

SINBON ELECTRONICS CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS**

**FOR THE SIX-MONTH PERIODS ENDED
JUNE 30, 2017 AND 2016**

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

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

English Translation of a Report Originally Issued in Chinese

To Sinbon Electronics Co., Ltd.

We have reviewed the accompanying consolidated balance sheets of SINBON Electronics Co., Ltd. and subsidiaries (collectively, the “Company”) as of June 30, 2017 and 2016, and the related consolidated statements of comprehensive income for the three-month and six-month periods ended June 30, 2017 and 2016 and consolidated statements of changes in equity and cash flows for the six-month periods ended June 30, 2017 and 2016. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to issue the review report based on our reviews.

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

Certain subsidiaries, which were accounted for under the consolidated statements based on the financial statements of the subsidiaries, were not reviewed by independent accountants. The relevant assets of these consolidated subsidiaries that were not reviewed by independent accountants amounted to NT\$3,193,757 thousand and NT\$4,782,277 thousand, which represented 28% and 42% of the total consolidated assets of the Company as of June 30, 2017 and 2016, respectively; the relevant liabilities amounted to NT\$964,602 thousand and NT\$1,757,511 thousand, which represented 16% and 29% of the total consolidated liabilities of the Company as of June 30, 2017 and 2016, respectively; the related comprehensive income of the subsidiaries amounted to NT\$49,553 thousand, NT\$31,200 thousand, NT\$212,446 thousand and NT\$136,537 thousand, which represented 12%, 14%, 45% and 32% of the consolidated comprehensive income of the Company for the three-month and six-month periods ended June 30, 2017 and 2016, respectively. Certain investments, which were accounted for under the equity method based on the financial statements of the investees, were not reviewed by independent accountants. Our review, insofar as it related to the investments accounted for under the equity method amounted to NT\$366,538 thousand and NT\$366,897 thousand as of June 30, 2017 and 2016, respectively; the related shares of investment income from the associates and joint ventures amounted to NT\$9,605 thousand, NT\$6,282 thousand, NT\$14,369 thousand and NT\$15,746 thousand for the three-month and six-month periods ended June 30, 2017 and 2016, respectively; and the related shares of other comprehensive income from the associates and joint ventures amounted to NT\$(5,052) thousand, NT\$3,123 thousand, NT\$1,062 thousand and NT\$(3,579) thousand for the three-month and six-month periods ended June 30, 2017 and 2016, respectively; were recognized based upon the financial statements prepared by the investee companies not reviewed by the independent accountants in compliance with the review procedures described in the preceding paragraph. The information on Note (13) to consolidated financial statements is not reviewed by the independent accountants.

Based on our reviews, except for the above mentioned subsidiaries and investments' financial statement which were not reviewed by independent accountants, we are not aware of any material modifications or adjustments that should be made to the consolidated financial statements referred to above in order for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards No. 34, "Interim Financial Reporting" which is endorsed by Financial Supervisory Commission of the Republic of China.

/s/Huang, Tzu Ping

/s/Lin, Hung Kang

Ernst & Young, Taiwan

July 28, 2017

Notice to Readers

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
SINBON ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
June 30, 2017, December 31, 2016 and June 30, 2016 (June 30, 2017 and 2016 are unaudited)
(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As of		
		June 30, 2017	December 31, 2016	June 30, 2016
Current assets				
Cash and cash equivalents	4,6(1)	\$2,996,768	\$3,130,300	\$3,335,999
Financial assets at fair value through profit or loss, current	4,6(2)	5,758	11,662	33,977
Notes receivable, net	4,6(3)	412,058	452,551	471,515
Accounts receivable, net	4,6(4),7	3,329,101	2,859,953	3,129,924
Other receivables		148,403	132,975	96,219
Inventories	4,6(5)	1,900,060	2,104,058	1,801,574
Prepayments		118,611	97,908	103,693
Other current assets		55,326	17,694	6,735
Total current assets		<u>8,966,085</u>	<u>8,807,101</u>	<u>8,979,636</u>
Non-current assets				
Available-for-sale financial assets, noncurrent	4,6(6)	98,348	84,901	89,920
Financial assets measured at cost, noncurrent	4,6(7)	278,314	281,304	322,716
Investments accounted for under the equity method	4,6(8)	366,538	350,531	366,897
Property, plant and equipment	4,6(9)	1,276,545	1,339,108	1,414,189
Other intangible assets		9,909	10,156	8,738
Deferred tax assets	4	76,998	49,089	77,612
Other non-current assets	4,6(10)	210,955	160,654	135,736
Total non-current assets		<u>2,317,607</u>	<u>2,275,743</u>	<u>2,415,808</u>

