	Operating expense	Total	Cost of goods sold	Operating expense	Total
Employee benefit						
Salaries & wages	666,582	184,846	851,428	756,213	224,311	980,524
Labor and health insurance	50,003	16,212	66,215	47,170	17,285	64,455
Pension	20,158	8,185	28,343	19,867	8,695	28,562
Other employee benefit	58,136	28,193	86,329	53,197	26,093	79,290
Depreciation	693,138	169,205	862,343	795,696	64,948	860,644
Amortization	43	5,641	5,684	70	8,661	8,731

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 three-month period ended March 31, 2017, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the three-month period ended March 31, 2017 to be not lower than 10% and not higher than 1% of profit of the current three-month period, respectively, recognized as employee benefits expense. As such, employees' compensation and remuneration to directors and supervisors for the three-month period ended March 31, 2017 amount to NT$21,904 thousand and NT$1,333 thousand, respectively. Based on profit of the three-month period ended March 31, 2016, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the three-month period ended March 31, 2016 to be not lower than 10% and not higher than 1% of profit of the current three-month period, respectively, recognized as employee benefits expense. As such, employees' compensation and remuneration to directors and supervisors for the three-month period ended March 31, 2016 amount to NT$81,209 thousand and NT$4,943 thousand, respectively.

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 amount.

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.

(23)Non-operating incomes and expenses

A. Other incomes

	For the three-month period ended March 31,	
	2017 (NT$'000)	2016 (NT$'000)
Interest income	16,044	$19,975
Other income－Gain on reversal allowance for doubtful accounts receivable	35,318	20,022
Other income－others	22,326	13,939
Total	73,688	53,936

B. Other gains and losses

	For the three-month period ended March 31,	
	2017 (NT$'000)	2016 (NT$'000)
Loss from disposal of property, plant and equipment	(1,979)	(3,382)
Gain from disposal of investment	6,223	(5,208)
Foreign exchange gains, net	2,524	3,476
Financial assets at fair value through profit	1,020	-
Other expenses	(6,525)	(4,870)
Total	1,263	(9,984)

C. Finance costs

	For the three-month period ended March 31,	
	2017 (NT$'000)	2016 (NT$'000)
Interests on bank loans	17,134	17,930

(24)Components of other comprehensive income (OCI)

For the three-month period ended March 31, 2017

	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)
To be reclassified to profit or loss in subsequent period:					
Exchange differences arising on translation of foreign operations	(211,507)	-	(211,507)	-	(211,507)
Unrealized valuation gain (loss) on available-for-sale financial assets	(10,297)	-	(10,297)	-	(10,297)
Total OCI	(221,804)	-	(221,804)	-	(221,804)

For the three-month period ended March 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)
To be reclassified to profit or loss in subsequent period:					
Exchange differences arising on translation of foreign operations	(68,418)	-	(68,418)	7,424	(60,994)

(25)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 three-month period ended March 31,	
	2017 (NT$'000)	2016 (NT$'000)
Current income tax expense (benefit):		
Current income tax expense	50,347	115,984
Deferred tax expense (benefit):		
Deferred tax expense (benefit) relating to origination and reversal of temporary differences	(410)	(103)
Total income tax expense	49,937	115,881

B. Income tax recognized in other comprehensive income

	For the three-month period ended March 31,	
	2017 (NT$'000)	2016 (NT$'000)
Deferred tax expense (benefit):		
Exchange differences arising on translation of foreign operations	-	(7,424)

C. Imputation credit information

	As of		
	3/31/2017 (NT$'000)	12/31/2016 (NT$'000)	12/31/2016 (NT$'000)
Balances of imputation credit	2,140,790	2,140,790	1,947,902

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 March 31, 2017, the Company did not have unappropriated earnings results in the years of 1997 and before.

D. The assessment of income tax return

As of March 31, 2017, the assessment status of income tax returns of the Company and subsidiaries were as follows:

	The assessment of income tax returns
The Company	Assessed and approved up to 2013
Subsidiary - Pegavision Corporation	Assessed and approved up to 2014
Subsidiary - Kinsus Investment Co., Ltd.	Assessed and approved up to 2014

(26)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 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 three-month period ended Mar. 31,	
	2017	2016
Net income available to common shareholders of the parent (in NT$'000)	136,548	515,126
Weighted average number of common shares outstanding (in thousand shares)	445,450	445,450
Basic earnings per share (in NT$)	$0.31	$1.16

B. Diluted earnings per share

	For the three-month period ended Mar. 31,	
	2017	2016
Net income available to common shareholders of the parent (in NT$'000)	136,548	515,126
Net income available to common shareholders of the parent after dilution (in NT$'000)	136,548	515,126
Weighted average number of common shares outstanding (in thousand shares)	445,450	445,450

Effect of dilution:		
Employee bonus – stock (in thousand shares)	2,571	5,075
Weighted average number of common shares outstanding after dilution (in thousand shares)	448,021	450,525
Diluted earnings per share (in NT$)	$0.30	$1.14

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.

