Chroma Ate Inc.

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Chroma Ate Inc.

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

The key audit matters of the financial statements for the year ended December 31, 2016 are described as follows:

Impairment of Property, Plant and Equipment

In accordance with IAS 36 - Impairment of Asset, management assesses periodically whether there is any indication that property, plant and equipment may be impaired. If there is an indication that an asset may be impaired, management should estimate the recoverable amount of the asset or the cash-generating unit to which the asset belongs based on subjective judgements about the asset's usage and industry conditions. Since the management's evaluation of impairment and determination of the recoverable amount of an asset require management's subjective judgements and assumptions, impairment of asset is deemed to be a key audit matter.

Management determined that there is no indication that the property, plant and equipment may be impaired based on the assessment of industry trend, market conditions, and the Corporation's operation performance and financial status. We have performed the audit procedures, included reviewing the impairment assessment of property, plant and equipment prepared by the management and assessing the rationale of underlying information used, to evaluate the appropriateness of the impairment indication assessment performed by the management.

Other information related to property, plant and equipment is disclosed in Notes 5 and 13.

Evaluation of Write-down of Inventories

The Corporation's inventories are primarily test instruments widely used in technology industries including power supply, passive components, semiconductor, LED, and solar energy. The Corporation needs to change the product combinations in response to the rapid change in the market and business fluctuation. The market competition or technique replacement may result in the risk that inventories cannot be sold, or prices may be reduced due to lack of demand in the market. As stated in Note 5 - Critical accounting judgments and key sources of estimation uncertainty, inventory valuation includes the consideration of whether the test instruments are obsolete or unmarketable and the estimation of demand for the products in the future. Since the evaluation process involves material assumptions and estimations, the valuation of inventories is deemed to be a key audit matter.

We assessed the rationale of the Corporation's policy on providing allowance for inventory valuation and obsolescence losses, and we tested the accuracy of inventory aging report. We also reviewed the sales forecast of the products, tested the recent selling prices, and participated in annual inventory count to observe the condition of the inventories in order to evaluate the reasonableness of the inventory value.

Please refer to Note 11 to the financial statements for the details of the information about inventories.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Yi-Wen Wang and Wen-Chi Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 21, 2017

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

CHROMA ATE INC.

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

	2016		2015	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 1,624,838	10	$ 878,892	6
Financial assets of fair value through profit or loss - current (Notes 4 and 7)	725	-	-	-
Available-for-sale financial assets - current (Notes 4 and 8)	2,030,362	12	1,824,521	13
Notes receivable	4,478	-	6,784	-
Notes receivable - related parties (Note 26)	354	-	3,920	-
Accounts receivable, net (Notes 4 and 10)	683,832	4	591,750	4
Accounts receivable - related parties (Notes 4, 10 and 26)	1,604,262	10	1,063,503	8
Other receivables - related parties (Note 26)	161,874	1	168,854	1
Inventories (Notes 4, 5 and 11)	1,458,032	9	1,300,519	9
Prepayments	30,995	-	51,834	1
Other current assets (Note 26)	109,537	-	109,114	1
Total current assets	7,709,289	46	5,999,691	43
NON-CURRENT ASSETS				
Available-for-sale financial assets non-current (Notes 4 and 8)	314,233	2	359,543	2
Financial assets carried at cost non-current (Notes 4 and 9)	172,173	1	181,760	1
Investments accounted for using equity method (Notes 4 and 12)	3,301,105	20	3,339,519	24
Property, plant and equipment (Notes 4, 13 and 27)	1,805,031	11	1,844,215	13
Goodwill (Notes 4 and 14)	94,424	1	94,424	1
Deferred tax assets (Notes 4 and 21)	131,806	1	88,429	1
Prepayments for land and equipment	3,035,154	18	2,046,426	15
Refundable deposits	2,076	-	1,943	-
Prepayments for investments	20,000	-	-	-
Other non-current assets	960	-	8,966	-
Total non-current assets	8,876,962	54	7,965,225	57
TOTAL	$ 16,586,251	100	$ 13,964,916	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 15)	$ -	-	$ 100,000	1
Financial liability at fair value through profit or loss - current (Notes 4 and 7)	-	-	1,483	-
Notes payable (Note 26)	510	-	35	-
Accounts payable	1,070,615	6	534,402	4
Accounts payable - related parties (Note 26)	81,610	-	34,647	-
Other payables (Note 17)	658,120	4	459,173	4
Current tax liabilities (Notes 4 and 21)	248,414	2	136,340	1
Receipts in advance (Note 26)	167,082	1	28,111	-
Current portion of long-term borrowings (Notes 4 and 15)	800,000	5	-	-
Other current liabilities - other (Note 26)	10,651	-	16,515	-
Total current liabilities	3,037,002	18	1,310,706	10
NON-CURRENT LIABILITIES				
Bonds payable (Notes 4 and 16)	1,397,140	9	1,758,093	12
Long-term borrowings (Notes 4 and 15)	1,200,000	7	1,230,000	9
Deferred tax liabilities (Notes 4 and 21)	177,153	1	115,166	1
Net defined benefit liabilities (Notes 4 and 18)	157,760	1	140,281	1
Guarantee deposits received	569	-	566	-
Total non-current liabilities	2,932,622	18	3,244,106	23
Total liabilities	5,969,624	36	4,554,812	33
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 19 and 23)				
Common stock	3,898,872	23	3,791,699	27
Capital surplus	1,960,159	12	1,302,269	9
Retained earnings				
Legal reserve	1,724,576	10	1,600,920	11
Special reserve	86,888	1	86,888	1
Unappropriated earnings	2,923,811	18	2,264,377	16
Total retained earnings	4,735,275	29	3,952,185	28
Other equity	58,035	-	399,665	3
Treasury shares	(35,714)	-	(35,714)	-
Total equity	10,616,627	64	9,410,104	67
TOTAL	$ 16,586,251	100	$ 13,964,916	100

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

CHROMA ATE INC.

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

	2016		2015	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Notes 4 and 26)				
Sale revenues	$ 7,254,581	100	$ 4,605,024	101
Less: Sales returns	(18,534)	-	(62,184)	(1)
Sales allowances	(2,732)	-	(3,399)	-
Net operating revenues	7,233,315	100	4,539,441	100
OPERATING COSTS (Notes 11, 20 and 26)	(3,389,602)	(47)	(1,977,863)	(44)
GROSS PROFIT	3,843,713	53	2,561,578	56
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	(80,134)	(1)	(41,744)	(1)
REALIZED GROSS PROFIT	3,763,579	52	2,519,834	55
OPERATING EXPENSES (Notes 20 and 26)				
Selling and marketing expenses	651,576	9	552,449	12
General and administrative expenses	449,079	6	357,284	8
Research and development expenses	936,526	13	784,380	17
Total operating expenses	2,037,181	28	1,694,113	37
OPERATING INCOME	1,726,398	24	825,721	18
NON-OPERATING INCOME AND EXPENSES				
Share of profit of subsidiaries, associates and joint ventures, net (Notes 4 and 12)	246,007	3	416,646	9
Dividend income (Note 4)	46,998	1	29,724	1
Rental income (Note 26)	29,738	1	30,882	1
Interest income (Note 26)	8,793	-	6,141	-
Management service income (Note 26)	8,600	-	8,650	-
Subsidy income (Note 4)	3,384	-	18,302	-
Gain on reversal of bad debts	-	-	9,000	-
Other income - other (Note 26)	20,424	-	20,735	1
Foreign currency exchange loss, net (Notes 4 and 29)	(57,580)	(1)	-	-
(Losses) gain on disposal of property, plant and equipment, net (Note 4)	(3,387)	-	394	-
Valuation gain on financial assets (liabilities), at fair value through profit, net (Notes 4 and 16)	2,884	-	-	-
Impairment loss (Notes 4 and 9)	-	-	(14,674)	-

(Continued)

CHROMA ATE INC.

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

	2016		2015	
	Amount	**%**	**Amount**	**%**
Valuation loss on financial assets (liabilities) at fair value through loss, net	$ -	-	$ (556)	-
Gain on disposal of investments, net (Note 4)	2,431	-	368	-
Foreign currency exchange gain, net (Notes 4 and 29)	-	-	52,536	1
Other expenses	(29)	-	(850)	-
Interest expense (Notes 4 and 20)	(27,140)	-	(28,834)	(1)
Total nonoperating income and expense	281,123	4	548,464	12
INCOME BEFORE INCOME TAX	2,007,521	28	1,374,185	30
INCOME TAX EXPENSE (Notes 4 and 21)	287,586	4	137,628	3
NET INCOME	1,719,935	24	1,236,557	27
OTHER COMPREHENSIVE INCOME, NET (Note 19)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	(24,936)	-	(26,849)	(1)
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	(1,709)	-	352	-
Item that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	(127,798)	(2)	(17,071)	-
Unrealized loss from available-for-sale financial assets	(39,469)	(1)	(99,791)	(2)
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	(24,411)	-	9,423	-
Total other comprehensive income	(218,323)	(3)	(133,936)	(3)
TOTAL COMPREHENSIVE INCOME	$ 1,501,612	21	$ 1,102,621	24
EARNINGS PER SHARE (NT$; Note 22)				
Basic	$4.53		$3.28	
Diluted	$4.23		$3.10	

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

CHROMA ATE INC.

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

			Retained Earnings				Other Equity					
	Issued Capital	**Capital Surplus**	**Legal Reserve**	**Special Reserve**	**Unappropriated Earnings**	**Total**	**Exchange Differences on Translating Foreign Operations**	**Unrealized Gain (Loss) from Available-for-sale Financial Assets**	**Unearned Employee Benefit**	**Total**	**Treasury Stock**	**Total Equity**
BALANCE, JANUARY 1, 2015	$ 3,787,821	$ 1,256,654	$ 1,469,276	$ 86,888	$ 2,180,919	$ 3,737,083	$ 136,756	$ 370,348	$ -	$ 507,104	$ (35,714)	$ 9,252,948
Appropriation of the 2014 earnings												
Legal reserve	-	-	131,644	-	(131,644)	-	-	-	-	-	-	-
Cash dividends - NT$2.6 per share	-	-	-	-	(987,433)	(987,433)	-	-	-	-	-	(987,433)
Change in other capital surplus												
Change in capital surplus from investments in subsidiaries, associates and joint ventures accounted for using the equity method	-	-	-	-	(7,525)	(7,525)	-	-	-	-	-	(7,525)
Net income for the year ended December 31, 2015	-	-	-	-	1,236,557	1,236,557	-	-	-	-	-	1,236,557
Other comprehensive income for the year ended December 31, 2015	-	-	-	-	(26,497)	(26,497)	(8,788)	(98,651)	-	(107,439)	-	(133,936)
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	1,210,060	1,210,060	(8,788)	(98,651)	-	(107,439)	-	1,102,621
Conversion of convertible bonds	42	239	-	-	-	-	-	-	-	-	-	281
Adjustments of capital surplus for the Corporation's cash dividends received by subsidiaries	-	4,994	-	-	-	-	-	-	-	-	-	4,994
Compensation recognized on employee stock options	3,836	40,382	-	-	-	-	-	-	-	-	-	44,218
BALANCE, DECEMBER 31, 2015	3,791,699	1,302,269	1,600,920	86,888	2,264,377	3,952,185	127,968	271,697	-	399,665	(35,714)	9,410,104
Appropriation of the 2015 earnings												
Legal reserve	-	-	123,656	-	(123,656)	-	-	-	-	-	-	-
Cash dividends - NT$2.4 per share	-	-	-	-	(910,200)	(910,200)	-	-	-	-	-	(910,200)
Change in other capital surplus												
Change in capital surplus from investments in subsidiaries, associates and joint ventures accounted for using the equity method	-	27,978	-	-	-	-	-	-	-	-	-	27,978
Net income for the year ended December 31, 2016	-	-	-	-	1,719,935	1,719,935	-	-	-	-	-	1,719,935
Other comprehensive income for the year ended December 31, 2016	-	-	-	-	(26,645)	(26,645)	(152,882)	(38,796)	-	(191,678)	-	(218,323)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	1,693,290	1,693,290	(152,882)	(38,796)	-	(191,678)	-	1,501,612
Conversion of convertible bonds	59,823	326,205	-	-	-	-	-	-	-	-	-	386,028
Adjustment of capital surplus for the Corporation's cash dividends received by subsidiaries	-	4,545	-	-	-	-	-	-	-	-	-	4,545
Share-based payment transaction	47,350	299,162	-	-	-	-	-	-	(149,952)	(149,952)	-	196,560
BALANCE, DECEMBER 31, 2016	$ 3,898,872	$ 1,960,159	$ 1,724,576	$ 86,888	$ 2,923,811	$ 4,735,275	$ (24,914)	$ 232,901	$ (149,952)	$ 58,035	$ (35,714)	$ 10,616,627

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

CHROMA ATE INC.

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

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	$ 2,007,521	$ 1,374,185
Adjustments for:		
Share of profits of subsidiaries, associates and joint venture accounted for by the equity method, net	(246,007)	(416,646)
Depreciation	157,159	158,264
Compensation cost of share-based payments	86,618	25,077
Unrealized gain on the transactions with subsidiaries and associates	80,134	41,744
Unrealized loss (gain) on foreign currency exchange, net	52,244	(43,566)
Dividend income	(46,998)	(29,724)
Finance cost	27,140	28,834
Provision (reversal of provision) for bad debts expense	11,000	(9,000)
Interest income	(8,793)	(6,141)
Impairment loss on non-derivative financial assets	8,500	32,452
Loss (gain) on disposal and retirement of property, plant and equipment, net	3,387	(394)
Gain on disposal of investments, net	(2,431)	(368)
Impairment loss on financial assets	-	14,674
Net changes in operating assets and liabilities		
Financial assets held for trading	(1,401)	-
Notes receivable	5,872	(2,577)
Accounts receivable	(684,082)	662,903
Inventories	(249,471)	(118,162)
Prepayments	20,839	(23,180)
Other current assets	2,969	(6,175)
Financial liabilities held for trading	(1,483)	556
Notes payable	475	(1,016)
Accounts payable	586,054	30,657
Other payables	196,817	(40,500)
Receipts in advance	138,971	20,296
Other current liabilities	(5,864)	348
Net defined benefit liabilities	(7,457)	(5,438)
Cash generated from operating	2,131,713	1,687,103
Income tax paid	(156,902)	(164,175)
Net cash generated from operating activities	1,974,811	1,522,928
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment to acquire property, plant and equipment	(1,008,799)	(658,699)
Payment to acquire available-for-sale financial assets	(600,000)	(300,000)
Proceeds from disposal of available-for-sale financial assets	400,910	119,942
Dividend received	353,099	259,269
Payment to acquire investments accounted for using the equity method	(225,749)	(131,840)
Increase in prepayments for long-term investments	(20,000)	-
Cash returned of capital reduction of financial assets carried at cost	9,587	11,750

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CHROMA ATE INC.