Total assets		<u>\$11,283,692</u>	<u>\$11,082,844</u>	<u>\$11,395,444</u>
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English Translation of Consolidated Financial Statements Originally Issued in Chinese
SINBON ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (Continued)
June 30, 2017, December 31, 2016 and June 30, 2016 (June 30, 2017 and 2016 are unaudited)
(Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	As of		
		June 30, 2017	December 31, 2016	June 30, 2016
Current liabilities				
Short-term loans	4,6(11)	\$971,927	\$1,592,317	\$1,688,822
Financial liabilities at fair value through profit or loss, current	4,6(12)	33,497	59,054	128,906
Notes payable		84,090	40,393	79,689
Accounts payable	7	2,209,760	2,270,797	2,128,864
Other payables		1,540,809	781,983	1,355,340
Current tax liabilities		176,203	201,196	202,475
Current portion of bonds payable	4,6(13)	-	-	34,716
Current portion of long-term loans	4,6(14)	7,950	8,998	8,882
Other current liabilities		104,653	91,055	84,006
Total current liabilities		5,128,889	5,045,793	5,711,700
Non-current liabilities				
Financial liabilities at fair value through profit or loss, noncurrent	4,6(12)	2,750	-	-
Bonds payable	4,6(13)	478,300	-	-
Long-term loans	4,6(14)	13,171	17,286	10,148
Deferred tax liabilities	4	133,743	140,120	182,820
Long-term deferred revenue	4,6(15)	16,108	16,858	17,839
Net defined benefit obligation, noncurrent	4,6(16)	83,354	83,354	75,401
Other non-current liabilities-others		2	2	2
Total non-current liabilities		727,428	257,620	286,210
Total liabilities		5,856,317	5,303,413	5,997,910
Equity attributable to the parent company				
Capital	6(17)			
Common stock		2,254,162	2,246,068	2,179,342
Certificates of bond-to-stock conversion		-	8,094	243
Stock dividends to be distributed		-	-	65,364
Subtotal		2,254,162	2,254,162	2,244,949
Additional Paid-in Capital	6(17)	828,030	858,462	835,491
Retained earnings				
Legal reserve		844,155	728,416	728,416
Special reserve		181,024	134,446	134,446
Unappropriated earnings	6(22)	1,609,095	1,938,270	1,404,058
Subtotal		2,634,274	2,801,132	2,266,920
Other components of equity				
Exchange differences on translation of foreign operations		(312,637)	(156,539)	11,147
Unrealized gains or losses on available-for-sale financial assets		(28,272)	(24,485)	(15,947)
Subtotal		(340,909)	(181,024)	(4,800)
Non-controlling interests	4,6(17)	51,818	46,699	54,974
Total equity		5,427,375	5,779,431	5,397,534
Total liabilities and equity		\$11,283,692	\$11,082,844	\$11,395,444

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

SINBON ELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three-month and six-month periods ended June 30, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

		3-month periods ended June 30,		6-month periods ended June 30,	
	Notes	2017	2016	2017	2016
Operating revenues	4,6(18),7	\$3,331,157	\$3,425,032	\$6,545,058	\$6,747,686
Operating costs	6(19),7	(2,479,748)	(2,601,449)	(4,896,698)	(5,094,114)
Gross profit-net		851,409	823,583	1,648,360	1,653,572
Operating expenses	6(19)				
Sales and marketing expenses		(198,080)	(171,428)	(344,423)	(323,915)
General and administrative expenses		(169,041)	(158,892)	(327,015)	(321,580)
Research and development expenses		(117,556)	(106,186)	(215,558)	(205,945)
Subtotal		(484,677)	(436,506)	(886,996)	(851,440)
Operating income		366,732	387,077	761,364	802,132
Non-operating income and expenses	6(20)				
Other income		96,361	88,636	158,150	174,588
Other gains and losses		8,310	(30,260)	(69,069)	(115,037)
Finance costs		(5,603)	(7,406)	(10,748)	(13,428)
Share of profit or loss of associates and joint ventures	4,6(8)	9,605	6,282	14,369	15,746
Subtotal		108,673	57,252	92,702	61,869
Income from continuing operations before income tax		475,405	444,329	854,066	864,001
Income tax expense	4,6(22)	(130,938)	(133,195)	(224,491)	(246,933)
Net income		344,467	311,134	629,575	617,068
Other comprehensive income (loss)	6(21)				
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		87,999	(116,662)	(189,128)	(226,879)
Unrealized (losses) gains on available-for-sale financial assets		(3,287)	4,600	(4,849)	(3,346)
Share of other comprehensive (loss) income of associates and joint ventures		(5,052)	3,123	1,062	(3,579)
Income tax related to items that may be reclassified subsequently		(14,543)	19,440	30,672	38,302
Total other comprehensive income (loss), net of tax		65,117	(89,499)	(162,243)	(195,502)
Total comprehensive income		<u>\$409,584</u>	<u>\$221,635</u>	<u>\$467,332</u>	<u>\$421,566</u>
Net income attributable to:	4,6(23)				
Stockholders of the parent		\$340,161	\$308,409	\$622,098	\$616,535
Non-controlling interests		4,306	2,725	7,477	533
		<u>\$344,467</u>	<u>\$311,134</u>	<u>\$629,575</u>	<u>\$617,068</u>
Comprehensive income (loss) attributable to:					
Stockholders of the parent		\$405,241	\$218,246	\$462,213	\$421,307
Non-controlling interests		4,343	3,389	5,119	259
		<u>\$409,584</u>	<u>\$221,635</u>	<u>\$467,332</u>	<u>\$421,566</u>
Earnings per share (NTD)					
Earnings per share-basic	4,6(23)	<u>\$1.51</u>	<u>\$1.37</u>	<u>\$2.76</u>	<u>\$2.75</u>
Earnings per share-diluted		<u>\$1.50</u>	<u>\$1.37</u>	<u>\$2.75</u>	<u>\$2.73</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
SINBON ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the six-month periods ended June 30, 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars)