(27) Subsidiary that has material non-controlling interests

Proportion of equity interest held by non-controlling interests:

		As of		
Name	Country	3/31/2017	12/31/2016	3/31/2016
PIOTEK HOLDINGS LTD. and its subsidary	China	51.00%	51.00%	51.00%

Accumulated balances of material non-controlling interest:

	As of		
	3/31/2017 (NT$'000)	12/31/2016 (NT$'000)	3/31/2016 (NT$'000)
PIOTEK HOLDINGS LTD. and subsidaries	1,194,158	1,370,753	1,666,165

Profit/loss allocated to material non-controlling interest:

	For the three-month period ended Mar. 31,	
	2017 (NT$'000)	2016 (NT$'000)
PIOTEK HOLDINGS LTD. and subsidaries	(105,081)	(87,291)

The summarized financial information of this subsidiary is provided below. This information is based on amounts before inter-company eliminations.

Summarized information of profit or loss is as follows:

	For the three-month period ended Mar. 31,	
	2017 (NT$'000)	2016 (NT$'000)
Operating revenue	923,273	1,048,656
Profit/loss from continuing operation	(214,462)	(178,120)
Total comprehensive income for the period	(360,416)	(227,998)

Summarized information of financial position is as follows:

	As of		
	3/31/2017 (NT$'000)	12/31/2016 (NT$'000)	3/31/2016 (NT$'000)
Current assets	1,792,594	2,098,636	2,207,504
Non-current assets	2,331,528	2,585,677	3,165,491
Current liabilities	950,391	1,044,255	952,063
Non-current liabilities	736,685	842,596	1,020,586

Summarized cash flows information is as follows:

	For the three-month period ended Mar. 31,	
	2017 (NT$'000)	2016 (NT$'000)
Operating activities	27,708	(147,173)
Investing activities	(5,253)	(21,082)
Financing activities	(105,911)	(15,469)
Net increase/(decrease) in cash and cash equivalents	(100,733)	(189,714)

7. RELATED PARTY TRANSACTIONS

(1)Deal with related parties as of the end of the reporting period

Related parties and Relationship

Related parties	Relationship
Pegatron Corporation	Parent company
FuYang Technology Corp.	Associate
AS FLY TRAVEL SERVICE LIMITED	Other related parties

AzureWave Technologies, Inc	Other related parties
AzureWave Technologies (Shanghai) Inc.	Other related parties
PEGATRON JAPAN INC	Other related parties
Maintek Computer (Suzhou) Co., Ltd	Other related parties

(2) Significant transactions with related parties

A. Sales to

	For the three-month period ended March 31,	
	2017 (NT$'000)	2016 (NT$'000)
Parent company	363,865	305,747
Other related parties	17,224	10,076
Total	381,089	315,823

Selling prices and collection terms to related parties are similar to those to third party customers for the three-month periods ended March 31, 2017 and 2016. The collection terms are 30 to 60 days from the end of delivery month by telegraphic transfer.

B. Purchases

	For the three-month period ended March 31,	
	2017 (NT$'000)	2016 (NT$'000)
Other related parties	25,718	-

The product specification of goods purchased from related parties for the three-month periods ended March 31, 2017 and 2016, differed from those purchased from other vendors. Thus, transaction prices are not comparable. The payment terms for related parties are 60 days and non-related parties are 30 to 120 days from the end of delivery month by telegraphic transfer.

C. For the three-month periods ended March 31, 2017 and 2016, the Group recognized travelling expenses of NT$0 thousand and NT$51 thousand, respectively, for commissioning other related parties to handle travelling logistics.

D. For the three-month periods ended March 31, 2017 and 2016, the Group recognized rent expenses of NT$22,508 thousand and NT$13,526 thousand, respectively, for plants leased from the Parent.

Moreover, for the three-month periods ended March 31, 2017 and 2016, the Group recognized rent expenses of NT$142 thousand and NT$3,953 thousand, respectively, for plants leased from other related parties.

In addition, for the three-month periods ended March 31, 2017 and 2016, the Group recognized rent expenses of NT$20 thousand and NT$26 thousand (tax included), respectively, for various facilities leased from the Parent.

E. For the three-month periods ended March 31, 2017 and 2016, the Group recognized operating expenses of NT$1,338 thousand and NT$1,672 thousand, respectively, for services provided by other related parties.

Moreover, for the three-month periods ended March 31, 2017 and 2016, the Group recognized operating expenses of NT$152 thousand and NT$140 thousand (tax included), respectively, for services provided by the Parent.