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

	2016	2015
Decrease in other non-current assets	$ 8,006	$ 15,846
Decrease in other receivables - related parties	5,594	11,384
Interest received	7,905	6,303
Proceeds from disposal of property, plant and equipment	7,046	3,452
Proceeds on sale of financial assets measured at cost	1,521	-
(Increase) decrease in refundable deposits	(133)	732
Proceeds from disposal of investments in bonds with no active market	-	51,091
Increase in prepayments for investments	-	(16,140)
Net cash used in investing activities	(1,061,013)	(626,910)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividend	(910,200)	(987,433)
Increase in long-term borrowings	770,000	530,000
Decrease in short-term borrowings	(100,000)	(50,000)
Exercise of employee stock options	80,049	19,141
Exercise of employee restricted stock	31,000	-
Interest paid	(25,245)	(13,480)
Increase in guarantee deposits	3	-
Net cash used in financing activities	(154,393)	(501,772)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(13,459)	2,631
NET INCREASE IN CASH AND CASH EQUIVALENTS	745,946	396,877
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	878,892	482,015
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,624,838	$ 878,892

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

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

1. GENERAL INFORMATION

Chroma Ate Inc. (the “Corporation”) was incorporated in the Republic of China (ROC) in November 1984. The Corporation mainly designs, assembles, calibrates, manufactures, sells, repairs and maintains software/hardware for computers and peripherals, computerized automatic test systems, electronic test instruments, signal generators, power supplies, telecom power supplies, etc. as well as serves as an agent to sell these products. The Corporation’s shares have been listed on the Taiwan Stock Exchange since December 21, 1996.

The Corporation’s functional currency is New Taiwan dollar (NTD).

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Corporation’s board of directors on February 21, 2017.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

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

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

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014

(Continued)

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note 1)
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

(Concluded)

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

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

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

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

1) Amendment to IFRS 2 “Share-Based Payment”

   IFRS 2 was amended by the Annual Improvements to IFRSs: 2010-2012 Cycle to change the definitions of “vesting condition” and “market condition” and add definitions of “performance condition” and “service condition”. The amendment clarifies that a performance target can be based on the operations (i.e. a non-market condition) of the Corporation or another entity in the same Corporation or the market price of the equity instruments of the Corporation or another entity in the same Corporation (i.e. a market condition); that a performance target can relate either to the performance of the Corporation as a whole or to some part of it (e.g. a division); and that the period for achieving a performance condition must not extend beyond the end of the related service period. In addition, a share market index target is not a performance condition because it not only reflects the performance of the Corporation, but also of other entities outside the Corporation. The share-based payment arrangements with market conditions, non-market conditions or non-vesting conditions will be accounted for differently, and the aforementioned amendment will be applied prospectively to those share-based payments granted on or after January 1, 2017.

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

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

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

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

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

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

The Corporation have not applied the following IFRSs issued by the IASB but not yet endorsed by the FSC.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of investment property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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

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

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Corporation's accounting policies, except for the following:

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

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

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

The impairment of financial assets

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

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

Transition

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

2) IFRS 15 "Revenue from Contracts with Customers" and related amendments

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

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

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

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

Except for the above impact, the Corporation is continuously assessing the possible impact that the application of other standards and interpretations will have on the Corporation's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

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

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

a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

c. Level 3 inputs are unobservable inputs for the asset or liability.

When preparing its financial statements, the Corporation used equity method to account for its investment in subsidiaries, associates and jointly controlled entities. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the financial statements to be the same with the amounts attributable to the owner of the Corporation in its consolidated financial statements, adjustments arising from the differences in accounting treatment between basis and consolidated basis were made to investments accounted for by equity method, share of profit or loss of subsidiaries, associates and joint ventures, share of other comprehensive income of subsidiaries, associates and joint ventures and related equity items, as appropriate, in the financial statements.

Classification of Current and Noncurrent Assets and Liabilities

Current assets include:

a. Assets held primarily for the purpose of trading;

b. Assets expected to be realized within twelve months after the reporting period; and

c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

a. Liabilities held primarily for the purpose of trading;

b. Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and

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

Assets and liabilities that are not classified as current are classified as noncurrent.

Foreign Currencies

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

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

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Nonmonetary items that are measured at historical cost in a foreign currency are not retranslated.

Inventories

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

Investments Accounted for Using Equity Method

Investments in subsidiaries, associates and jointly controlled entities are accounted for by the equity method.

a. Investment in subsidiaries

   Subsidiaries are the entities that are controlled by the Corporation.

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

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

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

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

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

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

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

b. Investment in associates and joint ventures

An associate is an entity over which the Corporation has significant influence and that is neither a subsidiary nor an interest in a joint venture. Joint venture is a joint arrangement whereby the Corporation and other parties that have joint control of arrangement have right to the net assets of the arrangement.

The Corporation uses the equity method to account for its investments in associates and joint ventures.

Under the equity method, investments in an associate and a joint venture are initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the associate and joint venture. The Corporation also recognizes the changes in the Corporation's share of equity of associates and joint venture.

Any excess of the cost of acquisition over the Corporation’s share of the net fair value of the identifiable assets and liabilities of an associate or a joint venture at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Corporation’s share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Corporation subscribes for additional new shares of the associate and joint venture at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Corporation’s proportionate interest in the associate and joint venture. The Corporation records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in the Corporation’s share of equity of associates and joint ventures. If the Corporation’s ownership interest is reduced due to the additional subscription of the new shares of associate and joint venture, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate and joint venture is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Corporation’s share of losses of an associate and a joint venture equals or exceeds its interest in that associate and joint venture (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Corporation’s net investment in the associate and joint venture), the Corporation discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Corporation has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate and joint venture.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Corporation discontinues the use of the equity method from the date on which its investment ceases to be an associate and a joint venture. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate and the joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and the joint venture. The Corporation accounts for all amounts previously recognized in other comprehensive income in relation to that associate and the joint venture on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Corporation continues to apply the equity method and does not remeasure the retained interest.

When a group entity transacts with its associate and joint venture, profits and losses resulting from the transactions with the associate and joint venture are recognized in the Corporation’s financial statements only to the extent of interests in the associate and the joint venture that are not related to the Corporation.

Property, Plant and Equipment

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

Properties, plant and equipment in the course of construction are carried at cost, less any recognized impairment loss. Cost include professional fees and borrowing cost eligible for capitalization. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

Goodwill

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

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributable goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized on goodwill is not reversed in subsequent periods.

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

Intangible Assets

a. Intangible assets acquired separately

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

b. Intangible assets acquired in a business combination

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

c. Derecognition of intangible assets

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

Impairment of Tangible and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Corporation reviews the carrying amounts of its tangible and intangible assets (other than goodwill) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the CGUs to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

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

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

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

Financial Instruments

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

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

a. Financial assets

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

   1) Measurement category

      Financial assets are classified into the following categories: Available-for-sale financial assets, and loans and receivables.

      a) Available-for-sale financial assets (AFS financial assets)

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

Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Corporation's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in profit or loss or other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

b) Available-for-sale financial assets

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

Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Corporation's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

c) Loans and receivables

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

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

2) Impairment of financial assets

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

For financial assets carried at amortized cost, such as trade receivables and other receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Corporation's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

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

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

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

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, the impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

3) Derecognition of financial assets

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

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

b. Equity instruments

Debt and equity instruments issued by a Corporation entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Corporation are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Corporation's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Corporation's own equity instruments.

c. Financial liabilities

1) Subsequent measurement

Except the following situation, all the financial liabilities are measured at amortized cost using the effective interest method:

- Financial liabilities at fair value through profit or loss

  Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss.

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

A financial liability may be designated as at fair value through profit or loss upon initial recognition when doing so results in more relevant information and if:

a) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

b) The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Corporation's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

c) The contract contains one or more embedded derivatives so that the entire combined contract (asset or liability) can be designated as at fair value through profit or loss.

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividend paid on the financial liability. Fair value is determined in the manner described in Note 26.

2) Derecognition of financial liabilities

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

d. Convertible bonds

The component parts of compound instruments (convertible bonds) issued by the Corporation are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to capital surplus - share premium. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premium.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

Revenue Recognition

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

a. Sale of goods

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

1) The Corporation has transferred to the buyer the significant risks and rewards of ownership of the goods;

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

3) The amount of revenue can be measured reliably;

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

5) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

b. Dividend and interest income

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

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

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time that the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government Grants

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

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Corporation recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, Government grants whose primary condition is that the Corporation should purchase, construct or otherwise acquire noncurrent assets are recognized as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are used to compensate for expenses or losses already incurred or to give the Corporation immediate financial support with no future related costs are recognized in profit or loss in the period in which they become receivable.

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

   Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur/when the plan amendment or curtailment occurs/when the settlement occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

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

c. Other long-term employee benefits

   Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plan except that remeasurement is recognized in profit or loss.

Options Share-based Payment Arrangements

Equity-settled share-based payments arrangements and restricted shares for employees granted to employees and others who provide similar services are measured at the fair value of the equity instruments at the grant date.

The fair value at the grant date of the employee share options and restricted shares for employees is expensed on a straight-line basis over the vesting period, based on the Corporation's best estimate of the number of the employee share options that will ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vesting immediately.

When restricted shares for employees are issued, other equity - unearned employee benefits is recognized on the grant date, with a corresponding increase in capital surplus - restricted shares for employees. If restricted shares for employees are granted for consideration, and should be returned once the employee resigns, they are recognized as payables. Dividends paid to employees, on the restricted shares that do not need to be returned if employees resign in the vesting period, are recognized as expenses when the dividends are declared with a corresponding adjustment in retained earnings and capital surplus - restricted shares for employees.

At the end of each reporting period, the Corporation revises its estimate of the number of employee share options and restricted shares for employees expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital surplus - employee share options.

Taxation

Income tax expense represent the sum of the current tax payable and deferred tax.

a. Current tax

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

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

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforward and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures to extent that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

c. Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from a business combination, the tax effect is included in the accounting for the business combination.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key Sources of Estimation and Uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

a. Impairment of tangible and intangible assets other than goodwill

In the valuation of assets for impairment, on assets, the Corporation uses subjective judgment to determine the individual cash flows, useful lives and future revenues and expenses of specific asset groups based on subjective judgment, the assets' useful model and industrial characteristic. Any changes in estimation due to economic circumstances and the Corporation's strategies could result in significant impairment of tangible and intangible assets.

b. Valuation of inventories

Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value was based on current market conditions and the historical experience of selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2016	**2015**
Cash on hand	$ 2,244	$ 2,698
Checking accounts and demand deposits	1,412,520	876,194
Cash equivalent		
Time deposits with original maturities less than three months	210,074	-
	$ 1,624,838	$ 878,892

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2016	2015
Financial assets at FVTPL - current		
Derivative instruments		
Call and put option of convertible bonds payable (Note 16)	$ 725	$ -
Financial liabilities at FVTPL - current		
Derivative instruments		
Call and put option of convertible bonds payable (Note 16)	$ -	$ 1,483

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2016	2015
Domestic investments		
Listed stocks	$ 314,233	$ 359,543
Open-end beneficiary certificates	2,030,362	1,824,521
	$ 2,344,595	$ 2,184,064
Current	$ 2,030,362	$ 1,824,521
Non-current	314,233	359,543
	$ 2,344,595	$ 2,184,064

9. FINANCIAL ASSETS CARRIED AT COST- NON-CURRENT

	December 31	
	2016	2015
Domestic unlisted common stocks	$ 162,021	$ 171,608
Foreign open-end beneficial certificates	10,152	10,152
	$ 172,173	$ 181,760
Classification by measurement of financial instruments		
Available-for-sale financial assets	$ 172,173	$ 181,760

The above unlisted stock investments were measured at cost less impairment at the balance sheet date. The Corporation thought the fair value of these investments could not be estimated reliably because the range of reasonable fair value estimates is significant and the probabilities of various estimates cannot be reasonably assessed.

For the year ended December 31, 2015, the Corporation recognized impairment losses of $2,411 thousand, on Qualitysource S.A.S. These impairment losses were recognized to reflect an other-than-temporary decline in value of these investments.

For the year ended December 31, 2015, the Corporation recognized impairment losses of $12,263 thousand on Lasfocus Corporation. These impairment losses were recognized to reflect an other-than-temporary decline in value of these investments.

The Corporation sold part of foreign unlisted common stocks and all preferred stock of financial assets carried at cost in the year ended December 31, 2016.

The Corporation did not dispose of financial assets carried at cost in the year ended December 31, 2015.

10. ACCOUNTS RECEIVABLE, NET

	December 31	
	2016	**2015**
Accounts receivable	$ 727,915	$ 627,890
Less: Allowance for doubtful accounts	(44,083)	(36,140)
	683,832	591,750
Accounts receivable - related parties	1,604,262	1,063,503
	$ 2,288,094	$ 1,655,253

The average credit period for sales of goods is 60 to 90 days after the goods were approved, and no interest is charged on accounts receivable. In determining the recoverability of a trade receivable, the Corporation considers any change in the credit quality of the accounts receivable from the date when credit was initially granted up to the balance sheet date. Allowances for doubtful amounts are based on estimated irrecoverable amounts determined by referring to the counterparty's past default experience and the counterparty's current financial position.