	Equity Attributable to the Parent Company											
	Capital			Retained earnings			Other components of equity					
	Common stock	Certificates of Bond-to-Stock Conversion	Stock Dividends to be Distributed	Additional Paid-in Capital	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Gains or Losses on Available-For-Sale Financial Assets	Total	Non-Controlling Interests	Total Equity
Balance as of January 1, 2016	\$2,158,299	\$18,155	\$-	\$890,644	\$631,397	\$134,446	\$1,559,972	\$199,450	\$(9,022)	\$5,583,341	\$54,715	\$5,638,056
Appropriation and distribution of 2015 retained earnings												
Legal reserve					97,019		(97,019)			-		-
Cash dividends							(675,430)			(675,430)		(675,430)
Other changes in additional paid-in capital												
Share of changes in net assets of associates and joint ventures				741						741		741
Additional paid-in capital at stock dividends			65,364	(65,364)						-		-
Net income for the six-month period ended June 30, 2016							616,535			616,535	533	617,068
Other comprehensive income (loss), net of tax for the six-month period ended June 30, 2016								(188,303)	(6,925)	(195,228)	(274)	(195,502)
Total comprehensive income (loss) for the six-month period ended June 30, 2016	-	-	-	-	-	-	616,535	(188,303)	(6,925)	421,307	259	421,566
Bonds converted to stock	21,043	(17,912)		9,470						12,601		12,601
Balance as of June 30, 2016	\$2,179,342	\$243	\$65,364	\$835,491	\$728,416	\$134,446	\$1,404,058	\$11,147	\$(15,947)	\$5,342,560	\$54,974	\$5,397,534
Balance as of January 1, 2017	\$2,246,068	\$8,094	\$-	\$858,462	\$728,416	\$134,446	\$1,938,270	\$(156,539)	\$(24,485)	\$5,732,732	\$46,699	\$5,779,431
Appropriation and distribution of 2016 retained earnings												
Legal reserve					115,739		(115,739)			-		-
Special reserve						46,578	(46,578)			-		-
Cash dividends							(788,956)			(788,956)		(788,956)
Other changes in additional paid-in capital												
Embedded conversion options derived from convertible bonds				14,652						14,652		14,652
Additional paid-in capital at cash dividends				(45,084)						(45,084)		(45,084)
Net income for the six-month period ended June 30, 2017							622,098			622,098	7,477	629,575
Other comprehensive income (loss), net of tax for the six-month period ended June 30, 2017								(156,098)	(3,787)	(159,885)	(2,358)	(162,243)
Total comprehensive income (loss) for the six-month period ended June 30, 2017	-	-	-	-	-	-	622,098	(156,098)	(3,787)	462,213	5,119	467,332
Bonds converted to stock	8,094	(8,094)										
Balance as of June 30, 2017	\$2,254,162	\$-	\$-	\$828,030	\$844,155	\$181,024	\$1,609,095	\$(312,637)	\$(28,272)	\$5,375,557	\$51,818	\$5,427,375

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
SINBON ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six-month periods ended June 30, 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars)

	6-month periods ended June 30,	
	2017	2016
Cash flows from operating activities:		
Net income before tax	\$854,066	\$864,001
Adjustments to reconcile net income before tax to net cash provided by operating activities:		
Income and expense adjustments:		
Depreciation	67,698	78,846
Amortization	17,221	13,008
Interest expense	10,748	13,428
Interest income	(5,058)	(4,113)
Dividends income	(12,974)	(10,489)
Bad debt expenses	26,993	-
Bad debt reversal	-	(459)
Share of profit of associates and joint ventures	(14,369)	(15,746)
Loss on disposal of property, plant and equipment	3,596	3,967
Loss from market value decline, obsolete and slow-moving of inventories (Gain from price recovery)	13,098	(1,130)
Gain on disposal of investments	(41)	-
(Gain) loss of financial assets/ liabilities at fair value through profit or loss	(17,909)	161,046
Changes in operating assets and liabilities:		
Decrease (Increase) in notes receivable	40,493	(114,833)
Increase in accounts receivable	(495,690)	(559,945)
(Increase) decrease in other receivables	(15,428)	11,130
Decrease in inventories, net	190,900	370,625
Increase in prepayments	(20,703)	(1,704)
(Increase) Decrease in other current assets	(37,632)	4,121
Increase in other noncurrent assets	(71,681)	(6,117)
Increase in notes payable	43,697	38,561
Decrease in accounts payable	(61,037)	(64,520)
Decrease in other payables	(80,141)	(5,230)
Increase in other current liabilities	13,598	7,339
Cash generated from operations	449,445	781,786
Interest received	5,058	6,591
Dividends received	12,974	10,489
Interest paid	(10,047)	(13,994)
Income tax paid	(253,098)	(256,117)
Net cash provided by operating activities	204,332	528,755