In addition, for the three-month periods ended March 31, 2017 and 2016, the Group incurred operating expenses of NT$14,229 thousand and NT$13,745 thousand (tax included), respectively, for utility bills paid by the Parent on behalf of the Group.

F. For the three-month periods ended March 31, 2017 and 2016, the Group recognized rent income of NT$1,557 thousand and NT$1,435 thousand, respectively, for plants leased to other related parties.

For the three-month period ended March 31, 2017, the Group recognized rent income of NT$9,750 thousand for plants leased to associate.

G. For the three-month period ended March 31, 2017, the Group recognized other income of NT$259 thousand for provided services to other related parties.

H. Accounts receivable - related parties

	As of		
	3/31/2017 (NT$'000)	12/31/2016 (NT$'000)	3/31/2016 (NT$'000)
Parent company	361,126	357,057	301,350
Associate	-	32,319	-
Other related parties	10,688	10,360	6,975
Total	371,814	399,736	308,325
Less: allowance for doubtful accounts	-	-	-
Net	371,814	399,736	308,325

I. Accounts payable - related parties

	As of		
	3/31/2017 (NT$'000)	12/31/2016 (NT$'000)	3/31/2016 (NT$'000)
Associate	27,574	16,059	-

J. Salaries and rewards to key management of the Group

	For the three-month period ended March 31,	
	2017 (NT$'000)	2016 (NT$'000)
Short-term employee benefits	13,897	14,362
Post-employee benefits	189	189
Total	14,086	14,551

K. Other receivables

	As of		
	3/31/2017 (NT$'000)	12/31/2016 (NT$'000)	3/31/2016 (NT$'000)
Associate			
Fu Yang Technology Corp.	22,695	305,891	-
Other related parties	1,591	1,755	1,410
Total	24,286	307,646	1,410

L. Refundable deposits

	As of		
	3/31/2017 (NT$'000)	12/31/2016 (NT$'000)	3/31/2016 (NT$'000)
Parent company	10,000	10,000	10,000

M. Accrued expenses

	As of		
	3/31/2017 (NT$'000)	12/31/2016 (NT$'000)	3/31/2016 (NT$'000)
Parent company	16,553	16,594	16,133
Other related parties	888	936	1,146
Total	17,441	17,530	17,279

8. PLEDGED ASSETS

The following assets of the Group are pledged as collaterals:

Item	Carrying Amount As of 3/31/2017 (NT$'000)	12/31/2016 (NT$'000)	3/31/2016 (NT$'000)	Purpose
Property, plant and equipment – machinery (carrying amount)	225,861	244,492	588,475	Long-term secured loans
Property, plant and equipment – other equipment (carrying amount)	4,495	5,157	46,070	Long-term secured loans
Refundable deposits	2,000	-	2,000	Security deposit to custom authority
Total	232,356	249,649	636,545	

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) The Group's unused letters of credit (LC) as of March 31, 2017 were as follows:

Currency	LC Amount (in thousand)		Security(in thousand)
JPY	JPY	3,214,649	-
USD	USD	17,306	-

(2) Details of significant constructions in progress and outstanding contracts of property, plant and equipment as of March 31, 2017 were as follows:

Nature of Contract	Contract Amount (NT$'000)	Amount Paid (NT$'000)	Outstanding Balance (NT$'000)
Machinery and contruction contracts	5,110,199	3,318,524	1,791,675

10. SIGNIFICANT DISASTER LOSS

None

11. SIGNIFICANT SUBSEQUENT EVENT

None

12. OTHERS

(1) Categories of financial instruments

Financial assets

	As of		
	3/31/2017 (NT$'000)	12/31/2016 (NT$'000)	3/31/2016 (NT$'000)
Financial assets at fair value through profit or loss:			
Held for trading	2,567,787	3,268,435	3,603,825
Loans and receivable:			
Cash and cash equivalents (excluding cash on hand)	11,752,938	11,206,953	12,276,321
Bond investments with no active market	423,057	423,057	428,039
Notes receivable	-	3,030	68
Accounts receivable	2,684,612	3,197,829	2,997,619
Accounts receivable - related parties	371,814	399,736	308,325
Other receivable	209,649	289,514	469,675
Other receivable - related parties	24,286	307,646	1,410
Total	18,034,143	19,096,200	20,085,282

Financial liabilities

	As of		
	3/31/2017 (NT$'000)	12/31/2016 (NT$'000)	3/31/2016 (NT$'000)
Financial liabilities measured at amortized cost:			
Short-term loans	1,851,039	2,228,478	2,821,087
Payables	5,162,205	5,212,437	5,356,081
Long-term loans (including current portion)	1,886,196	2,044,647	1,739,389
Total	8,899,440	9,485,562	9,916,557

(2) Objectives and policies of financial risk management

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

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

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

If NT dollars appreciates/depreciates against US dollars by 1%, net income (loss) for the three-month periods ended March 31, 2017 and 2016 would increase/decrease by NT$9,067 thousand and NT$9,304 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 Group's exposure to interest rate risk relates primarily to the Group'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 three-month periods ended March 31, 2017 and 2016 would decrease/increase by NT$1,350 thousand and decrease/increase by NT$1,731 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 Group 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 Group'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 Group's internal credit ratings. The Group also employs some credit enhancement instruments (e.g. prepayment or insurance) to reduce certain customers' credit risk.