The Corporation did not recognize an allowance accounts against accounts receivable which were past due at the end of the reporting period because there was not a significant change in credit quality and the amounts were still considered recoverable. In addition, the Corporation did not hold any collateral or other credit enhancements for those accounts receivable.

The aging of receivables was as follows:

	December 31	
	2016	**2015**
Less than 60 days	$ 491,119	$ 409,394
61-365 days	188,626	116,489
Over 365 days	48,170	102,007
	$ 727,915	$ 627,890

The above aging analysis was based on the past due days from end of credit period.

Age of receivables that were past due but not impaired:

	December 31	
	2016	2015
Less than 60 days	$ 106,437	$ 102,627
61-365 days	182,955	107,048
Over 365 days	13,057	78,337
	$ 302,449	$ 288,012

The above aging schedule was based on the past due days from end of credit period.

The movements of the allowance for doubtful accounts receivable were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2015	$ 1,657	$ 43,699	$ 45,356
Bad debts expense reversed on accounts receivable	-	(9,000)	(9,000)
Reclassification of impairment loss from collective assessment to individual assessment	26,971	(26,971)	-
Reclassification of impairment loss from individual assessment to collective assessment	(1,640)	1,640	-
Amounts written off during the period as uncollected	(16)	(200)	(216)
Balance at December 31, 2015	$ 26,972	$ 9,168	$ 36,140
Balance at January 1, 2016	$ 26,972	$ 9,168	$ 36,140
Impairment losses recognized on receivables	-	11,000	11,000
Reclassification of impairment loss from collective assessment to individual assessment	17,885	(17,885)	-
Reclassification of impairment loss from individual assessment to collective assessment	(8,080)	8,080	-
Amounts written off during the period as uncollected	(3,057)	-	(3,057)
Balance at December 31, 2016	$ 33,720	$ 10,363	$ 44,083

The recognized impairment represents the difference between the carrying amount of these trade receivables and the present value of the expected proceeds to be received from liquidation. The allowance for impairment loss included allowance for individually impaired trade receivable in the amounts of $33,720 thousand and $26,972 thousand as of December 31, 2016 and 2015, respectively. The Corporation did not hold any collateral over these balances.

11. INVENTORIES

	December 31	
	2016	2015
Finished goods	$ 200,538	$ 194,339
Semi-finished products	317,900	277,762
Work in process	471,511	368,814
Raw materials	468,083	459,604
	$ 1,458,032	$ 1,300,519

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2016 and 2015 was $3,389,602 thousand and $1,977,863 thousand, respectively.

The costs of inventories recognized as cost of goods sold for the years ended December 31, 2016 and 2015 included $8,500 thousand and $32,452 thousand write-downs of inventories, respectively.

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2016	2015
Investments in subsidiaries	$ 2,659,608	$ 2,786,380
Investments in associates	623,904	535,634
Investments in joint venture	17,593	17,505
	$ 3,301,105	$ 3,339,519

a. Investments in subsidiaries

The details of investment and equity interest in subsidiaries were as follows:

	December 31			
	2016		2015	
	Amount	Percentage of Equity Interest (%)	Amount	Percentage of Equity Interest (%)
Unlisted company				
Neworld Electronics Ltd.	$ 696,690	100.0	$ 705,291	100.0
San Eagle Development Corp.	567,548	100.0	624,769	100.0
Chroma New Material Corporation	439,369	100.0	437,683	100.0
Wei Kuang Automatic Equipment Co., Ltd.	316,050	100.0	446,591	100.0
CHI Incorporation Ltd.	109,043	100.0	133,231	100.0
Chen Hwa Technology Inc.	106,449	100.0	111,655	100.0
Quantel Private Ltd.	108,073	60.0	-	-
Chroma Investment Co., Ltd.	106,210	100.0	102,030	100.0
Chroma Ate Europe B.V.	85,621	100.0	84,939	100.0
Chroma Ate Inc. (“Chroma USA”)	70,824	100.0	68,577	100.0
Sensational Holding Ltd.	53,358	100.0	52,699	100.0

(Continued)

	December 31			
	2016		2015	
	Amount	Percentage of Equity Interest (%)	Amount	Percentage of Equity Interest (%)
Deep Red Holding Co., Ltd.	$ 49,021	100.0	$ 45,408	100.0
Chroma Systems Solutions Inc.	(43,893)	25.0	(56,946)	25.0
Chroma Japan Corp.	(36,904)	100.0	(24,387)	100.0
Adivic Technology Co.	35,298	51.0	36,119	51.0
Testar Electronic Corporation	(5,545)	67.2	10,446	67.2
EVT Technology Co., Ltd.	2,396	53.2	8,275	53.2
	$ 2,659,608		$ 2,786,380	

(Concluded)

In May 2016 and April 2015, Advic Technology Co. ("Advic") increased its capital by $60,000 thousand and $60,000 thousand, respectively to strengthen its financial structure. The Corporation's board of directors resolved to participate proportionately in the capital increase by buying shares at the same percentage as its original equity interest of Advic. The Corporation's equity interest in Advic is still 51%.

In May 2015, EVT Technology Co., Ltd. ("EVT"), the Corporation's investee (originally recognized as financial assets carried at cost), increased its capital by $30,000 thousand to strengthen its financial structure, the Corporation's board of directors resolved to participate in the capital increase of EVT by buying $23,000 thousand that resulted in higher percentage than its previous equity interest; thus, the Corporation equity interest rose to 53.2% and acquired control over EVT.

In February 2015, Chroma (Shanghai) Trading Co., Ltd., the Corporation's grandson company increase its capital by US$2,500 thousand to purchase plants and expand its operating scale, the Corporation's board of directors resolved to fully participate in the capital increase of Chroma (Shanghai) Trading Co., Ltd. through Chen Hwa Technology Inc. by buying shares and the full investment amount has been fully paid.

To expand its market scale and set up sales channel in Southeast Asia, the Corporation's board of directors resolved in December. 2015 to buy 60% equity interest of Quantel Private Ltd. ("Quantel") amounting to SGD3,240 thousand. Quantel Private Ltd. is mainly engaged in the sales of electronic test instruments, etc. In April 2016, Quantel Private Ltd. increased its capital by SGD2,500 thousand to strengthen its financial structure. The Corporation's board of directors resolved to participate proportionately in the capital increase by buying shares at the same percentage as its original equity interest of Quantel. The Corporation's equity interest in Quantel remained the same.

Refer to Note 30 for the detail of the subsidiaries indirectly held by the Corporation.

The Corporation's share of profits of subsidiaries under equity method is as follows:

	Years Ended December 31	
	2016	2015
Unlisted company		
Neworld Electronics Ltd.	$ 81,411	$ 85,873
Wei Kuang Automatic Equipment Co., Ltd.	69,459	222,533
Chroma New Material Corporation	47,089	49,527
Adivic Technology Co.	(31,309)	(32,621)
Testar Electronic Corporation	(29,720)	(32,541)
CHI Incorporation Ltd.	21,946	(19,416)
Chroma Systems Solutions Inc.	18,002	10,255
Chroma Japan Corp.	(13,118)	(5,965)
San Eagle Development Corp.	(12,895)	11,571
Chroma Ate Inc.	11,231	31,090
Chroma Ate Europe B.V.	8,716	20,710
Deep Red Holding Co., Ltd.	7,587	961
Quantel Private Ltd.	7,500	-
EVT Technology Co., Ltd.	(5,848)	(7,200)
Chen Hwa Technology Inc.	2,928	4,173
Sensational Holding Ltd.	1,583	1,165
Chroma Investment Co., Ltd.	(534)	365
	$ 184,028	$ 340,480

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

b. Investment in associates

	December 31	
	2016	2015
Associates that are not individually material		
Adlink Technology Inc.	$ 535,490	$ 457,674
Dynascan Technology Corp.	88,414	77,960
	$ 623,904	$ 535,634

Aggregate information of associates that are not individually material:

	Years Ended December 31	
	2016	2015
The Corporation's share of:		
Income from continuing operations	$ 61,891	$ 76,072
Other comprehensive income	(25,820)	9,015
Total comprehensive income for the year	$ 36,071	$ 85,087

Refer to Table 7 "Information on Investees" for the nature of activities, principal place of business and country of incorporation of the associates.

The Corporation is able to exercise significant influence over Adlink Technology Inc. even if it holds less than 20% of their voting right, therefore, the Corporation recognizes the gain and loss under the equity method.

Fair values (Level 1) of investments in associates which were measured at closing prices at balance sheet date were as follows:

	December 31	
Name of Associates	**2016**	**2015**
Adlink Technology Inc.	$ 1,497,088	$ 1,763,821

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

c. Investment in joint venture

	December 31	
	2016	**2015**
Joint ventures that are not individually material		
Chih Ho Shun Development Co., Ltd.	$ 17,593	$ 17,505

Aggregate information of joint ventures that are not individually material:

	Years Ended December 31	
	2016	**2015**
The Corporation's share of:		
Income from continuing operations	$ 88	$ 94
Other comprehensive income	-	-
Total comprehensive income for the year	$ 88	$ 94

Refer to Table 7 "Information on Investees" for the nature of activities, principal place of business and country of incorporation of the joint venture.

For the investment and development plan, "The Action Plan for Developing Land Surrounding the MRT Airport Station to Improve Civilians' Life," the board of directors decided to invest jointly with Dynapack International Corporation and Heran Tech. Co., Ltd. to set up Chih Ho Shun Development Co., Ltd. ("Chih Ho Shun"). The Corporation invested $17,500 thousand for a 35% entity interest in Chih Ho Shun but did not have control over this investee.

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

13. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery	Miscellaneous Equipment	Total
Cost					
Balance, January 1, 2015	$ 450,575	$ 1,992,239	$ 96,538	$ 819,135	$ 3,358,487
Additions	-	8,301	7,152	46,564	62,017
Disposals	-	-	(332)	(16,330)	(16,662)
Intercompany transfer	-	-	2,294	33,797	36,091
Reclassification	-	-	(2,804)	2,804	-
Balance, December 31, 2015	$ 450,575	$ 2,000,540	$ 102,848	$ 885,970	$ 3,439,933
Accumulated depreciation and impairment					
Balance, January 1, 2015	$ -	$ (742,101)	$ (78,426)	$ (630,531)	$ (1,451,058)
Disposals	-	-	332	13,272	13,604
Depreciation	-	(84,354)	(10,792)	(63,118)	(158,264)
Reclassification	-	-	594	(594)	-
Balance, December 31, 2015	$ -	$ (826,455)	$ (88,292)	$ (680,971)	$ (1,595,718)
Carrying value					
December 31, 2015	$ 450,575	$ 1,174,085	$ 14,556	$ 204,999	$ 1,844,215
Cost					
Balance, January 1, 2016	$ 450,575	$ 2,000,540	$ 102,848	$ 885,970	$ 3,439,933
Additions	-	8,978	7,810	49,241	66,029
Disposals	-	(5,081)	(623)	(28,740)	(34,444)
Intercompany transfer	-	-	4,556	57,823	62,379
Reclassification	-	-	(4,321)	4,321	-
Balance, December 31, 2016	$ 450,575	$ 2,004,437	$ 110,270	$ 968,615	$ 3,533,897
Accumulated depreciation and impairment					
Balance, January 1, 2016	$ -	$ (826,455)	$ (88,292)	$ (680,971)	$ (1,595,718)
Disposals	-	2,149	623	21,239	24,011
Depreciation	-	(81,953)	(8,718)	(66,488)	(157,159)
Reclassification	-	-	4,499	(4,499)	-
Balance, December 31, 2016	$ -	$ (906,259)	$ (91,888)	$ (730,719)	$ (1,728,866)
Carrying value					
December 31, 2016	$ 450,575	$ 1,098,178	$ 18,382	$ 237,896	$ 1,805,031

The following useful lives are used in the calculation of depreciation:

Building	
Primary buildings	55 years
Mechanical and electrical equipment	10 years
Duty-free rooms equipment	10 years
Others	6-50 years
Machinery	2-12 years
Miscellaneous equipment	3-15 years

Refer to Note 27 for property, plant and equipment pledged to secure borrowings of the Corporation.

14. GOODWILL

	Years Ended December 31	
	2016	**2015**
Cost	$ 94,424	$ 94,424

For assessing goodwill for impairment, the Corporation took value in use as basis for calculating the recoverable amount of goodwill. The Corporation used the cash flows of a five-year financial forecast as the basis for calculating value in use to reflect the specific risk of cash-generating units. After these calculations, the Corporation did not recognize any impairment loss on goodwill for the years ended December 31, 2016 and 2015.

15. BORROWINGS

Short-term Borrowings

	December 31	
	2016	**2015**
Unsecured borrowings		
Bank loans	$ -	$ 100,000
Interest rate (%)	-	1.01%

Long-term Borrowings

	December 31	
	2016	**2015**
Unsecured loans		
Syndicated bank loans	$ 2,000,000	$ 1,230,000
Less: Loans due in one year	800,000	-
	$ 1,200,000	$ 1,230,000

On August 30, 2012, the Corporation applied to E.SUN and other banks for syndicated bank loans with $2,000,000 thousand credit line to pay each installment of “The Action Plan for Developing Land surrounding the MRT Airport Station to Improve Civilians Life” (refer to Note 28). The Corporation borrowed $700,000 in September 2013 to pay the second installment and $530,000 in November 2015 to pay the first part of the third installment and $770,000 thousand in July 2016 to pay the remaining part of the third installment. The syndicated bank loan is due on September 3, 2018 and repayable from March 2017 to March 2018 in three equal semiannual installments ($400,000 thousand per one installment), the remaining $800,000 thousand will be paid on September 3, 2018 (which is the due date), and the interest is payable monthly. As of December 31, 2016 and 2015, the interest rate per annum was 1.58% and 1.60% (floating interest rate), respectively.