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English Translation of Consolidated Financial Statements Originally Issued in Chinese
SINBON ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
For the six-month periods ended June 30, 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars)

	6-month periods ended June 30,	
	2017	2016
Cash flows from investing activities:		
Acquisition of for trading financial assets	\$(5,000)	\$ -
Proceeds from disposal of financial asset for trading	5,910	-
Acquisition of investments accounted for under the equity method	(25,004)	-
Acquisition of property, plant and equipment	(44,960)	(43,390)
Proceeds from disposal of property, plant and equipment	1,377	92
Decrease in other intangible assets	247	813
Decrease in investments accounted for under the equity method	40,000	60,000
Proceeds from disposal of available-for-sale financial assets	430	-
Proceeds from disposal of financial assets measured at cost	279	-
Decrease in financial assets measured at cost	-	47,102
Acquisition of financial assets measured at cost	(40,443)	(279)
Decrease in debt investments without active market	-	95,723
Dividends received from investee company	8,160	2,380
Net cash (used in) provided by investing activities	(59,004)	162,441
Cash flows from financing activities:		
Proceeds from bonds issued	500,000	-
(Decrease) Increase in short-term loans	(620,390)	(230,201)
Decrease in long-term loans (include current portion)	(5,163)	10,459
Decrease in long-term deferred revenue	(185)	(208)
Net cash used in financing activities	(125,738)	(219,950)
Effect of exchange rate changes on cash and cash equivalents	(153,122)	(179,520)
Net (decrease) increase in cash and cash equivalents	(133,532)	291,726
Cash and cash equivalents at beginning of period	3,130,300	3,044,273
Cash and cash equivalents at end of period	\$2,996,768	\$3,335,999

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

SINBON ELECTRONICS CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Six-Month Periods Ended June 30, 2017 and 2016

(Reviewed, Not Audited)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

1. History and organization

Sinbon Electronics Co., Ltd. (SINBON) was incorporated in Republic of China (R.O.C) in December 1989. The main activities of the Company include manufacturing and selling computer peripherals, connectors, wires and other parts. The shares of the Company commenced trading on Taiwan's Over-the-Counter Market in May 2001 and were listed on the Taiwan Stock Exchange in August 2002.

2. Date and procedures of authorization of financial statements for issue

The consolidated financial statements of SINBON and its subsidiaries ("the Group") for the six-month periods ended June 30, 2017 and 2016 were authorized for issue in accordance with a resolution of the Board of Directors' meeting on July 28, 2017.

3. Newly issued or revised standards and interpretations

- (1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are endorsed by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after 1 January 2017. The nature and the impact of each new standard and amendment that has a material effect on the Group is described below:

IAS 36 "Impairment of Assets" (Amendment)

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

SINBON ELECTRONICS CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- (2) Standards or interpretations issued, revised or amended, which are endorsed by FSC, but not yet adopted by the Group at the date of issuance of the Group's financial statements are listed below.

(a) *IFRS 15 "Revenue from Contracts with Customers"*

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

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

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

(b) *IFRS 9 "Financial Instruments"*

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

SINBON ELECTRONICS CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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

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

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

The new standard is effective for annual periods beginning on or after 1 January 2018. Consequential amendments on the related disclosures also become effective for annual periods beginning on or after 1 January 2018.

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

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures.

SINBON ELECTRONICS CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full. IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

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

(d) *IAS 12 "Income Taxes" — Recognition of Deferred Tax Assets for Unrealized Losses*

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

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

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

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

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

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

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

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

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

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(i) *Transfers of Investment Property — Amendments to IAS 40*

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

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

IFRS 1 "First-time Adoption of International Financial Reporting Standards"

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

IFRS 12 "Disclosure of Interests in Other Entities"

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

IAS 28 "Investments in Associates and Joint Ventures"

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

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

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

The abovementioned standards and interpretations issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2018. All the standards and interpretations have no material impact on the Group.

- (3) Standards or interpretations issued, revised or amended, by IASB but not yet endorsed by FSC at the date of issuance of the Group’s financial statements are listed below.

(a) IFRS 16 “*Leases*”

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

(b) IFRIC 23 “*Uncertainty Over Income Tax Treatments*”

The Interpretation clarifies application of recognition and measurement requirements in IAS 12 “Income Taxes” when there is uncertainty over income tax treatments. The Interpretation is effective for annual periods beginning on or after 1 January 2019.

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(c) IFRS 17 “*Insurance Contracts*”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

- (1) estimates of future cash flows;
- (2) Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
- (3) a risk adjustment for non-financial risk.

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts. IFRS 17 is effective for annual periods beginning on or after 1 January 2021.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group’s financial statements were authorized for issue, the local effective dates are to be determined by FSC. All the standards and interpretations have no material impact on the Group.