As of March 31, 2017, December 31, 2016 and March 31, 2016, receivables from the top ten customers were accounted for 48.73%, 47.67% and 46.53% of the Group's total accounts receivable, respectively. The concentration of credit risk is relatively insignificant for the remaining receivables.

Credit risk from balances with banks, fixed-income securities and other financial instruments is managed by the Group's finance division in accordance with the Group's policy. The counterparties that the Group 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 Group.

(5) Liquidity risk management

The Group 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 Group'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 March 31, 2017						
Loans	2,480,440	524,611	464,778	273,756	101,076	3,844,661
Payables	5,162,205	-	-	-	-	5,162,205
As of December 31, 2016						
Loans	2,825,676	552,030	477,777	376,274	151,614	4,383,371
Payables	5,212,437	-	-	-	-	5,212,437
As of March 31, 2016						
Loans	3,412,969	515,802	495,744	243,109	65,670	4,733,294
Payables	5,356,081	-	-	-	-	5,356,081

(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 Group 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.

(d) The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

B. Fair value of financial instruments measured at amortized cost

The carrying amount of the Group'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 Group.

(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 Group 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 Group's assets and liabilities

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

As of March 31, 2017

	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	2,567,787	-	-	2,567,787
Financial liabilities:				
None				

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	3,268,435	-	-	3,268,435
Financial liabilities:				
None				

As of March 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	3,603,825	-	-	3,603,825
Financial liabilities:				
None				

Transfers between Level 1 and Level 2 during the period

For the three-month periods ended March 31, 2017 and 2016, 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 Group's significant financial assets and liabilities denominated in foreign currencies was listed below: (In Thousands)

	As of					
	3/31/2017			12/31/2016		
	Foreign Currencies ($'000)	Exchange Rate	NTD (NT$'000)	Foreign Currencies ($'000)	Exchange Rate	NTD (NT$'000)
Financial assets						
Monetary items:						
USD	107,686	30.33	3,266,119	119,476	32.25	3,853,096
CNY	87,784	4.3961	385,907	115,027	4.649	534,759
Financial liabilities						
Monetary items:						
USD	133,024	30.33	4,034,618	142,824	32.25	4,606,070
CNY	92,782	4.3961	407,879	104,865	4.649	487,514

	As of 3/31/2016		
	Foreign Currencies ($'000)	Exchange Rate	NTD (NT$'000)
Financial assets			
Monetary items:			
USD	128,516	32.19	4,136,320
CNY	67,019	4.98	333,823
Financial liabilities			
Monetary items:			
USD	150,239	32.19	4,836,117
CNY	104,724	4.98	521,661

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

Foreign exchange gain/loss on monetary financial assets and liabilities is shown as below.

	For the three-month period ended Mar. 31,	
Foreign currency resulting in exchange gain or loss	2017 (NT$'000)	2016 (NT$'000)
USD	5,352	(4,588)
Other	871	(620)

(9) Capital management

The primary objective of the Group'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 Group manages and adjusts its capital structure in light of changes in economic conditions. To maintain or adjust the capital structure, the Group 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 March 31, 2017 (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 three-month period ended March 31, 2017: 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 three-month period ended March 31, 2017: Please refer to attachment 4.

F. Disposal of individual real estate with amount of at least NT$100 million or 20 percent of the paid-in capital for the three-month period ended March 31, 2017: 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 three-month period ended March 31, 2017: 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 March 31, 2017: None.

I. Derivative instrument transactions: None.

J. Intercompany relationships and significant intercompany transactions for the three-month period ended March 31, 2017: Please refer to attachment 10.

(2) Information on investees

A. Investees over whom the Company exercises significant influence or control (excluding investees in Mainland China): Please refer to attachment 6.

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 March 31, 2017 (excluding investments in subsidiaries, associates and joint ventures): Please refer to attachment 7.

(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 three-month period ended March 31, 2017: None.

(e) Acquisition of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the three-month period ended March 31, 2017: 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 three-month period ended March 31, 2017: 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 three-month period ended March 31, 2017: Please refer to attachment 8.

(h) Receivables from related parties of at least NT$100 million or 20 percent of the paid-in capital as of March 31, 2017: Please refer to attachment 9.