16. BONDS PAYABLE

	December 31	
	2016	2015
Unsecured domestic convertible bonds	$ 1,450,500	$ 1,854,100
Less: Discounts on bonds payable	53,360	96,007
	$ 1,397,140	$ 1,758,093

On May 23, 2014, the Corporation issued its second domestic unsecured 0% convertible bonds with aggregate par value of $2,000,000 thousand and face value of $100 thousand. These bonds were listed on the GreTai Securities Market at the same date. Except for the book closure period, bondholders are entitled to convert bonds into the Chroma Ate Inc.'s common stock at $74.2 (conversion price) per share since June 24, 2014 to May 13, 2019. Due to the appropriation of 2015 and 2014 earnings approved at the annual shareholders' meetings in 2016 and 2015, the shareholders approved to distribute dividend of NT$2.4 and NT$2.6 per share, respectively; thus, the conversion price was adjusted to NT$67.2 and NT$69.3 per share, respectively.

If the closing price of the Corporation's common share exceeds 30% of the conversion price of the bonds payable for 30 consecutive days or the aggregate outstanding amounts of bonds payable is less than 10% of the amounts of original issuance, the Corporation has the right to redeem all of the outstanding bonds payable at face value during the period beginning one month after the issuance date (June 24, 2014) to 40 days before the maturity date (April 13, 2019).

At end of the third year from the bond issuance date, bondholders have the right to request the Corporation to redeem the convertible bonds at face value.

The convertible bonds contain both liability and equity components. The equity component presented in equity under the heading of "capital surplus - option" was $141,487 thousand. The liability components were recognized into embedded derivative and non-derivative liability of $4,989 thousand and $1,849,108 thousand, separately. The estimation of fair value of derivative instruments as of December 31, 2016 resulted in loss of $2,884 thousand.

Proceeds of the issue (less transaction costs $5,320 thousand)	$ 1,994,680
Equity component	(141,487)
Deferred tax assets	904
Derivative financial liability component	(4,989)
Liability component at the date of issue	1,849,108
Interest charged at an effective interest rate of 1.57%	70,393
Current portion of long-term borrowings and bonds payable	(522,361)
Liability component as of December 31, 2016	$ 1,397,140

17. OTHER PAYABLE

	December 31	
	2016	2015
Salaries payable and bonus payable	$ 583,387	$ 393,474
Other payable	74,733	65,699
	$ 658,120	$ 459,173

18. RETIREMENT BENEFIT PLANS

Defined Contribution Plans

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

The Corporation recognized pension costs of $46,629 thousand and $43,336 thousand for the years ended December 31, 2016 and 2015, respectively.

Defined Benefit Plans

The defined benefit plan adopted by the Corporation in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of length of service and average monthly salaries of the six month before retirement. The Corporation contribute amount equal to 4% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of year, the Corporation assesses the balances in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Corporation is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Corporation has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Corporation's defined benefit plans were as follows:

	December 31	
	2016	2015
Present value of defined benefit obligation	$ 431,536	$ 399,442
Fair value of plan assets	(273,776)	(259,161)
Deficit (surplus)	157,760	140,281
Asset ceiling	-	-
Net defined benefit liability	$ 157,760	$ 140,281

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2015	$ 362,979	$ (244,109)	$ 118,870
Service cost			
Current service cost	4,185	-	4,185
Net interest expense (income)	6,736	(4,686)	2,050
Recognized in profit or loss	10,921	(4,686)	6,235

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	$ -	$ (1,876)	$ (1,876)
Actuarial loss - changes in demographic assumptions	9,710	-	9,710
Actuarial loss - changes in financial assumptions	12,751	-	12,751
Actuarial loss - experience adjustments	6,264	-	6,264
Recognized in other comprehensive income	28,725	(1,876)	26,849
Contributions from the employer	-	(11,673)	(11,673)
Benefits paid	(3,183)	3,183	-
Balance at December 31, 2015	399,442	(259,161)	140,281
Service cost			
Current service cost	4,325	-	4,325
Net interest expense (income)	6,491	(4,306)	2,185
Recognized in profit or loss	10,816	(4,306)	6,510
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	2,428	2,428
Actuarial loss - changes in demographic assumptions	1,479	-	1,479
Actuarial loss - changes in financial assumptions	13,693	-	13,693
Actuarial loss - experience adjustments	7,336	-	7,336
Recognized in other comprehensive income	22,508	2,428	24,936
Contributions from the employer	-	(13,967)	(13,967)
Benefits paid	(1,230)	1,230	-
Balance at December 31, 2016	$ 431,536	$ (273,776)	$ 157,760

(Concluded)

Through the defined benefit plans under the Labor Standards Law, the Corporation is exposed to the following risks:

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

b. Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

c. Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2016	**2015**
Discount rate(s)	0.88%-1.38%	1.00%-1.63%
Expected rate(s) of salary increase	1.50%-2.50%	1.50%-2.50%

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

	December 31	
	2016	**2015**
Discount rate(s)		
0.25% increase	$ (13,805)	$ (13,114)
0.25% decrease	$ 14,449	$ 13,743
Expected rate(s) of salary increase		
0.25% increase	$ 14,052	$ 13,397
0.25% decrease	$ (13,499)	$ (12,852)

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

	December 31	
	2016	**2015**
The expected contributions to the plan for the next year	$ 15,070	$ 11,564
The average duration of the defined benefit obligation	14 years	14 years

19. EQUITY

Capital Stock

a. Common stock

	December 31	
	2016	**2015**
Authorized shares (shares in thousands)	450,000	450,000
Authorized capital stock	$ 4,500,000	$ 4,500,000
Shares issued and fully received (in thousands)	389,887	379,170
Issued capital	$ 3,898,872	$ 3,791,699

A total of 30,000 thousand shares of the Corporation’s authorized shares were reserved for the employee share options.

b. Capital surplus

	December 31	
	2016	2015
May be used to offset a deficit, distributed as cash dividends or transferred to share capital (Note)		
Additional paid-in capital	$ 1,209,905	$ 769,143
Treasury stock	165,059	160,514
From merger	146,976	146,976
Used to offset a deficit		
Employee stock options expired	5,239	1,640
Share of changes of subsidiaries, associates or joint ventures' capital surplus	52,703	24,725
May not be used for any purpose		
Convertible bonds payable options	102,614	131,166
Employee stock options	90,459	68,105
Employee restricted shares	187,204	-
	$ 1,960,159	$ 1,302,269

Note: Such capital surplus may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and once a year).

c. Appropriation of earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on June 7, 2016 and, in that meeting, had resolved amendments to the Corporation's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation.

Under the dividend policy as set forth in the amended Articles, where the Corporation made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration to directors and supervisors before and after amendment, please refer to Note 20 employee benefits expense.

Taking into account future capital expenditure requirements and its cash position, the total of cash dividends paid in any given year may not be less than 20% of total dividends distributed in that year. The final amount, type and percentage of the cash dividends and stock dividends are subject to actual earnings and capital requirements of the Corporation in a particular year.

Legal reserve should be appropriated until the reserve equals the Corporation's paid-in capital. The reserve may be used to offset deficit. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Corporation should appropriate or reverse to a special reserve. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and thereafter distributed.

Except for non-ROC resident shareholders, all shareholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Corporation.

The appropriations of earnings for 2015 and 2014 have been approved in the annual shareholders' meeting on June 7, 2016 and June 10, 2015, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For Fiscal Year 2015	**For Fiscal Year 2014**	**For Fiscal Year 2015**	**For Fiscal Year 2014**
Legal reserve	$ 123,656	$ 131,644		
Cash dividends	910,200	987,433	$2.4	$2.6

The appropriations of earnings for 2016 had been proposed by the Corporation's board of directors on February 21, 2017. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 171,994	
Cash dividends	1,314,425	$3.3

The appropriations of earnings for 2016 are subject to the resolution in the shareholders' meeting to be held on June 8, 2017.

d. Other equity

1) Exchange differences on translating foreign operations

	Years Ended December 31	
	2016	**2015**
Balance, beginning of the year	$ 127,968	$ 136,756
Exchange differences on translation of foreign financial statements	(127,798)	(17,071)
Share of exchange differences on translation of associates and joint ventures accounted for using the equity method	(25,084)	8,283
Balance, end of the year	$ (24,914)	$ 127,968

2) Unrealized gain/loss on available-for-sale financial assets

	Years Ended December 31	
	2016	2015
Balance, beginning of the year	$ 271,697	$ 370,348
Unrealized loss on available-for-sale financial assets	(39,469)	(99,791)
Share of unrealized gain on revaluation of available-for-sale financial assets of associates and joint ventures accounted for by the equity method	673	1,140
Balance, end of the year	$ 232,901	$ 271,697

3) Unearned employee benefit

In the shareholders meeting on June 7, 2016, the shareholders approved a Restricted Share Unit Plan ("RSU" Plan). Please refer to Note 23.

	Year Ended December 31, 2016
Balance, beginning of the year	$ -
Shares granted	(188,311)
Share-based payment expenses recognized	38,359
Balance, end of the year	$ (149,952)

e. Treasury stock

	Corporation's Shares Held by Its Subsidiaries (In Thousand Shares)
Balance, January 1, 2015	1,916
Decrease during the year	-
Balance, December 31, 2015	1,916
Balance, January 1, 2016	1,916
Decrease during the year	-
Balance, December 31, 2016	1,916

Subsidiaries	Shares Held (In Thousand Shares)	Carrying Value	Market Price
December 31, 2016			
Chroma Investment Co., Ltd.	1,916	$ 35,714	$ 144,435
December 31, 2015			
Chroma Investment Co., Ltd.	1,916	$ 35,714	$ 122,405

For the years ended December 31, 2016 and 2015, there were no changes in the shares held by the subsidiary.

Under the Securities and Exchange Act, the Corporation shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote. The subsidiaries holding treasury shares, however, retain shareholders' rights, except the rights to participate in any share issuance for cash and to vote.

20. ADDITIONAL INFORMATION ON EXPENSES

The following items were included in net income for the years ended December 31, 2016 and 2015:

	Years Ended December 31	
	2016	**2015**
Finance cost		
Interest on bank loans	$ 26,144	$ 14,119
Interest on convertible bonds	25,751	27,368
Less: Amount included in the cost of qualifying assets	(24,755)	(12,653)
	$ 27,140	$ 28,834
Information about capitalized interest were as follows:		
Capitalized interest	$ 24,755	$ 12,653
Capitalization rate	1.58%-1.60%	1.60%-1.69%
Depreciation expense		
Depreciation of property, plant and equipment	$ 157,159	$ 158,264
An analysis of depreciation by function		
Operating cost	$ 27,046	$ 30,724
Operating expense	130,113	127,540
	$ 157,159	$ 158,264
Employee benefits expense		
Short-term benefits	$ 1,496,160	$ 1,211,338
Share-based payments		
Equity-settled share-based payments	86,618	25,077
Post-employment benefits (see Note 18)		
Defined contribution plans	46,629	43,336
Defined benefit plans	6,510	6,235
Other employee benefits	33,326	27,893
	$ 1,669,243	$ 1,313,879
An analysis of employee benefits expense by function		
Operating cost	$ 277,005	$ 238,325
Operating expense	1,392,238	1,075,554
	$ 1,669,243	$ 1,313,879

In compliance with the Company Act as amended in May 2015 and the amended Articles as resolved in the shareholders' meeting held on June 7, 2016, the Corporation distributed employees' compensation and remuneration to directors and supervisors at the rates of 5%-20% and no higher than 1.5%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors. The bonus to employees and remuneration to directors and supervisors for the years ended December 31, 2016 and 2015 have been proposed by the Corporation's board of directors on February 21, 2017 and February 23, 2016. The accrual rates and accrued amounts were as follows:

	Years Ended December 31			
	2016		2015	
	Amount	Estimated Rate (%)	Amount	Estimated Rate (%)
Employee's compensation	$ 300,000	12.96	$ 135,000	8.90
Remuneration of directors and supervisors	8,000	0.35	8,000	0.53

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

The appropriations for employee's compensation and remuneration to directors and supervisors for 2015 have been resolved by the Corporation's board of directors on February 23, 2016, and the appropriations for bonuses to employees and remuneration to directors and supervisors for 2014 have been approved in the shareholders' meeting on June 10, 2015. The amounts of the employee's compensation/bonus and remuneration to directors and supervisors are disclosed on the table below. After the amendments to the Articles had been resolved in the shareholders' meeting held on June 7, 2016, the appropriations of the employees' compensation and remuneration to directors and supervisors for 2015 were reported in the shareholders' meeting.

	Years Ended December 31			
	2015		2014	
	Cash	Share	Cash	Share
Employee's compensation/bonus to employees	$ 135,000	$ -	$ 195,000	$ -
Remuneration of directors and supervisors	8,000	-	8,000	-

The amounts of the employee's compensation and the remuneration to directors and supervisors resolved by the board of directors on February 23, 2016 and the amounts of the bonus to employees and the remuneration to directors and supervisors approved in the shareholders' meeting on June 10, 2015 did not have difference compared to the respective amounts recognized in the financial statements for the years ended December 31, 2015 and 2014.

Information on the employee's compensation and remuneration to directors and supervisors for 2016 and 2015 resolved by the board of directors in 2017 and 2016, and the bonuses to employees, directors and supervisors for 2014 resolved by the shareholders' meeting in 2015 are available at the Market Observation Post System website of the Taiwan Stock Exchange.

21. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	Years Ended December 31	
	2016	2015
Current tax		
In respect of the current period	$ 280,109	$ 144,443
In respect of unappropriated earnings (10%)	17,620	17,067
In respect of prior year's adjustment	(28,753)	(27,789)
	268,976	133,721
Deferred tax		
In respect of the current period	18,610	3,907
Total income tax expense recognized in profit or loss	$ 287,586	$ 137,628

Reconciliation of accounting profit and income tax expenses the applicable tax rate is as follows:

	Years Ended December 31	
	2016	2015
Profit before tax from continuing operations	$ 2,007,521	$ 1,374,185
Income tax expense calculated at the statutory rate	$ 341,279	$ 233,612
Adjustment		
Adjustment items in determining taxable income	(28,841)	(53,969)
Tax-exempt income	-	(12,018)
Temporary difference	18,610	3,907
Income tax on unappropriated earnings	17,620	17,067
Investment tax credits	(32,329)	(23,182)
Prior year's adjustments	(28,753)	(27,789)
Income tax expense recognized in profit or loss	$ 287,586	$ 137,628

The applicable tax rate used above is the corporate tax rate of 17% payable by the Corporation.