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4. Summary of significant accounting policies

(1) Statement of Compliance

The consolidated financial statements of the Group for the six-month periods ended June 30, 2017 and 2016 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and IAS 34 Interim Financial Reporting as endorsed and became effective by the FSC.

(2) Basis of Preparation

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

(3) Basis of Consolidation

Preparation principle of consolidated financial statement

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- (a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- (b) exposure, or rights, to variable returns from its involvement with the investee, and
- (c) the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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- (a) the contractual arrangement with the other vote holders of the investee
- (b) rights arising from other contractual arrangements
- (c) the Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Group loses control of a subsidiary, it:

- (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- (b) derecognizes the carrying amount of any non-controlling interest;
- (c) recognizes the fair value of the consideration received;
- (d) recognizes the fair value of any investment retained;
- (e) recognizes any surplus or deficit in profit or loss; and
- (f) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

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The consolidated entities are listed as follows:

I n v e s t o r	S u b s i d i a r y	M a i n b u s i n e s s e s	P e r c e n t a g e o f o w n e r s h i p (%)			N o t e
			June 30, 2017	December 31, 2016	June 30, 2016	
The Company	Sinbon International Enterprise Co., Ltd. (SB(B.V.I))	Holding company	100.00%	100.00%	100.00%	
The Company	Hong Kong Sinbon Electronics Co., Ltd. (HKSB)	Selling a wide variety of connectors, wires and cables	100.00%	100.00%	100.00%	
The Company	Super Elite Ltd. (SEL)	General investment	64.48%	64.48%	64.48%	
The Company	Beijing Sinbon Electronics Co., Ltd. (BJSB)	Manufacturing and selling a wide variety of connectors, wires and cables	100.00%	100.00%	100.00%	
The Company	Samoa Smart and Diligent Co., Ltd. (Samoa S&D)	Holding company	-	-	51.51%	Note1
The Company	Sinbon Technologies L.L.C. (USSB)	Selling a wide variety of connectors, wires and cables	-	-	51.00%	Note2
The Company	Japan Sinbon Electronics Co., Ltd. (JPSB)	Selling a wide variety of connectors, wires and cables	70.00%	70.00%	70.00%	
The Company	Worldwide Wire Harnesses Co., Ltd.	Holding company	50.00%	50.00%	50.00%	
The Company	Kwan-Ze Corporation Ltd. (Kwan-Ze)	Selling a wide variety of electronic materials and holding company	100.00%	100.00%	100.00%	
The Company	Sinbon USA L.L.C.	Logistic center	100.00%	100.00%	100.00%	
The Company	Beijing Sinbon Tongan Electronics Co., Ltd.(BJSB Tongan)	Manufacturing and selling a wide variety of connectors, wires and cables	100.00%	100.00%	100.00%	
The Company	Sinbon Europe GmbH (EuropeSB)	Logistic center	100.00%	100.00%	100.00%	
The Company	Ray Service ADA Corp.	Selling signal cables and cabin wiring	90.00%	90.00%	90.00%	
B V I	Jiangyin Sinbon Electronics Co., Ltd. (JYSB)	Manufacturing and selling a wide variety of connectors, wires and cables	100.00%	100.00%	100.00%	

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I n v e s t o r	S u b s i d i a r y	M a i n b u s i n e s s e s	P e r c e n t a g e o f o w n e r s h i p (%)			N o t e
			June 30, 2017	December 31, 2016	June 30, 2016	
B V I	Shenzhen Sinbon Electronics Co., Ltd. (SZSB)	Selling a wide variety of connectors, wires and cables	100.00%	100.00%	100.00%	
B V I	Shanghai Sinbon Electronics Co., Ltd. (SHSB)	Selling a wide variety of connectors, wires and cables	100.00%	100.00%	100.00%	
B V I	Tong Cheng Sinbon Electronics Co., Ltd. (TCSB)	Manufacturing and selling a wide variety of connectors, wires and cables	100.00%	100.00%	100.00%	
S E L	Hong Kong Comtek Electronics Co., Ltd. (Hong Kong CMK)	Selling a wide variety of connectors and cables	-	-	64.48%	Note3
S E L	T-CONN Precision (Zhongshan) Co., Ltd.(T-CONN Zhongshan)	Manufacturing and selling a wide variety of connectors, wires and cables	64.48%	64.48%	64.48%	
S E L	T-CONN Precision Co., Ltd.(T-CONN)	Manufacturing and selling a wide variety of connectors, wires and cables	64.48%	64.48%	64.48%	
S E L	Super Progressive Ltd. (SPL)	Logistic center	64.48%	64.48%	64.48%	
W o r l d w i d e W i r e H a r n e s s e s C o . , L t d .	Sinbon Technologies Tennessee L.L.C. (STT)	Logistic Center	50.00%	50.00%	50.00%	
K w a n - Z e	Digi O2 International Co., Ltd. (Digi O2)	Selling a wide variety of connectors and cables	98.83%	98.83%	92.74%	Note4

Note 1: On September 30, 2016, the Company sold SAMOA S&D's shares. The Company will not incorporate SAMOA S&D's gain or loss in its consolidated financial statement from the day the Company ceased to have control over SAMOA S&D.