(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	Paid-in Capital (NT$'000)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2017 (NT$'000)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of Mar. 31, 2017 (NT$'000)	Profit/ Loss of Investee (NT$'000)	Percentage of Ownership (Direct or Indirect Investment)	Share of Profit/Loss (NT$'000)	Carrying Amount as of Mar. 31, 2017 (NT$'000)	Accumulated Inward Remittance of Earnings as of Mar. 31, 2017 (NT$'000)	Accumulated Outflow of Investment from Taiwan to Mainland China as of Mar. 31, 2017 (NT$'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)	2,123,100 (Note 2)	(Note 1)	2,123,100 (Note 2)	-	-	2,123,100 (Note 2)	32,922 (Note 2 and Note 4)	100%	32,922 (Note 2、Note 4 and Note 7)	1,011,444 (Note 2、Note 4 and Note 7)	-	2,123,100 (Note 2)	2,123,100 (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	5,056,011 (Note 2)	(Note 1)	2,858,715 (Note 2)	-	-	2,858,715 (Note 2)	(207,898) (Note 2 and Note 4)	51%	(106,028) (Note 2、Note 4 and Note 7)	1,207,708 (Note 2、Note 4 and Note 7)	-	2,858,715 (Note 2)	2,858,715 (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	60,660 (Note 2)	(Note 1)	60,660 (Note 2)	-	-	60,660 (Note 2)	(327) (Note 2 and Note 4)	100%	(327) (Note 2、Note 4 and Note 7)	61,278 (Note 2、Note 4 and Note 7)	-	60,660 (Note 2)	60,660 (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	1,573 (Note 2)	100%	1,573 (Note 2 and Note 7)	45,042 (Note 2 and Note 7)	-	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 reviewed 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 Pagavision Corporation.

Note 7: Transactions are eliminated upon preparation of consolidated financial statements.

B. Significant transactions with investees in China:

(a) Purchase and balances of related accounts payable as of March 31, 2017: Please refer to attachment 10 for details.

(b) Sale and balance of related accounts receivable as of March 31, 2017: Please refer to attachment 10 for details.

(c) Property transaction amounts and resulting gain or loss: None.

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

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

(f) Transactions that have significant impact on profit or loss of current period or the financial position, such as services provided or rendered: Please refer to attachment 10 for details.

(g) Above transactions are eliminated upon preparation of consolidated financial statements. Please refer to attachment 10 for details.

14. OPERATING SEGMENT

For management purposes, the Group is organized into operating segments based on different products and services and has two reportable operating segments as follows:

IC Substrate: This segment produces and manufactures BGA substrates and sells the products to manufacturers of electronic products.

Printed Circuit Board (PCB): This segment produces and manufactures PCBs and sells the products to manufacturers of electronic products.

No operating segments have been aggregated to form the above reportable operating segments.

The Group’s operating segments adopts the same accounting policies as the ones in Note 4. Management monitors the operating results of its business units separately for the purpose of decision-making on resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and measured consistently with methods applied to operating profit or loss in the consolidated financial statements.

(1)Segment income (loss), assets and liabilities

For the three-month period ended March 31, 2017

	IC Substrate (NT$'000)	PCB (NT$'000)	Elimination (NT$'000)	Consolidated (NT$'000)
External customer	3,654,031	1,316,313	-	4,970,344
Inter-segment	-	-	-	-
Total revenue	3,654,031	1,316,313	-	4,970,344
Segment income (loss)	223,198	(148,514)	-	74,684

For the three-month period ended March 31, 2016

	IC Substrate (NT$'000)	PCB (NT$'000)	Elimination (NT$'000)	Consolidated (NT$'000)
External customer	4,159,284	1,210,872	-	5,370,156
Inter-segment	-	-	-	-
Total revenue	4,159,284	1,210,872	-	5,370,156
Segment income (loss)	602,426	(153,709)	-	448,717

Details of assets and liabilities under the Group's operating segments are as follows:

Segment assets	IC Substrate (NT$'000)	PCB (NT$'000)	Elimination (NT$'000)	Consolidated (NT$'000)
As of 3/31/2017	34,252,956	6,281,946	-	40,534,902
As of 12/31/2016	34,627,746	6,625,969	-	41,253,715
As of 3/31/2016	35,078,499	7,017,716	-	42,096,215

Segment liabilities	IC Substrate (NT$'000)	PCB (NT$'000)	Elimination (NT$'000)	Consolidated (NT$'000)
As of 3/31/2017	7,172,391	2,494,862	-	9,667,253
As of 12/31/2016	7,697,825	2,541,121	-	10,238,946
As of 3/31/2016	8,398,936	2,481,755	-	10,880,691

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Kinsus Interconnect Technology Corp. and Subsidiaries

Endorsement/Guarantee Provided to Others

For the three-month period ended March 31, 2017

Table 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. $5,771,521	$1,819,800 (USD 60,000) (Note 2)	$1,819,800 (USD 60,000) (Note 2)	$818,910	$-	6.31%	Shall not exceed 50% of the net worth in the current financial statements. $14,428,804	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. $5,771,521	$928,098 (USD 30,600) (Note 2)	$928,098 (USD 30,600) (Note 2)	$348,037	$-	3.22%	Shall not exceed 50% of the net worth in the current financial statements. $14,428,804	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.