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

b. Deferred tax assets and liabilities

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

For the year ended December 31, 2016

	Balance, Beginning of the Year	Recognized in Profit or Loss	Balance, End of the Year
Deferred tax assets			
Temporary difference			
Unrealized intercompany gain	$ 42,287	$ 28,133	$ 70,420
Net defined benefit liability	6,640	1,611	8,251
Allowance for loss on decline in inventory market price	21,104	9,632	30,736
Impairment loss	14,158	1,872	16,030
Unrealized foreign exchange	-	3,336	3,336
Others	4,240	(1,207)	3,033
	$ 88,429	$ 43,377	$ 131,806
Deferred tax liabilities			
Temporary difference			
Investment income on foreign investments accounted for by the equity method	$ 101,879	$ 59,315	$ 161,194
Unrealized foreign exchange gain	3,191	(3,191)	-
Goodwill	10,096	5,863	15,959
	$ 115,166	$ 61,987	$ 177,153

For the year ended December 31, 2015

	Balance, Beginning of the Year	Recognized in Profit or Loss	Balance, End of the Year
Deferred tax assets			
Temporary difference			
Unrealized intercompany gain	$ 38,112	$ 4,175	$ 42,287
Net defined benefit liability	9,157	(2,517)	6,640
Allowance for loss on decline in inventory market price	17,859	3,245	21,104
Impairment loss	12,691	1,467	14,158
Others	2,338	1,902	4,240
	$ 80,157	$ 8,272	$ 88,429
Deferred tax liabilities			
Temporary difference			
Investment income on foreign investments accounted for by the equity method	$ 89,044	$ 12,835	$ 101,879
Unrealized foreign exchange gain	5,149	(1,958)	3,191
Goodwill	8,794	1,302	10,096
	$ 102,987	$ 12,179	$ 115,166

c. Information about tax-exemption

Expansion of Construction Project	Tax-exemption Period
Profits on expansion and construction projects for year 2010	2013.1.1-2017.12.31

d. Integrated income tax information is as follows:

	December 31	
	2016	2015
Balance of imputation credit account (ICA)	$ 302,877	$ 250,190

The expected and actual creditable ratios for the appropriation of the Corporation's earnings of 2016 and 2015, respectively, were 17.67% (expect) and 17.10%, respectively.

e. Assessment of income tax returns

As of December 31, 2016, the Corporation's tax returns through 2014 had been examined and cleared by the tax authorities.

22. EARNINGS PER SHARE

Earnings and weighted average shares used to calculate earnings per share were as follows:

Net Income

	Years Ended December 31	
	2016	2015
Profit for the period attributable to owners of the Corporation	$ 1,719,935	$ 1,236,557
Dilutive effect of potential common shares:		
Interest on unsecured convertible bonds and valuation gain on conversion option	23,543	27,924
Income used to calculate dilutive earnings per share	$ 1,743,478	$ 1,264,481

Shares

(In Thousands of Shares)

	Years Ended December 31	
	2016	2015
Weighted average shares used to calculate basic earnings per share	379,930	376,984
Dilutive effect of potential common shares:		
Convertible bonds	26,336	26,755
Compensation or bonus to employees	4,272	2,974
Employee stock options	1,788	1,292
Weighted average shares used to calculate dilutive earnings per share	412,326	408,005

Since the Corporation was able to settle compensation paid to employees by cash or shares, the Corporation presumed that the entire amount of the employee compensation would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

23. SHARE-BASED PAYMENT ARRANGEMENTS

a. Share option plan

The Corporation granted specific employee share options 7,900 thousand units in March 2016 and 6,000 thousand units in July 2013, respectively, with each option eligible to subscribe for one common share of the Corporation when exercised. The options are valid for six years and exercisable at certain percentages subsequent to the second year of the grant date. The related information for the units granted and exercise price were as follows:

	Grant Date	
	March 25, 2016	**July 8, 2013**
Number of options (in thousands of shares)	7,900	6,000
Exercise prices per share on grant date (market value on grant date)	$67.8	$53.5
Exercise prices per share (adjusted based on the Corporation's employee share option plan)	$65.7	$48.4

1) Information on granted employee share options was as follows:

	Years Ended December 31			
	2016		2015	
	Number of Options (In Thousands)	**Weighted-average Exercise Price (NT$)**	**Number of Options (In Thousands)**	**Weighted-average Exercise Price (NT$)**
Balance at January 1	5,292	$ 49.9	5,794	$ 49.9
Options granted	7,900	65.7	-	-
Options exercised	(1,635)	49.0	(384)	49.9
Options forfeited	(19)	-	(118)	-
Balance at December 31	11,538	60.2	5,292	49.9
Options exercisable, end of the year	1,941		1,887	
Weighted-average fair value of options granted (NT $)	$ 18.7		$ -	

2) Information about outstanding options as of December 31, 2016 and 2015 is as follows:

Years Ended December 31			
2016		**2015**	
Range of Exercise Price (NT$)	**Weighted-average Remained Contractual Life (Years)**	**Range of Exercise Price (NT$)**	**Weighted-average Remained Contractual Life (Years)**
$48.4	2.52	$49.9	3.52
65.7	5.24	-	-

3) The Corporation used the Black-Scholes model to determine the fair value of the options. The valuation assumptions were as follows:

	Grant Date					
	March 25, 2016			**July 8, 2013**		
Vested Period	**2 Years**	**3 Years**	**4 Years**	**2 Years**	**3 Years**	**4 Years**
Expected volatility	31.64%	32.62%	33.08%	36.43%	38.36%	41.74%
Risk-free interest rate	0.52%	0.55%	0.61%	1.12%	1.18%	1.23%
Expected dividend rate	-	-	-	-	-	-
Expected life	4 years	4.5 years	5 years	4 years	4.5 years	5 years

4) The Corporation used the fair value of share option to calculate the compensation cost for employee share options granted on March 25, 2016 and July 8, 2013, respectively.

	Grant Date					
	March 25, 2016			**July 8, 2013**		
Vested Period	**2 Years**	**3 Years**	**4 Years**	**2 Years**	**3 Years**	**4 Years**
Fair value of options (NT$per share)	$17.37	$18.97	$20.30	$16.08	$17.88	$20.28

The Corporation recognized compensation cost of $48,259 thousand and $25,077 thousand for the years ended December 31, 2016 and 2015, respectively.

b. Restricted shares for employees

In the shareholders' meeting on June 7, 2016, the shareholders approved a Restricted Share Unit Plan ("RSU" Plan) for employees with a total amount of $36,000 thousand, consisting of 3,600 thousand shares with issuance price of $10 dollars per share. It can be issued at one time or several times depending on the circumstance. The RSU Plan is approved under Rule No. 1050024381 issued by the FSC on June 27, 2016. The Corporation issued 3,100 thousand shares on July 8, 2016, the subscription date. The details of RSU Plan are as follows:

1) Employees who are granted RSUs, upon meeting the Corporation's financial performance and personal performance indicators, are eligible to be vested 10, 20, 30 and 40 percent of the RSUs granted after 1, 2, 3 and 4 years of tenure after the subscription date, respectively.

2) The restrictions on the rights of the employees who are granted RSUs but have not met the vesting conditions are as follows:

    a) The employees are not eligible to sell, pledge, transfer, donate or to dispose any RSUs in any form.

    b) The employees holding RSUs are entitled to receive dividends and similar purchasing rights to ordinary shares during capital increase. Cash dividends from RSUs are not restricted during the vesting period. Cash dividends are appropriated to the employees' personal account from trust account after the dividend distribution date.

    c) Before the restricted shares are vested to the employees, the right of attendance, proposal, speech, voting and other rights of shareholders are acted by the custodian.

    d) The RSUs should be delivered to trust custodians upon grant date. The employees cannot request for return in any manner before vesting conditions are met.

3) If an employee fails to meet the vesting conditions, the Corporation will recall or buy back and cancel the restricted shares at issued price. If an employee voluntarily resigns, retires, disabled or decease due to occupational hazards, dismissed, be transferred to another post, violates labor contracts or working protocols substantially or abandons restricted shares, related guidelines of RSU Plan will be followed accordingly.

Information relating to outstanding employee restricted shares as of December 31, 2016 was as follows:

	Year Ended December 31, 2016
Outstanding shares at the beginning of the year	-
Shares granted	3,100
Shares canceled	-
Outstanding shares at the end of the year	3,100

Compensation cost of share-based payment arising from the RSU Plan was $38,359 thousand was recognized for the year ended December 31, 2016. As of December 31, 2016, unearned compensation cost arising from issuance of restricted shares was $149,952 thousand and was recorded as a deduction to other equity.

24. CAPITAL MANAGEMENT

The Corporation manages its capital to ensure that entities in the Corporation will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The Corporation's capital management is aims to maintain the sufficiency of financial resources and the soundness of operating strategies to meet the needs for operating capital, capital expenditure, R&D expenses, debt handling, dividend disbursement, etc.

25. FINANCIAL INSTRUMENTS

Information for Fair Value

a. Fair value of financial statement that are not measured at fair value

The fair values of some financial assets and liabilities were not presented because they have no quoted prices in active market or their cost is close to fair value; thus, their fair values are not disclosed.

b. Fair value of financial instrument that are measured at fair value on a recurring basis

1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
December 31, 2016				
Available-for-sale financial assets				
Domestic listed market securities				
Equity securities	$ 314,233	$ -	$ -	$ 314,233
Open-end beneficial certificate	2,030,362	-	-	2,030,362
	$ 2,344,595	$ -	$ -	$ 2,344,595
Financial assets at value through profit or loss	$ -	$ 725	$ -	$ 725
December 31, 2015				
Available-for-sale financial assets				
Domestic listed market securities				
Equity securities	$ 359,543	$ -	$ -	$ 359,543
Open-end beneficial certificate	1,824,521	-	-	1,824,521
	$ 2,184,064	$ -	$ -	$ 2,184,064
Financial liabilities at value through profit or loss	$ -	$ 1,483	$ -	$ 1,483

There were no transfers between Levels 1 and 2 for the years ended December 31, 2016 and 2015.

2) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Derivative - convertible bonds	Binomial tree valuation model of convertible bonds: The fair value of the derivative financial assets embedded in convertible bonds were determined based on the observable closing price of the stocks at balance sheet date and risk-free interest rate with risk premium.

Categories of Financial Instruments

	December 31	
	2016	**2015**
<u>Financial assets</u>		
Financial assets at fair value through profit or loss	$ 725	$ -
Loan and receivable (a)	4,185,570	2,819,015
Available-for-sale financial assets (b)	2,516,768	2,365,824
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss	-	1,483
Financial liabilities at amortized cost (c)	5,208,564	4,116,916

a. The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes receivable, accounts receivable, other receivables and refundable deposits.

b. The balances included the carrying amount of available-for-sale financial assets measured at cost.

c. The balances included financial liabilities measured at amortized cost, which comprise short-term and long-term loans, short-term bills payable, notes payable, accounts payable, other payables, bonds payable and guarantee deposits received.

Since there is a wide range of estimated fair value of the Corporation's investments in non-publicly traded-stocks, the Corporation concludes that fair value cannot be reliably measured and therefore should be measured at the cost less any impairment.

Financial Risk Management Objectives and Strategies

The Corporation's major financial instruments consist of equity investment, cash and cash equivalents, accounts receivable, long-term and short-term borrowings, account payable and bonds payable. The Corporation's financial risk management pertains to financial risks relating to the operations of the Corporation, including currency risk, interest rate risk, credit risk and liquidity risk. The Corporation seeks to identify, evaluate and hedge against market uncertainties to lower the effect of market changes on the Corporation's financial performance.

The Corporation manages foreign exchange risk through setting up of foreign currency deposit bank accounts and through the use of foreign currency directly received from sale to pay for purchases in foreign currency to reduce the impact of foreign exchange fluctuation and to achieve a natural hedge effect. The Corporation actively observes the exchange rate information to fully control the foreign currency hedge.

a. Market risk

   The Corporation's activities expose it primarily to the financial risks of changes in exchange rates (see Item (1) below), interest rates (see Item (2) below) and price (see Item (3) below).

   There has been no change to the Corporation's exposure to market risks or the manner in which these risks are managed and measured.

The sensitivity analysis of exchange rates and interest rates is as follows:

1) Exchange rate sensitivity analysis

The Corporation is exposed to foreign currencies arising from engagement in foreign-currency sales and purchases. To avoid the decrease in foreign-currency assets and adverse fluctuations in future cash flow resulting from exchange rate changes, the Corporation used derivative financial instruments (forward exchange contracts) to hedge against adverse risks pertaining to exchange rates. The forward exchange contracts which the Corporation used were less than six months so they were not subject to hedge accounting.

Refer to Note 29 for information of the carrying value of the Corporation's monetary assets and liabilities denominated in nonfunctional currency and of the derivatives exposing to foreign currency risk at the end of the reporting period.

Foreign currency sensitivity analysis

The Corporation was mainly exposed to USD, EUR, HKD, JPY and RMB.

Had the NTD strengthened/weakened by 5% against the relevant currency, the income before tax would have decreased/increased by $113,493 thousand and $65,104 thousand for the years ended December 31, 2016 and 2015, respectively. The 5% sensitivity rate is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency-denominated monetary items and their translation at period-end is adjusted for a 5% change in foreign-currency rates.

2) Interest rate risk

The Corporation is exposed to interest rate risk because entities in the Corporation borrow funds both at fixed and floated interest rates. The Corporation evaluates hedging activities regularly to align with interest rate views and defined risk appetite and ensures the most cost-effective hedging strategies are applied.