Note 2: On September 30, 2016, the Company sold USSB's shares. The Company will not incorporate USSB's gain or loss in its consolidated financial statement from the day the Company ceased to have control over USSB.

Note 3: The Company was closed down in December, 2016. The Company will not incorporate Hong Kong CMK's gain or loss in its consolidated financial statement from the day the Company ceased to have control over Hong Kong CMK.

Note 4: On July 29, 2016 and November 24, 2016, Kwan-Ze acquired additional 603 thousand and 500 thousand shares of Digi O2 and increased the shareholding percentage to 98.83%.

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The financial statements of some of the consolidated subsidiaries listed above had not been reviewed by auditors. As of June 30, 2017 and 2016, the related assets of the subsidiaries which were unreviewed by auditors amount to NT\$3,193,757 thousand and NT\$4,782,277 thousand, respectively, and the related liabilities amount to NT\$964,602 thousand and NT\$1,757,511 thousand, respectively. The comprehensive income of these subsidiaries amounted to NT\$49,553 thousand, NT\$31,200 thousand, NT\$212,446 thousand and NT\$136,537 thousand for the three-month and six-month periods ended June 30, 2017 and 2016, respectively.

(4) Foreign Currency Transactions

The Group's consolidated financial statements are presented in New Taiwan Dollars (NTD), which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

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

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

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

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- (b) Foreign currency items within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are accounted for based on the accounting policy for financial instruments.
- (c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

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

(5) Translation of Foreign Currency Financial Statements

The assets and liabilities of foreign operations are translated into NT\$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals:

- (a) when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and
- (b) when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

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

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

(6) Current and non-current distinction

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

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(7) Cash Equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 3 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Financial Instruments

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

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

(a) Financial assets

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

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. A financial asset is classified as held for trading if:

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

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

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

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

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

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Available-for-sale financial assets

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

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

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

Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold it to maturity, other than those that are designated as available-for-sale, classified as financial assets at fair value through profit or loss, or meet the definition of loans and receivables.

After initial measurement held-to-maturity financial assets are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

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Loans and receivables

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

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

Impairment of financial assets

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

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

Other loss events include:

- i. significant financial difficulty of the issuer or obligor; or
- ii. a breach of contract, such as a default or delinquency in interest or principal payments; or
- iii. it becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- iv. the disappearance of an active market for that financial asset because of financial difficulties.

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

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

In the case of equity investments classified as available-for-sale, where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss – is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

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

Derecognition of financial assets

A financial asset is derecognized when:

- i. The rights to receive cash flows from the asset have expired
- ii. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- iii. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

(b) Financial liabilities and equity

Classification between liabilities or equity

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

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Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Compound instruments

The Group evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Group assesses if the economic characteristics and risks of the put and call options contained in the convertible bonds are closely related to the economic characteristics and risk of the host contract before separating the equity element.

For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled.

For the embedded derivative that is not closely related to the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal on each exercise date to the amortized cost of the host debt instrument), it is classified as a liability component and subsequently measured at fair value through profit or loss unless it qualifies for an equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Its carrying amount is not remeasured in the subsequent accounting periods. If the convertible bond issued does not have an equity component, it is accounted for as a hybrid instrument in accordance with the requirements under IAS 39 *Financial Instruments: Recognition and Measurement*.

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Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

On conversion of a convertible bond before maturity, the carrying amount of the liability component being the amortized cost at the date of conversion is transferred to equity.

Financial liabilities

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. A financial liability is classified as held for trading if:

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

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

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

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

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

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

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

Derecognition of financial liabilities

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

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

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(9) Derivative financial instruments

The Group uses derivative financial instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as financial assets or liabilities at fair value through profit or loss (held for trading) except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognized in equity.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss.

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(10) Fair value measurement

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

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

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

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

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

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

(11) Inventories

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

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

Raw materials - Purchase cost on a first in, first out basis

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Finished goods and work in progress - Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

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

(12) Investments accounted for under the equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

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

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

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

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

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

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

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

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Upon loss of significant influence over the associate or joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, 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 entity continues to apply the equity method and does not remeasure the retained interest.

(13) Property, plant and equipment

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

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

Items	Useful Lives
Buildings	5~50 years
Machinery and equipment	3~10 years
Transportation equipment	5 years
Office equipment	3~10 years
Other equipment	2~15 years
Leasehold improvements	Lower of leasehold years or useful lives

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

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate, and are treated as changes in accounting estimates.

(14) Intangible Assets

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

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

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

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

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Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (1 to 5 years).

A summary of the policies applied to the Group's intangible assets is as follows:

	Computer software
Useful lives	1~5 years
Amortization method used	Amortized on a straight- line basis over the estimated useful life
Internally generated or acquired	Acquired

(15) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

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A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(16) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Provision for decommissioning, restoration and rehabilitation costs

The provision for decommissioning, restoration and rehabilitation costs arose on construction of a property, plant and equipment. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of that particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

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Sales returns and allowances

A provision has been recognized for sales returns and allowances based on past experience and other known factors.