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Kinsus Interconnect Technology Corp. and Subsidiaries

Marketable Securities Held as of March 31, 2017

Table 2

(In Thousands of New Taiwan Dollars)

Name of Held Company	Type and Name of Marketable Securities	Relationship with the Issuer	Financial Statement Account	March 31, 2017			Fair Value (Note)	Note
				Shares / Units	Carrying Amount	Shareholding %		
Kinsus Interconnect	Money market funds:							
Technology Corp.	Capital Money Market Fund	-	Financial assets at fair value through profit or loss	14,026,518	$218,491	-%	$224,346	
	Taishin Ta Chong Money Market Fund	-	Financial assets at fair value through profit or loss	18,812,748	255,796	-%	264,923	
	Taishin 1699 Money Market Fund	-	Financial assets at fair value through profit or loss	30,522,218	400,000	-%	409,263	
	FSITC Money Market Fund	-	Financial assets at fair value through profit or loss	1,168,258	200,000	-%	206,618	
	Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss	41,465,474	500,000	-%	515,337	
	Jih Sun Money Market	-	Financial assets at fair value through profit or loss	31,315,952	450,000	-%	459,799	
	Union Money Market Fund	-	Financial assets at fair value through profit or loss	15,838,553	203,448	-%	207,379	
	UPAMC James Bond Fund	-	Financial assets at fair value through profit or loss	15,322,946	250,000	-%	253,923	
	Subtotal				2,477,735		$2,541,588	
	Add: Valuation adjustments of financial assets held for trading				63,853			
	Total				$2,541,588			

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

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Kinsus Interconnect Technology Corp. and Subsidiaries

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 three-month period ended March 31, 2017

Table 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: Capital Money Market Fund	Financial assets at fair value through profit or loss	-	-	32,783,435	$510,667	-	$-	18,756,917	$300,000	$292,176	$7,824	14,026,518	$218,491

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Kinsus Interconnect Technology Corp. and Subsidiaries

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

For the three-month period ended March 31, 2017

Table 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 March 31, 2017	Guo-Gong Construction Co., Ltd.	None	None	None	None	None	Bidding	Production expansion and operation planning	None

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Kinsus Interconnect Technology Corp. and Subsidiaries

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

For the three-month period ended March 31, 2017

Table 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	$498,029	30.27%	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 $(201,137)	(17.55)%	Note

Note: Transactions are eliminated when preparing the consolidated financial statements.

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Kinsus Interconnect Technology Corp. and Subsidiaries

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

As of March 31, 2017

Table 6

(In Thousands of Foreign Currency / New Taiwan Dollars)

Investor	Investee	Business Location	Main Business and Product	Original Investment Amount		Ending balance			Net Income (Loss) of the Investee	Share of Income (Loss) of the Investee	Note
				As of March 31, 2016	As of March 31, 2017	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	100.00%	$36,490	$2,061	$2,061	Note
Kinsus Interconnect Technology Corp.	KINSUS HOLDING (SAMOA) LIMITED	Samoa	Investing activities	USD166,309	USD166,309	166,308,720	100.00%	$2,315,622	$(75,953)	$(75,953)	Note
Kinsus Interconnect Technology Corp.	Kinsus Investment Co., Ltd.	Taoyuan City	Investing activities	$1,000,000 (Note 1)	$1,000,000 (Note 1)	100,000,000	100.00%	$1,192,214	$(11,416)	$(11,416)	Note
Kinsus Investment Co., Ltd.	Pegavision Corporation	Taoyuan City	Manufacturing medical equipment	$286,418	$286,418	22,088,736	36.81%	$475,369	$68,397	$25,180	Note
Kinsus Investment Co., Ltd.	FuYang Technology Corp.	Hsinchu County	Electronic Parts and Components Manufacturing	$450,000	$450,000	45,000,000	36.00%	$387,994	$(95,550)	$(34,398)	
KINSUS HOLDING (SAMOA) LIMITED	KINSUS HOLDING (CAYMAN) LIMITED	Cayman Islands	Investing activities	USD72,000	USD72,000	72,000,000	100.00%	USD 35,368	USD 1,075	USD 1,075	Note
KINSUS HOLDING (SAMOA) LIMITED	PIOTEK HOLDINGS LTD. (CAYMAN)	Cayman Islands	Investing activities	USD94,309	USD94,309	95,755,000	51.00%	USD 40,979	USD (6,897)	USD (3,517)	Note
PIOTEK HOLDINGS LTD. (CAYMAN)	PIOTEK HOLDING LIMITED	British Virgin Islands	Investing activities	USD139,841	USD139,841	139,840,790	100.00%	USD 80,351	USD (6,897)	USD (6,897)	Note
PIOTEK HOLDING LIMITED	PIOTEK (H.K.) TRADING LIMITED	Hong Kong	Trading activities	USD26	USD26	200,000	100.00%	USD 2,247	USD (42)	USD (42)	Note
Pegavision Corporation	PEGAVISION HOLDINGS CORPORATION	Samoa	Investing activities	USD2,130	USD2,130	2,130,000	100.00%	$30,021	$1,541	$1,541	Note
Pegavision Corporation	PEGAVISION JAPAN INC.	JAPAN	Selling Medical facility	JPY 9,900	JPY 9,900	198	100.00%	$3,164	$111	$111	Note