The carrying amounts of the financial assets and liabilities exposed to interest rates were as follows:

	December 31	
	2016	**2015**
Fair value interest rate risk		
Financial assets	$ 210,074	$ -
Financial liabilities	1,397,140	1,758,093
Cash flow interest rate risk		
Financial assets	1,412,419	876,077
Financial liabilities	2,000,000	1,330,000

Interest rate sensitivity analysis

The sensitivity analyses below have been determined on the basis of the exposure to interest rates for both derivative and nonderivative instruments at balance sheet dates. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the balance sheet dates outstanding for the entire period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Had interest rates been 50 basis points higher/lower and all other variables been held constant, the income before tax would have decreased/increased by $2,938 thousand and $2,270 thousand for the years ended December 31, 2016 and 2015, respectively. These pretax income changes would be mainly due to the Corporation's exposure to interest rates on its variable rate deposits and bank loans.

3) Price risk

The Corporation is exposed to equity price risks arising from investment in available-for-sale financial assets (mainly investment in open-end beneficial certificates and listed stocks in Taiwan), which are held for strategic rather than trading purposes. The Corporation does not actively trade these investments.

The Corporation manages the risk through holding various portfolios of investments and having every equity investment get prior approval from the Corporation's management.

Price sensitivity analysis

Had equity prices been 5% higher/lower, the other comprehensive income would have increased/decreased by $117,230 thousand and $109,203 thousand because of changes in fair values of available-for-sale financial assets held by the Corporation for the years ended December 31, 2016 and 2015, respectively.

b. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Corporation. As at the end of the reporting period, the Corporation's maximum exposure to credit risk which will cause a financial loss to the Corporation due to failure of counterparties to discharge an obligation and financial guarantees provided by the Corporation could arise from:

1) The carrying amount of accounts receivables from operating activities; and

2) The amount of bank deposits, fixed-income and other financial instruments from investing activities.

The Corporation adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

Accounts receivables involve a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable, including the evaluation of internal credits, historical transaction records, present economic circumstances, etc. which affect the customers' payment ability.

The credit risk of bank deposits, fixed-income financial instruments and other financial instruments are evaluated, managed and controlled by the Corporation's financial department. The Corporation's exposure to credit risk was limited because the Corporation adopted a policy of only dealing with creditworthy counterparties.

c. Liquidity risk

The Corporation manages liquidity risk by managing and maintaining sufficient cash and cash equivalents to supply the Corporation's demand and lighten the effects of cash flow fluctuations. The Corporation continuously monitors the use of credit lines and conformity to loan terms.

Bank loans are a significant source of the Corporation's liquidity risk. As of December 31, 2016 and 2015, the Corporation's unused bank credit lines in bank were $2,540,250 thousand and $2,540,000 thousand, respectively.

Liquidity and interest risk tables

The following tables detail the Corporation's remaining contractual maturity for its nonderivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Corporation can be required to pay.

The bank loans are listed on the earliest date on which the Corporation may be required to pay without considering the probability of the lending bank's executing its rights; other nonderivative financial liabilities are listed at their contract repayment dates.

	December 31, 2016		
	Within 1 Year	Over 1 Year to 5 Years	More Than 5 Years
Nonderivative financial liabilities			
Notes payable (including related parties)	$ 510	$ -	$ -
Accounts payable (including related parties)	1,152,225	-	-
Other payable	658,120	-	-
Unsecured convertible bonds	-	1,450,500	-
Floating interest rate instruments	824,278	1,209,575	-
	$ 2,635,133	$ 2,660,075	$ -

	December 31, 2015		
	Within 1 Year	Over 1 Year to 5 Years	More Than 5 Years
Nonderivative financial liabilities			
Notes payable (including related parties)	$ 35	$ -	$ -
Accounts payable (including related parties)	569,049	-	-
Other payable	459,173	-	-
Unsecured convertible bonds	-	1,854,100	-
Floating interest rate instruments	120,358	1,251,071	-
	$ 1,148,615	$ 3,105,171	$ -

After considering the financial position of the Corporation, management does not think the banks will execute their rights of requiring the Corporation to repay the bank loans. In addition, management believes the operating funds of the Corporation and subsidiaries are sufficient to meet cash flow demand; thus, liquidity risk is not considered significant.

The Corporation's operating funds are sufficient to meet the cash flow demand; the Corporation does not make use of its overdraft limit.

26. RELATED-PARTY TRANSACTIONS

The related parties and relationships with the Corporation were as follows:

Related Party	Relationship with the Corporation
Chroma Ate Inc. ("Chroma USA")	Subsidiary
Neworld Electronics Ltd. ("Neworld Electronics")	Subsidiary
Chroma Ate Europe B.V. ("Chroma Europe")	Subsidiary
CHI Incorporation Ltd. ("CHI")	Subsidiary
Chroma Investment Co., Ltd. ("Chroma Investment")	Subsidiary
Chen Hwa Technology Inc. ("Chen Hwa")	Subsidiary
Sensational Holding Ltd. ("Sensational")	Subsidiary
Chroma New Material Corp. ("Chroma New Material")	Subsidiary
Chroma Japan Corp. ("Chroma Japan")	Subsidiary
Chroma System Solutions Inc. ("CSS")	Subsidiary
Quantel Private Ltd. ("Quantel")	Subsidiary (the Corporation acquired control over the subsidiary since April 1, 2016, refer to Note 12)
San Eagle Development Corp. ("San Eagle")	Subsidiary
Wei Kuang Automatic Equipment Co., Ltd. ("Wei Kuang Automatic")	Subsidiary
Testar Electronic Corp. ("Testar Electronic")	Subsidiary
Deep Red Holding Co., Ltd. ("Deep Red")	Subsidiary
Adivic Technology Co. ("Adivic Tech.")	Subsidiary
Sajet System Technology (Suzhou) Co., Ltd. ("Sajet Suzhou")	Subsidiary
Wei Kuang Mech Eng Inc. ("Wei Kuang")	Subsidiary
Advic Holding Corp. ("Advic Holding")	Subsidiary
Chroma Electronics (Shenzhen) Co., Ltd. ("Chroma Shenzhen")	Subsidiary
Chroma Electronics (Shanghai) Co., Ltd. ("Chroma Shanghai")	Subsidiary
Chroma (Shanghai) Trading Co., Ltd. ("Chroma Shanghai Trading")	Subsidiary
Chroma Ate (Suzhou) Ltd. ("Chroma Suzhou")	Subsidiary
Mou Kuan Technologies (Nanjin) Co., Ltd. ("Mou Kuan Nanjin")	Subsidiary
Wei Kuang Automatic Equipment (Nanjin) Co., Ltd. ("Wei Kuang Nanjin")	Subsidiary
Wei Kuang Automatic Equipment (Xiamen) Co., Ltd. ("Wei Kuang Xiamen")	Subsidiary
EVT Technology Co., Ltd. ("EVT")	Subsidiary (the Corporation acquired control over the subsidiary since June 1, 2015, refer to Note 12)
Wei Da Electric Vehicle Co., Ltd. ("Wei Da Electric")	Subsidiary (EVT's subsidiary)
DynaScan Technology Corp. ("DynaScan")	Associate
Chih Ho Shun Development Co., Ltd. ("Chih Ho Shun")	Joint venture
Adlink Technology Inc. ("Adlink")	Associate
Mon Kuan Technologies Co., Ltd. ("Mon Kuan Tec.")	Other related party

The related-party transactions were conducted under normal terms unless specified otherwise.

a. Sales

Related Party Categories	Years Ended December 31 2016	2015
Subsidiaries	$ 4,379,764	$ 2,741,461
Associates	13,130	18,761
	$ 4,392,894	$ 2,760,222

To raise market share and expand its market in the America, Europe and Mainland China, the Corporation set up Chroma USA, Chroma Ate Europe B.V. and Neworld Electronics Ltd. The selling prices for Chroma USA, CSS, Chroma Europe, Neworld Electronics, Chroma Suzhou, and Chroma Shenzhen were determined after taking the selling and post-sale service expenses into consideration.

b. Purchase

Related Party Categories	Years Ended December 31 2016	2015
Subsidiaries	$ 362,846	$ 29,971
Associates	17,582	12,889
Other related party	18	107
	$ 380,446	$ 42,967

c. Notes receivable

Related Party Categories	December 31 2016	2015
Subsidiaries	$ 354	$ 3,920

d. Accounts receivable (without loans to related parties)

Related Party Categories	December 31 2016	2015
Subsidiaries	$ 1,596,371	$ 1,051,854
Associates	7,891	11,649
	$ 1,604,262	$ 1,063,503

e. Notes payable

Related Party Categories	December 31 2016	2015
Other related parties	$ 90	$ -

f. Accounts payable (without borrowing to related parties)

Related Party Categories	December 31 2016	December 31 2015
Subsidiaries	$ 73,114	$ 28,858
Associates	8,496	5,789
	$ 81,610	$ 34,647

g. Loans to related parties

Related Party Categories	Years Ended December 31 2016	Years Ended December 31 2015
1) Other receivable - financing provided		
Subsidiaries (Note)	$ 161,874	$ 168,854
2) Interest receivables		
Subsidiaries (Note)	$ 675	$ 373
3) Interest revenue		
Subsidiaries (Note)	$ 4,071	$ 5,067

Note: Other information related to financing provided is shown in Table 1 (attached).

h. Endorsement guarantees provided

Related Party Categories	December 31 2016	December 31 2015
Subsidiaries (Note)	$ 143,180	$ 164,580

Note: Other information related to endorsement guarantees provided is shown in Table 2 (attached).

i. Others

1) Commission expense

Related Party Categories	Years Ended December 31 2016	Years Ended December 31 2015
Subsidiaries	$ 46,616	$ 31,878

Commission expense refers to the disbursements made for business introduction activities.

2) Rental income

Related Party Categories	Years Ended December 31 2016	2015
Subsidiaries	$ 15,117	$ 15,026
Associates	1,260	1,260
Other related parties	-	218
	$ 16,377	$ 16,504

The Corporation leased out some floors of the buildings in Hwa-Ya Technical Park in Lin-Kou to the above related parties under operating lease contracts, and these leases were based on market prices. Rents were paid and collected monthly.

3) Management service income

Related Party Categories	Years Ended December 31 2016	2015
Subsidiaries	$ 6,600	$ 6,650

Management service income was from the Corporation's provision of administrative services.

4) Other income

Related Party Categories	Years Ended December 31 2016	2015
Subsidiaries	$ 14,495	$ 14,701

Other income is the earnings on repairs and maintenance.

5) Other current assets - other receivable

Related Party Categories	December 31 2016	2015
Subsidiaries	$ 76,993	$ 93,039
Associates	552	136
	$ 77,545	$ 93,175

There were allowances for receivables on managerial services and building rentals.

6) Receipts in advance and other current liabilities

Related Party Categories	December 31 2016	2015
Subsidiaries	$ 702	$ 3,909

There were receipts in advance from selling.

j. Compensation of key management personnel

	Years Ended December 31	
	2016	2015
Short-term employee benefits	$ 111,365	$ 61,687
Post-employment benefits	2,096	2,022
	$ 113,461	$ 63,709

27. ASSETS PLEDGED

The assets pledged as collaterals for bank loans (unused) were as follows:

	December 31	
	2016	2015
Property, plant and equipment, net	$ 715,395	$ 723,040

28. SIGNIFICANT EVENTS

On January 17, 2012, the Corporation, Dynapack International Corporation and Heran Tech. Co., Ltd. won a bid for the ownership of land and the building and related facilities to be built on the land pertaining to "The Action Plan for Developing Land Surrounding the MRT Airport Station to Improve Civilians' Life," which had been reviewed and approved by the Ministry of the Interior (MOI).

The total bid price was $10,088,890 thousand, covering land with an area of 222,300 square meters. As a result of winning the above bid, the Corporation acquired 35%, or 77,805 square meters, of a certain piece of land for $3,531,112 thousand. On April 18, 2012, the Corporation signed the land purchase contract with the MOI; the payment schedule for this purchase is as follows:

a. The first installment of the bid amount (10% of the total bid amount, or $353,111 thousand) should be paid within 10 days from the contract date. The Corporation paid the first installment using the bid deposit ($353,040 thousand) and by adding cash.

b. To meet the schedule for zone expropriation, the Corporation should pay the second installment (30% of the total bid amount) within 10 days of receiving the payment notice from the MOI. The MOI will approve the Corporation's land usage rights as the payment is made. On September 3, 2013, the Corporation has paid the second installment $1,059,333 thousand.

c. To help the MOI provide the compensations for land expropriation and complete the demolition and relocation of structures on the land, the Corporation should pay the third installment (40% of the total bid amount) within 10 days of the payment notice from the MOI. The MOI will then check with the Corporation to see if the demolition and relocation are completed as the payment is made. In November 2015 and July 2016, the Corporation has paid the first part of the third installment $536,729 thousand and the remaining part of the third installment $875,716 thousand, respectively.

d. The Corporation should accomplish the following things within four years from the time of obtaining the approval of the land usage rights:

   1) Open up the main road system and build related public facilities.

   2) Acquire the building license for 50% percent of all industrial land and register with the authorities to go into operation.

After completing the above requirements, the Corporation should apply to the MOI for the approval to acquire real property rights to the structures and facilities built. The Corporation should pay the fourth installment (20% of the total bid amount) within 10 days upon obtaining the approval and receipt of the payment notice from the MOI. The MOI will issue the transfer-certificate of property rights over the land.

The Corporation has agreed to comply with the MOI's requirement for the MOI's placing of caution on undeveloped land before ownership of real property is turned over to the Corporation. The MOI will cancel this caution once it determines that the Corporation has completed all the required land development, building and facility construction and land improvements.