(17) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods

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

- (a) the significant risks and rewards of ownership of the goods have passed to the buyer;
- (b) neither continuing managerial involvement nor effective control over the goods sold have been retained;
- (c) the amount of revenue can be measured reliably;
- (d) it is probable that the economic benefits associated with the transaction will flow to the entity; and
- (e) the costs incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from construction for solar photovoltaic power generation system is recognized by reference to the stage of completion. Stage of completion is measured by reference to the proportion that contract cost incurred for work performed to date bear to the estimated total contract costs. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered.

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Interest income

For all financial assets measured at amortized cost (including loans and receivables and held-to-maturity financial assets) and available-for-sale financial assets, interest income is recorded using the effective interest rate method and recognized in profit or loss.

Dividends

Revenue is recognized when the Group's right to receive the payment is established.

(18) Borrowing cost

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

(19) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the statement of comprehensive income over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as additional government grant.

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(20) Post-employment benefits

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

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

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

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

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

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

(21) Income Tax

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

Current income tax

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

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

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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- i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- i. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

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

(22) Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred, the identifiable assets acquired and liabilities assumed are measured at acquisition date fair value. For each business combination, the acquirer measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are accounted for as expenses in the periods in which the costs are incurred and are classified under administrative expenses.

When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at the acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IAS 39 "Financial Instruments: Recognition and Measurement" either in profit or loss or as a change to other comprehensive income. However, if the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

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Goodwill is initially measured as the amount of the excess of the aggregate of the consideration transferred and the non-controlling interest over the net fair value of the identifiable assets acquired and the liabilities assumed. If this aggregate is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purpose and is not larger than an operating segment before aggregation.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation. Goodwill disposed of in this circumstance is measured based on the relative recoverable amounts of the operation disposed of and the portion of the cash-generating unit retained.

5. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods °

Estimates and assumptions

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

SINBON ELECTRONICS CO., LTD. AND SUBSIDIARIES
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(1) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flow model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

(2) Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Please refer to Note 6 for more details.

(3) Income tax

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

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Deferred tax assets are recognized for all carry forward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

(4) Accounts receivables—estimation of impairment loss

The Group considers the estimation of future cash flows when there is objective evidence showed indications of impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. However, as the impact from the discounting of short-term receivables is not material, the impairment of short-term receivables is measured as the difference between the asset's carrying amount and the estimated undiscounted future cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

(5) Inventories

Estimates of net realizable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made.

6. Contents of significant accounts

(1) Cash and cash equivalents

	As of		
	June 30, 2017	December 31, 2016	June 30, 2016
Cash on hand	\$17,004	\$16,282	\$6,861
Demand deposits	2,673,425	2,547,636	2,941,671
Time deposits	306,339	566,382	387,467
Total	<u>\$2,996,768</u>	<u>\$3,130,300</u>	<u>\$3,335,999</u>

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

	As of		
	June 30, 2017	December 31, 2016	June 30, 2016
Held for trading:			
Derivatives not designated as hedging instruments			
Cross currency swap	\$ -	\$6,011	\$ -
Embedded derivatives-bond	-	-	21
Non-derivative financial assets			
Shares	4,402	3,435	5,467
Fund	1,356	2,216	28,489
Total	<u>\$5,758</u>	<u>\$11,662</u>	<u>\$33,977</u>

Financial assets held for trading were not pledged.

(3) Notes receivables

	As of		
	June 30, 2017	December 31, 2016	June 30, 2016
Notes receivables arising from operating activities	\$412,058	\$452,551	\$471,515
Notes receivables arising from non-operating activities	-	-	-
Less: allowance for doubtful debts	-	-	-
Total	<u>\$412,058</u>	<u>\$452,551</u>	<u>\$471,515</u>

The discounted notes receivable which were derecognised by the Group amounted to NT\$215,489 thousand, NT\$156,065 thousand and NT\$225,987 thousand as of June 30, 2017, December 31, 2016 and June 30, 2016, respectively.

Notes receivables were not pledged.

SINBON ELECTRONICS CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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(4) Trade receivables

	As of		
	June 30, 2017	December 31, 2016	June 30, 2016
Trade receivables	\$3,386,468	\$2,890,880	\$3,158,576
Less: allowance for doubtful debts	(57,579)	(31,041)	(28,826)
Subtotal	3,328,889	2,859,839	3,129,750
Trade receivables from related parties	212	114	174
Total	<u>\$3,329,101</u>	<u>\$2,859,953</u>	<u>\$3,129,924</u>

Trade receivables were not pledged.