Note: Transactions are eliminated when preparing the consolidated financial statements.

Note 1: 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.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Marketable Securities Held as of March 31, 2017 (Excluding Investments in Subsidiaries, Associates and Jointly Controlled Entities)

As of March 31, 2017

Table 7

(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 March 31, 2017				Guarantee, Pledge or Other Restricted Conditions		
				Shares (Unit)	Carrying Amount	%	Fair Value (Net Equity)	Shares	Carrying Amount	Note
Kinsus Investment Co., Ltd.	Money market funds:									
	Taishin Ta Chong Money Market Fund	-		829,070	$11,315	-%	$11,675	-	$-	
	Valuation adjustments of financial assets held for trading		Financial assets at fair value through profit or loss		360					
	Total				$11,675					
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	-		966,804	$14,518	-%	$14,524	-	$-	
	Valuation adjustments of financial assets held for trading		Financial assets at fair value through profit or loss		6					
	Total				$14,524					

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

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Kinsus Interconnect Technology Corp. and Subsidiaries

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

As of March 31, 2017

Table 8

(In Thousands of US Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment/ Collection Term	Unit Price	Payment/ Collection Term	Ending Balance	% to Total	
Piotek Computer (Suzhou) Co., Ltd.	Pegatron Corporation	Parent company	Sales	USD 11,702	44.40%	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 11,907	44.96%	
Kinsus Interconnect Technology Suzhou Corp.	Kinsus Interconnect Technology Corp.	Parent company	Sales	USD 16,293	99.69%	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 6,987	99.93%	Note

Note: Transactions are eliminated when preparing the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

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

As of March 31, 2017

Table 9

(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 11,907 (Note)	4.07	$-	-	$-	$-
Kinsus Interconnect Technology Suzhou Corp.	Kinsus Interconnect Technology Corp.	Parent company	USD 6,987 (Note and Note 1)	10.02	$-	-	$-	$-

Note: Accounts receivable

Note 1: Transactions are eliminated when preparing the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Intercompany Relationships and Significant Intercompany Transactions for the Three-month Period Ended March 31, 2017

Table 10

(In Thousands of Foreign Currency / New Taiwan Dollars)