29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The monetary assets or liabilities denominated in foreign currencies have material effect on the Corporation and subsidiaries' financial statements are as follows:

	December 31, 2016		
	Foreign Currencies (In Thousands)	**Exchange Rate**	**Carrying Amount (In Thousands of Dollars)**
Financial assets			
Monetary items			
USD	$ 51,400	32.250	$ 1,657,640
JPY	561,309	0.276	154,921
EUR	3,187	33.900	108,040
RMB	115,665	4.617	534,025
HKD	211	4.158	878
			$ 2,455,504
Non-monetary items			
Investments accounted for by the equity method			
USD	35,362	32.250	$ 1,154,112
HKD	205,118	4.158	852,879
EUR	4,043	33.900	137,072
JPY	(103,228)	0.276	(28,491)
SGD	4,740	22.290	114,145
			$ 2,229,717
Financial liabilities			
Monetary items			
USD	5,756	32.250	$ 185,641

	December 31, 2015		
	Foreign Currencies (In Thousands)	**Exchange Rate**	**Carrying Amount (In Thousands of Dollars)**
Financial assets			
Monetary items			
USD	$ 34,110	32.825	$ 1,119,645
JPY	560,341	0.273	153,127
EUR	1,461	35.880	52,436
RMB	28,037	4.995	140,052
HKD	169	4.235	715
			$ 1,465,975
Non-monetary items			
Investments accounted for by the equity method			
USD	35,621	32.825	$ 1,137,655
HKD	191,695	4.235	811,830
EUR	3,799	35.880	136,318
JPY	(59,061)	0.273	(16,124)
			$ 2,069,679
Financial liabilities			
Monetary items			
USD	4,988	32.825	$ 163,735

For the years ended December 31, 2016 and 2015, (including realized and unrealized) net foreign exchange losses were $57,580 thousand and net foreign exchange gains $52,536 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies.

30. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the Securities and Futures Bureau for the Corporation and its investees:

a. Financing provided: Table 1 (attached).

b. Endorsement/guarantee provided: Table 2 (attached).

c. Marketable securities held (excluding investment in subsidiaries, associates and joint controlled entities): Table 3 (attached).

d. Marketable securities acquired and disposed of at costs or prices of at least $300 million or 20% of the paid-in capital: None.

e. Acquisition of individual real estate properties at costs of at least $300 million or 20% of the paid-in capital: Table 4 (attached).

f. Disposal of individual real estate properties at prices of at least $300 million or 20% of the paid-in capital: None.

g. Total purchase from or sale to related parties amounting to at least $100 million or 20% of the paid-in capital: Table 5 (attached).

h. Receivable from related parties amounting to at least $100 million or 20% of the paid-in capital: Table 6 (attached).

i. Derivative transactions: Note 7.

j. Names, locations, and related information of investees on which the Corporation exercised significant influence: Table 7 (attached).

k. Information on investment in Mainland China:

   1) The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 8 (attached).

   2) Significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:

      a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: Table 5.

      b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Table 5.

      c) The amount of property transactions and the amount of the resultant gains or losses: None.

      d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None.

      e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None.

      f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: None.

TABLE 1

CHROMA ATE INC. AND SUBSIDIARIES

FINANCING PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Financing Company Name	Counterparty	Financial Statement Account	Related Parties	Maximum Balance for the Period	Ending Balance	Balance Used	Interest Rate	Financing Provided (Note 7)	Transaction Amounts	Reasons for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Financing Amount Limits
													Item	Value		
0	Chroma Ate Inc. (the "Corporation")	Chroma Systems Solutions Inc.	Other receivable	Y	$ 125,341	$ 125,341	$ 125,341	3.25%	a	$ 318,408	-	$ -	-	$ -	$ 1,061,663 (Note 1)	$ 2,123,325 (Note 2)
		Chroma Japan Corp.	Other receivable	Y	42,414	40,847	36,533	-	a	119,884	-	-	-	-	1,061,663 (Note 1)	2,123,325 (Note 2)
1	Chroma Electronics (Shenzhen) Co., Ltd.	Chroma Ate (Suzhou) Ltd.	Other receivable	Y	15,421	15,421	-	-	a	38,948	-	-	-	-	45,437 (Note 3)	90,873 (Note 4)
2	Wei Kuang Automatic Equipment (Xiamen) Co., Ltd.	Chroma (Shanghai) Trading Co., Ltd.	Other receivable	Y	3,694	-	-	2.60%	b	-	Purchase for PPE	-	-	-	175,882 (Note 5)	175,882 (Note 5)

Note 1: Based on 10% of the net value of the Corporation ($10,616,627 × 10% = $1,061,663).

Note 2: Based on 20% of the net value of the Corporation ($10,616,627 × 20% = $2,123,325).

Note 3: Based on 10% of the net value calculated on the latest financial statements of borrowing company that have been audited ($454,366 × 10% = $45,437).

Note 4: Based on 20% of the net value calculated on the latest financial statements of borrowing company that have been audited ($454,366 × 20% = $90,873).

Note 5: Based on 70% of the net value calculated on the latest financial statements of borrowing company that have been audited ($251,260 × 70% = $175,882).

Note 6: The amounts listed in columns were translated into New Taiwan dollars at the exchange rate of US$1=NT$32.250, RMB1=NT$4.617 and JPY1 = NT$0.276 as of December 31, 2016.

Note 7: Financing provided:

a. For transactions.
b. For short-term financing.

TABLE 2

CHROMA ATE INC. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars or Foreign Currency, Unless Stated Otherwise)

No.	Endorsement/ Guarantee Provider	Counterparty		Limits on Each Counter-party's Endorsement/ Guarantee Amount (Note 1)	Highest Amount of Guarantee Provided for the Year	Ending Balance	Amount of Guarantee Actually Used	Value of Collateral	Ratio of Accumulated Amount of Collateral to Net Equity Shown in the Latest Financial Statements	Maximum Collateral/ Guarantee Amounts Allowable (Note 2)	Endorsed/ Guaranteed to Subsidiaries by Parent Company	Endorsed/ Guaranteed to Parent Company by Subsidiaries	Endorsed/ Guaranteed to Investees in Mainland China
		Name	Nature of Relationship										
0	Chroma Ate Inc.	Chroma USA	Subsidiary	$ 1,592,494	$ 129,000	$ 64,500	$ 64,500	$ -	0.61%	$ 3,184,988	Y	-	-
		Chroma Japan Corp.	Subsidiary	1,592,494	34,100	34,100	22,080	-	0.32%	3,184,988	Y	-	-
		Quantel Private Ltd.	Subsidiary	1,592,494	44,580	44,580	-	-	0.42%	3,184,988	Y	-	-

Note 1: According to Regulation of the "Procedures for Endorsement/Guarantee and lending of Funds", the Corporation limits the endorsement/guarantee amount on each entity to (a) within 15% of the net value of the Corporation ($10,616,627 × 15% = $1,592,494) and (b) the capital issued of the entity endorsed/guaranteed, but 100% held subsidiary is not limited by the regulation.

Note 2: According to Regulation of the "Procedures for Endorsement/Guarantee and Lending of Funds", the Corporation limits the endorsement/guarantee amount within the 30% of the net value of the Corporation ($10,616,627 × 30% = $3,184,988).

Note 3: The amounts listed in columns were translated into New Taiwan dollars at the exchange rate of US$1=NT$32.250, JPY1 = NT$0.276 as of December 31, 2016.

CHROMA ATE INC. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2016				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Chroma Ate Inc. (the "Corporation")	Fund							
	The RSIT Enhanced Money Market Fund	-	Available for sale financial assets - current	24,722	$ 293,219	-	$ 293,219	Note 2
	Paradigm Pion Money Market	-	Available for sale financial assets - current	24,732	283,281	-	283,281	Note 2
	Yuanta Wan Tai Money Market	-	Available for sale financial assets - current	18,863	283,154	-	283,154	Note 2
	Fuh Hwa You Li Money Market Fund	-	Available for sale financial assets - current	21,184	283,043	-	283,043	Note 2
	Cathay Taiwan Money Market	-	Available for sale financial assets - current	21,282	262,784	-	262,784	Note 2
	Mega Diamond Money Market	-	Available for sale financial assets - current	36,520	453,518	-	453,518	Note 2
	Union Money Market	-	Available for sale financial assets - current	13,098	171,363	-	171,363	Note 2
	Stocks							
	DynaColor, Inc.	-	Available for sale financial assets - non-current	6,050	271,962	6.1	271,962	Note 1
	Chunghwa Telecom Co., Ltd.	-	Available for sale financial assets - non-current	412	41,857	-	41,857	Note 1
	China Communications Media Group Co., Ltd.	-	Available for sale financial assets - non-current	26	414	-	414	Note 1
	WK Technology Fund IX Ltd.	-	Financial assets carried at cost - non-current	4,614	46,140	4.6	-	-
	Twoway Catv Service Inc.	-	Financial assets carried at cost - non-current	3,561	39,218	4.4	-	-
	Tian Zheng International Precision Machinery Co., Ltd.	-	Financial assets carried at cost - non-current	2,300	33,000	9.7	-	-
	WK Technology Fund IV Ltd.	-	Financial assets carried at cost - non-current	2,560	25,600	1.9	-	-
	WK Technology Fund VI Ltd.	-	Financial assets carried at cost - non-current	1,806	18,063	1.4	-	-
	WI Harper INC Fund VII LP	-	Financial assets carried at cost - non-current	-	10,152	-	-	-
Chroma New Material Corp.	Fund							
	Fuh Hwa You Li Money Market Fund	-	Available-for-sale financial assets - current	6,829	91,238	-	91,238	Note 2
	The RSIT Enhanced Money Market Fund	-	Available-for-sale financial assets - current	4,525	53,674	-	53,674	Note 2
	Paradigm Pion Money Market	-	Available-for-sale financial assets - current	2,642	30,264	-	30,264	Note 2
Chroma Investment Co., Ltd.	Fund							
	Hua Nan Kirin Money Market Fund	-	Available-for-sale financial assets - current	5,768	68,443	-	68,443	Note 2
	Stocks							
	Greatek Electronics Inc.	-	Financial assets at fair value through profit or loss - current	85	3,318	-	3,318	Note 1
	Adlink Technology Inc.	-	Financial assets at fair value through profit or loss - current	68	4,135	-	4,135	Note 1
	ICHIA Tech. 2nd Unsecured Convertible Bond	-	Financial assets at fair value through profit or loss - current	10	983	-	983	Note 1
	Chroma Ate Inc.	The Corporation	Available for sale financial assets - noncurrent	1,916	144,435	-	144,435	Note 1
	Fei Hong Industrial Co., Ltd.	-	Financial assets carried at cost - non-current	4,174	17,175	10.3	-	-
	Cosmactive Broadband Networks Co., Ltd.	-	Financial assets carried at cost - non-current	26	110	1.5	-	-
	Prance System Technology Co., Ltd.	-	Financial assets carried at cost - non-current	111	-	5.1	-	-
Adivic Technology Co.	Fund							
	Cathay Taiwan Money Market Fund	-	Available for sale financial assets - current	1,419	17,523	-	17,523	Note 2
Chen Hwa Technology Inc.	Stocks							
	Hangzhou New Material Chroma Co., Ltd.	-	Financial assets carried at cost - non-current	-	9,191	19.0	-	-

Note 1: Based on the closing price as of December 31, 2016.

Note 2: Based on the net asset value of the fund as of December 31, 2016.

CHROMA ATE INC. AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE PROPERTIES AT COST OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type of Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationship	Prior Transaction of Related Counterparty				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
Chroma Ate Inc.	Construction in progress and prepayments for equipment.	2016.07.25	$ 875,716	Based on a contract; third installment had been paid.	Ministry of the Interior, Republic of China	-	-	-	-	$ -	Public bidding	Manufacturing, R&D, operating and building employee dormitories	Note

Note: Please see Note 28 to the financial statements for related information.

CHROMA ATE INC. AND SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase (Sale)	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Chroma Ate Inc. (the "Corporation")	Neworld Electronics Ltd.	Subsidiary	(Sale)	$ (2,495,216)	(34)	Net 90 days after delivery	-	-	$ 672,460	29	-
Neworld Electronics Ltd.	Chroma Ate Inc. (the "Corporation")	Parent company	Purchase	2,495,216	100	Net 90 days after delivery	-	-	(672,460)	(100)	-
Chroma Ate Inc. (the "Corporation")	Chroma Ate Inc. (USA)	Subsidiary	(Sale)	(503,795)	(7)	Net 180 days after delivery	-	Note 1	208,527	9	-
Chroma Ate Inc. (USA)	Chroma Ate Inc. (the "Corporation")	Parent company	Purchase	503,795	100	Net 180 days after delivery	-	Note 1	(208,527)	(100)	-
Chroma Ate Inc. (the "Corporation")	Chroma Systems Solutions Inc.	Subsidiary	(Sale)	(318,408)	(4)	Net 90 days after delivery	-	-	154,742	7	-
Chroma Systems Solutions Inc.	Chroma Ate Inc. (the "Corporation")	Parent company	Purchase	318,408	100	Net 90 days after delivery	-	-	(154,742)	(100)	-
Chroma Ate Inc. (the "Corporation")	Chroma Ate Inc. (Shenzhen) Co., Ltd.	Subsidiary	(Sale)	(296,132)	(4)	Net 90 days after monthly closing	-	-	65,194	3	-
Chroma Electronics (Shenzhen) Co., Ltd.	Chroma Ate Inc. (the "Corporation")	Parent company	Purchase	296,132	100	Net 90 days after monthly closing	-	-	(65,194)	(100)	-
Chroma Ate Inc. (the "Corporation")	Chroma Ate Europe B.V.	Subsidiary	(Sale)	(238,759)	(3)	Net 90 days after delivery	-	-	122,469	5	-
Chroma Ate Europe B.V.	Chroma Ate Inc. (the "Corporation")	Parent company	Purchase	238,759	100	Net 90 days after delivery	-	-	(122,469)	(100)	-
Chroma Ate Inc. (the "Corporation")	Chroma Ate (Suzhou) Ltd.	Subsidiary	(Sale)	(183,621)	(3)	Net 120 days after delivery	-	Note 1	92,500	4	-
Chroma Ate (Suzhou) Ltd.	Chroma Ate Inc. (the "Corporation")	Parent company	Purchase	183,621	100	Net 120 days after delivery	-	Note 1	(92,500)	(100)	-
Chroma Ate Inc. (the "Corporation")	Chroma Japan Corp.	Subsidiary	(Sale)	(119,884)	(2)	Net 90 days after delivery	-	-	119,209	5	-
Chroma Japan Corp.	Chroma Ate Inc. (the "Corporation")	Parent company	Purchase	119,884	100	Net 90 days after delivery	-	-	(119,209)	(100)	-
Chroma Ate Inc. (the "Corporation")	Quantel Private Ltd.	Subsidiary	(Sale)	(110,939)	(2)	Net 90 days after delivery	-	-	33,567	1	-
Quantel Private Ltd.	Chroma Ate Inc. (the "Corporation")	Parent company	Purchase	110,939	100	Net 90 days after delivery	-	-	(33,567)	(100)	-
Chroma Ate Inc. (the "Corporation")	Wei Kuang Automatic Equipment Co., Ltd.	Subsidiary	Purchase	313,453	9	Net 90 days after monthly closing	-	-	(53,261)	(5)	-
Wei Kuang Automatic Equipment Co., Ltd.	Chroma Ate Inc. (the "Corporation")	Parent company	(Sale)	(313,453)	(50)	Net 90 days after monthly closing	-	-	53,261	32	-

Note 1: The actual credit period longer than other customers, approximately 12 months.

CHROMA ATE INC. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Nature of Relationship	Ending Balance		Turnover Rate	Overdue		Amount Received in Subsequent Period (Note)	Allowance for Bad Debts
						Amount	Action Taken		
Chroma Ate Inc. (the "Corporation")	Neworld Electronics Ltd.	Subsidiary	Accounts receivable	$ 672,460	5.65	$ -	-	$ 307,072	$ -
	Chroma Ate Inc. (USA)	Subsidiary	Accounts receivable	208,527	1.88	-	-	83,283	-
	Testar Electronic Corporation	Subsidiary	Accounts receivable	124,435	0.34	-	-	16,837	-
	Chroma Ate Europe B.V.	Subsidiary	Accounts receivable	122,469	2.74	-	-	57,297	-
	Chroma System Solutions Inc.	Subsidiary	Accounts receivable	154,742	2.26	-	-	62,126	-
			Other receivable - financing provided	125,341	-	-	-	-	-
	Chroma Japan Corp.	Subsidiary	Accounts receivable	119,209	1.06	-	-	9,597	-
			Other receivable - financing provided	36,533	-	-	-	-	-

Note: The amounts had been accrued as of February 21, 2017.

CHROMA ATE INC. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE CORPORATION EXERCISES SIGNIFICANT INFLUENCE
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2016			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2016	December 31, 2015	Shares (Thousands)	Percentage of Ownership	Carrying Value			
Chroma Ate Inc. (the "Corporation")	Neworld Electronics Ltd.	Hong Kong	Sale and maintenance of electronic test instruments, etc.	$ 271,873	$ 271,873	64,013	100.0	$ 696,690	$ 81,411	$ 81,411	Subsidiary
	San Eagle Development Corp.	British Virgin Islands	Investment	186,514	186,514	2,050	100.0	567,548	(12,895)	(12,895)	Subsidiary
	Adlink Technology Inc.	New Taipei, Taiwan	Manufacturing, processing and retailing of software/hardware of computers and peripherals	165,146	82,325	24,502	11.3	535,490	438,783	49,568	Associate
	Chroma New Material Corporation	Taoyuan, Taiwan	Sale and processing of gold wire	480,715	480,715	25,000	100.0	439,369	47,089	47,089	Subsidiary
	Wei Kuang Automatic Equipment Co., Ltd.	Hsinchu, Taiwan	Design, manufacturing, installment and testing of automated factory conveyor systems	533,000	533,000	10,000	100.0	316,050	69,445	69,459	Subsidiary
	CHI Incorporation Ltd.	British Virgin Islands	Test of inductance, capacitance and resistance, and sale of parts	122,884	122,884	3,830	100.0	109,043	21,946	21,946	Subsidiary
	Quantel Private Ltd.	Singapore	Sale and maintenance of test instruments, etc.	112,328	-	1,914	60.0	108,073	13,897	7,500	Subsidiary
	Chen Hwa Technology Inc.	British Virgin Islands	Test of inductance, capacitance and resistance, and sale of parts	98,217	98,217	3,085	100.0	106,449	2,928	2,928	Subsidiary
	Chroma Investment Co., Ltd.	New Taipei, Taiwan	Investment	80,000	80,000	14,000	100.0	106,210	4,011	(534)	Subsidiary
	Chroma Ate Europe B.V.	The Netherlands	Sale and maintenance of electronic test instruments etc.	54,026	54,026	1	100.0	85,621	8,716	8,716	Subsidiary
	DynaScan Technology Corp.	Taoyuan, Taiwan	Research and manufacture of LED generators	238,746	238,746	9,841	27.3	88,414	45,140	12,323	Associate
	Chroma Ate Inc. (USA)	U.S.A.	Sale and maintenance of electronic test instruments, etc.	29,895	29,895	1,000	100.0	70,824	11,343	11,231	Subsidiary
	Sensational Holding Ltd.	British Virgin Islands	Investment	38,301	38,301	1,200	100.0	53,358	1,583	1,583	Subsidiary
	Adivic Technology Co.	Taipei, Taiwan	Sale and research of RF device	142,800	112,200	14,280	51.0	35,298	(57,450)	(31,309)	Subsidiary
	Chroma Japan Corp.	Japan	Sale and maintenance of electronic test instruments, etc.	147,125	147,125	9	100.0	(36,904)	(13,118)	(13,118)	Subsidiary
	Chroma Systems Solutions, Inc.	U.S.A.	Sale and maintenance of electronic test instruments, etc.	29,628	29,628	120	25.0	(43,893)	72,010	18,002	Subsidiary
	Deep Red Holding Co., Ltd.	Mauritius	Investment	12,217	12,217	215	100.0	49,021	7,587	7,587	Subsidiary
	Chih Ho Shun Development Co., Ltd.	Taoyuan, Taiwan	Construction and development of residence, buildings and specialized field; construction and investment of public works	17,500	17,500	1,750	35.0	17,593	251	88	Joint venture
	Testar Electronic Corporation	Taoyuan, Taiwan	Testing of LED products	247,096	247,096	20,160	67.2	(5,545)	(44,227)	(29,720)	Subsidiary
	EVT Technology Co., Ltd.	Taoyuan, Taiwan	Manufacturing of motorcycles and its parts	27,623	27,623	2,658	53.2	2,396	(11,002)	(5,848)	Subsidiary
Chroma Ate Inc. (USA)	Chroma Systems Solutions Inc.	U.S.A.	Sale and maintenance of electronic test instruments, etc.	64	64	240	50.0	129,226	72,010	NA	Subsidiary
San Eagle Development Corp.	Wei Kuang Mech Eng Inc.	Mauritius	Investments	185,686	185,686	4,475	100.0	559,634	(12,841)	NA	Subsidiary
EVT Technology Co., Ltd.	Wei Da Electric Vehicle Co., Ltd.	Pingtung, Taiwan	Sale and lease of motorcycles	3,750	3,750	375	75.0	(3,926)	3,078	NA	Subsidiary
Advic Technology Co., Ltd.	Advic Holding Corporation	Samoa	Sale and research of RF device	15,223	15,223	500	100.0	(10,776)	(16,181)	NA	Subsidiary

CHROMA ATE INC. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars or Foreign Currency, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Note 2)	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2016 (Note 3)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2016 (Note 3)	Net Income (Loss) of the Investee	Percentage of Ownership in Investment	Investment Gain (Loss) (Notes 4 and 5)	Carrying Value as of December 31, 2016 (Note 2)	Accumulated Inward Remittance of Earnings as of December 31, 2016
					Outflow	Inflow						
Chroma Electronics (Shenzhen) Co., Ltd.	Sale of power supplies automatic test systems, signal generators, DC electronic load, color analyzer, uninterruptible power supply, switching mode rectifier and etc.	$ 124,740 (HK$ 30,000)	b. Subsidiary of Neworld Electronics Ltd.	$ 132,178 (HK$ 1,200 US$ 3,853)	$ -	$ -	$ 132,178 (HK$ 1,200 US$ 3,853)	$ 63,973	100	$ 63,973	$ 454,207	$ -
Chroma Electronics (Shanghai) Co., Ltd.	Sale of power supplies automatic test systems, signal generators, DC electronic load, uninterruptible power supply, switching mode rectifier and etc.	96,750 (US$ 3,000)	b. Subsidiary of Neworld Electronics Ltd.	101,993 (US$ 3,000)	-	-	101,993 (US$ 3,000)	13,732	100	13,732	67,900	-
Chroma (Shanghai) Trading Co., Ltd.	International and transit trading, commercial simple processing and commercial consulting service and etc.	87,075 (US$ 2,700)	b. Subsidiary of Chen Hwa Technology Inc.	84,988 (US$ 2,700)	-	-	84,988 (US$ 2,700)	(1,266)	100	(1,266)	90,042	-
Hangzhou New Material Chroma Co., Ltd.	Production and sale of semiconductor connecting materials	48,375 (US$ 1,500)	b. Subsidiary of Chen Hwa Technology Inc.	9,091 (US$ 285)	-	-	9,091 (US$ 285)	20,608	19	-	9,191	-
Chroma Ate (Suzhou) Ltd.	Sale of power supplies automatic test systems, signal generators, DC electronic load, uninterruptible power supply, switching mode rectifier and etc.	122,550 (US$ 3,800)	b. Subsidiary of CHI Incorporation Ltd.	121,115 (US$ 3,800)	-	-	121,115 (US$ 3,800)	21,976	100	21,976	172,118	-
Wei Kuang Automatic Equipment (Nanjin) Co., Ltd.	Sale and maintenance of electronic equipment and factory conveyor systems	54,808 (RMB 11,871)	b. Subsidiary of Wei Kuang Mech Eng Inc.	43,751 (US$ 1,338)	-	-	43,751 (US$ 1,338)	(1,949)	100	(1,949)	217,623	-
Wei Kuang Automatic Equipment (Xiamen) Co., Ltd.	Sale and maintenance of electronic equipment and factory conveyor systems	52,712 (RMB 11,417)	b. Subsidiary of Wei Kuang Mech Eng Inc.	49,935 (US$ 1,500)	-	-	49,935 (US$ 1,500)	(11,177)	100	(11,177)	253,001	-
Mou Kuan Technologies (Nanjin) Co., Ltd.	Assembly, sale and maintenance of factory conveyors and related systems and renders related after-sales services	8,020 (RMB 1,737)	b. Subsidiary of Wei Kuang Mech Eng Inc.	92,000 (US$ 2,836)	-	-	92,000 (US$ 2,836)	984	100	984	47,311	-
Sajet System Technology (Suzhou) Co., Ltd.	Research, development and design of computer network security systems and information management	8,015 (RMB 1,736)	b. Subsidiary of Deep Red Holding Co., Ltd.	(Note 9)	-	-	(Note 9)	7,569	100	7,569	49,020	-

Accumulated Investment in Mainland China as of December 31, 2016	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on Investment
$635,051 (HK$1,200, US$19,312)	$695,162 (HK$1,400, US$21,086) (Note 6)	$6,369,976 (Note 7)

(Continued)

Note 1: Methods of investment have following types:

a. Direct investment in mainland China.
b. Indirect investment in the Company of Mainland China through a third place.
c. Other

Note 2: The amounts of paid-in capital and carrying value as of December 31, 2016 were translated into New Taiwan dollars at the rates of HK$1=NT$4.158, US$1=NT$32.250, RMB1=NT$4.617 prevailing on December 31, 2016.

Note 3: The amounts of accumulated outflow of investment from Taiwan as of January 1, 2016 and December 31, 2016 were translated into New Taiwan dollars on the original outflow day.

Note 4: Based on audited financial statements.

Note 5: Investment income (loss) was translated into New Taiwan dollars at the average rate of HK$1=NT$4.156, US$1=NT$32.263, RMB1=NT$4.849 for the year ended December 31, 2016.

Note 6:

	Approval Letter	Approved Amount
a.	Letter (1998) II-87710585 of Investment Commission of MOEA	NT$ 5,852 (HK$ 1,400)
b.	Letter (2000) II-89014726 and 89037430 of Investment Commission of MOEA	NT$ 63,180 (US$ 2,000)
c.	Letter (2001) II-89037430 of Investment Commission of MOEA	NT$ 33,160 (US$ 1,000)
d.	Letter II-91048640 of Investment Commission of MOEA	NT$ 63,984 (US$ 1,853) (Note 8)
e.	Letter II-90025170 of Investment Commission of MOEA	NT$ 60,240 (US$ 1,750)
f.	Letter II-092020235 of Investment Commission of MOEA	NT$ 19,230 (US$ 560)
g.	Letter II-092043358 of Investment Commission of MOEA	NT$ 6,748 (US$ 200)
h.	Letter II-093004076 of Investment Commission of MOEA	NT$ 3,158 (US$ 95)
i.	Letter II-094006092 of Investment Commission of MOEA	NT$ 6,896 (US$ 219)
j.	Letter II-09500052120 of Investment Commission of MOEA	NT$ 81,528 (US$ 2,500)
k.	Letter II-09600175700 of Investment Commission of MOEA	NT$ 120,000 (US$ 3,699)
l.	Letter II-096000006020 of Investment Commission of MOEA	NT$ 66,580 (US$ 2,000)
m.	Letter II-09600310110 of Investment Commission of MOEA	NT$ 33,160 (US$ 1,000)
n.	Letter II-09700186010 of Investment Commission of MOEA	NT$ 46,110 (US$ 1,500)
o.	Letter II-09700403210 of Investment Commission of MOEA	NT$ 7,096 (US$ 210) (Note 9)
p.	Letter II-10400042770 of Investment Commission of MOEA	NT$ 78,240 (US$ 2,500)

Note 7: The upper limit on investment was calculated in accordance with the regulations of the Investment Commission of the Ministry of Economic Affairs for 60% of the net equity or consolidated net equity.

Note 8: Chroma Ate Inc. invested accounts receivable amounting to US$853 thousand in Chroma Electronics (Shenzhen) Co., Ltd. through Neworld Electronics Ltd.

Note 9: The investment in Sajet Technology Inc. (liquidated on September 15, 2008) was authorized by the Investment Commission in 2004.

(Concluded)