No. (Note 1)	Company Name	Counter-Party	Nature of Relationship (Note 2)	Intercompany Transaction: Financial Statement Account	Amount	Terms	Percentage to Consolidated Net Revenue or Total Assets (Note 3)
	2017.03.31						
0	Kinsus Interconnect Technology Corp.	Xiang-Shuo (Suzhou) Trading Limited	1	Other receivables	$1,009	-	-%
0	Kinsus Interconnect Technology Corp.	Xiang-Shuo (Suzhou) Trading Limited	1	Other income	$836	Payment within 60 days from the end of delivery month	0.02%
0	Kinsus Interconnect Technology Corp.	KINSUS CORP. (USA)	1	Accrued expense	$3,422	Payment within 30 days from the end of delivery month by TT	0.01%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	1	Accounts receivable	$14,331	Payment within 30 days from the end of delivery month	0.04%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	1	Accrued expense	$113	Payment within 60 days from the end of delivery month	-%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	1	Accounts payable	$201,137	Payment within 30 days from the end of delivery month	0.50%
0	Kinsus Interconnect Technology Corp.	Piotek Computer (Suzhou) Co., Ltd.	1	Other receivables	$2,118	-	0.01%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	1	Other receivables	$4,859	-	0.01%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	1	Purchase	$498,029	Payment within 30 days from the end of delivery month	10.02%
0	Kinsus Interconnect Technology Corp.	KINSUS CORP. (USA)	1	Commission expense	$10,202	Payment within 60 days from the end of delivery month by TT	0.21%
0	Kinsus Interconnect Technology Corp.	KINSUS CORP. (USA)	1	Travel expense	$11	-	-%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	1	Manufacturing - processing	$289	Payment within 60 days from the end of delivery month	0.01%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	1	Sales revenue	$16,972	Payment within 30 days from the end of delivery month	0.34%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	1	Other income	$2,278	-	0.05%
0	Kinsus Interconnect Technology Corp.	Piotek Computer (Suzhou) Co., Ltd.	1	Other income	$2,198	-	0.04%
0	Kinsus Interconnect Technology Corp.	PIOTEK (H.K.) TRADING LIMITED	1	Other income	$512	-	0.01%
1	Piotek Computer (Suzhou) Co., Ltd.	PIOTEK (H.K.) TRADING LIMITED	3	Sales revenue	USD 3,111	Payment within 60~90 days from the end of delivery month	1.90%
1	Piotek Computer (Suzhou) Co., Ltd.	PIOTEK (H.K.) TRADING LIMITED	3	Accounts receivable	USD 1,617	Payment within 60~90 days from the end of delivery month	0.12%
1	Piotek Computer (Suzhou) Co., Ltd.	Xiang-Shuo (Suzhou) Trading Limited	3	Accounts receivable	USD 367	Payment within 60 days from the end of delivery month	0.03%
1	Piotek Computer (Suzhou) Co., Ltd.	Xiang-Shuo (Suzhou) Trading Limited	3	Accounts payable	USD 454	Payment within 60 days from the end of delivery month	0.03%
1	Piotek Computer (Suzhou) Co., Ltd.	Xiang-Shuo (Suzhou) Trading Limited	3	Other payables	RMB 13	Payment within 60 days from the end of delivery month	-%
1	Piotek Computer (Suzhou) Co., Ltd.	Xiang-Shuo (Suzhou) Trading Limited	3	Sales revenue	USD 556	Payment within 60 days from the end of delivery month	0.34%
1	Piotek Computer (Suzhou) Co., Ltd.	Kinsus Interconnect Technology Suzhou Corp.	3	Other income	USD 103	Payment within 60~90 days from the end of delivery month	0.06%
1	Piotek Computer (Suzhou) Co., Ltd.	Kinsus Interconnect Technology Suzhou Corp.	3	Accounts payable	USD 2	Payment within 60~90 days from the end of delivery month	-%
1	Piotek Computer (Suzhou) Co., Ltd.	Kinsus Interconnect Technology Suzhou Corp.	3	Other receivables	RMB 536	Payment within 60~90 days from the end of delivery month	0.01%
1	Piotek Computer (Suzhou) Co., Ltd.	Kinsus Interconnect Technology Suzhou Corp.	3	Purchase	USD 3	Payment within 60~90 days from the end of delivery month	-%
2	Xiang-Shuo (Suzhou) Trading Limited	Piotek Computer (Suzhou) Co., Ltd.	3	Accounts receivable	RMB 4,166	Payment within 60 days from the end of delivery month	0.05%
2	Xiang-Shuo (Suzhou) Trading Limited	Piotek Computer (Suzhou) Co., Ltd.	3	Other receivables	RMB 14	Payment within 60 days from the end of delivery month	-%
2	Xiang-Shuo (Suzhou) Trading Limited	Piotek Computer (Suzhou) Co., Ltd.	3	Other unearned revenue	RMB 149	Payment within 60 days from the end of delivery month	-%
2	Xiang-Shuo (Suzhou) Trading Limited	Piotek Computer (Suzhou) Co., Ltd.	3	Sales revenue	RMB 5,781	Payment within 60 days from the end of delivery month	0.51%
2	Xiang-Shuo (Suzhou) Trading Limited	Kinsus Interconnect Technology Suzhou Corp.	3	Sales revenue	RMB 552	Payment within 60 days from the end of delivery month	0.05%
2	Xiang-Shuo (Suzhou) Trading Limited	Kinsus Interconnect Technology Suzhou Corp.	3	Accounts receivable	RMB 541	Payment within 60 days from the end of delivery month	0.01%

Note 1: Transaction information between Parent company and its subsidiaries should be disclosed by codes below:

(1) Parent company is coded "0".

(2) The subsidiaries are coded from "1" in the order presented in the table above.

Note 2: Relationship are divided into the following three types and the types are required to be indicated:

(1) From the parent company to a subsidiary.

(2) From a subsidiary to the parent company.

(3) Between subsidiaries.

Note 3: Regarding the percentage of transaction amount to consolidated operating revenues or total assets, it is computed based on the ending balance to consolidated total assets for balance sheet items; and based on interim accumulated amount to consolidated net revenue for income statement items.