Trade receivables are generally on 60-120 day terms. The movements in the provision for impairment of trade receivables are as follows (please refer to Note 12 for disclosure on credit risk exposure):

	Individually impaired	Collectively impaired	Total
As of January 1, 2017	\$ -	\$31,041	\$31,041
Write off bad debts	-	(4)	(4)
Charge/(reversal) for the current period	-	26,993	26,993
Exchange differences	-	(451)	(451)
As of June 30, 2017	<u>\$ -</u>	<u>\$57,579</u>	<u>\$57,579</u>
As of January 1, 2016	\$ -	\$29,946	\$29,946
Write off bad debts	-	(497)	(497)
Charge/(reversal) for the current period	-	(459)	(459)
Exchange differences	-	(164)	(164)
As of June 30, 2016	<u>\$ -</u>	<u>\$28,826</u>	<u>\$28,826</u>

There was no impairment loss of individually trade receivable for the six-month periods ended June 30, 2017 and 2016.

Ageing analysis of trade receivables that are past due as at the end of the reporting period but not impaired is as follows:

As of	Neither past due nor impaired	Past due but not impaired					Total
		<=30 days	31~60 days	61~90 days	91~120 days	>=121 days	
June 30, 2017	\$3,229,360	\$70,226	\$17,820	\$5,381	\$1,375	\$4,939	\$3,329,101
December 31, 2016	2,740,326	67,075	24,135	527	24,775	3,115	2,859,953
June 30, 2016	3,058,023	41,276	16,916	4,835	4,484	4,390	3,129,924

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(5) Inventories

	As of		
	June 30, 2017	December 31, 2016	June 30, 2016
Raw materials	\$787,022	\$677,397	\$679,297
Supplies & parts	828	901	422
Work in progress	204,972	79,190	164,599
Finished goods	430,074	674,970	409,864
Merchandise	477,164	671,600	547,392
Total	<u>\$1,900,060</u>	<u>\$2,104,058</u>	<u>\$1,801,574</u>

The inventory cost recognized as expenses for the three-month periods ended June 30, 2017 and 2016 were NT\$2,479,748 thousand and NT\$2,601,449 thousand; for the six-month periods ended June 30, 2017 and 2016 were NT\$4,896,698 thousand and NT\$5,094,114 thousand, respectively. The price (recovery) reduction of inventories related to cost of goods sold were NT\$(2,552) thousand and NT\$(4,757) thousand for the three-month periods ended June 30, 2017 and 2016; NT\$13,098 thousand and NT\$(1,130) thousand for the six-month periods ended June 30, 2017 and 2016.

Gain from price recovery of inventories was due to the sale of obsolete products and the net realized value recovery in the second quarter of 2017 and the first half of 2016.

No inventories were pledged.

(6) Available-for-sale financial assets - noncurrent

	As of		
	June 30, 2017	December 31, 2016	June 30, 2016
INPAQ Technology Co., Ltd.	\$168,381	\$168,381	\$168,381
Gongwin Biopharm Holdings Co., Ltd.	18,296	-	-
Less: unrealized loss on available -for-sale financial assets	(80,338)	(75,489)	(70,470)
Less: accumulated impairment-available-for-sale financial assets	(7,991)	(7,991)	(7,991)
Total	<u>\$98,348</u>	<u>\$84,901</u>	<u>\$89,920</u>

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On February 8, 2017, Gongwin Biopharm Holdings Co., Ltd. was listed on the TPEx Emerging Stock Market. The Group investment was previously measured at cost but later changed to fair value while the investment was recognized as available-for-sale financial assets-noncurrent. The Group disposed of 5,000 shares on February 23, 2017. A cash consideration of NT\$430 thousand was received and the Group has recognized gain on disposal of investment amounting to NT\$41 thousand.

Available-for-sale financial assets were not pledged.

(7) Financial assets measured at cost- noncurrent

	As of		
	June 30, 2017	December 31, 2016	June 30, 2016
Financial assets at fair value through profit or loss			
Top Taiwan Venture Capital Co., Ltd.	\$60,000	\$60,000	\$60,000
Elcotronic Holding GmbH	57,615	56,261	59,529
Cayman Lan-Cheng Fund	40,443	-	-
Hotwire Development L.L.C	32,653	32,653	32,653
Top Taiwan VII Venture Capital Co., Ltd.	31,362	31,362	60,750
General Research Of Electronics Inc.	23,184	23,184	23,184
Niigata Seimitsu Co., Ltd.	13,460	13,460	13,460
Top Taiwan III Venture Capital Co., Ltd.	13,415	13,415	13,415
Ultracap Technologies Co., Ltd.	12,667	12,667	12,667
Top Taiwan II Venture Capital Co., Ltd.	8,750	8,750	17,500
Dynahz Technologies Co., Ltd.	6,150	6,150	6,150
Bandrich, Inc.	4,125	4,125	4,125
Argosy (Beijing) Technologies Co., Ltd.	2,301	2,440	2,441
Actmax Technologies Inc.	1,441	1,441	1,441
Circuits & Cables L.L.C	-	25,823	25,829
Gongwin Biopharm Co. Ltd.	-	18,685	18,685
Sinbon Czech a.s	-	279	279
Total	307,566	310,695	352,108
Less: accumulated impairment - financial assets measured at cost	(29,252)	(29,391)	(29,392)
Total	<u>\$278,314</u>	<u>\$281,304</u>	<u>\$322,716</u>

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The above investments in the equity instruments of unlisted entities are measured at cost as the fair value of these investments are not reliably measurable due to the fact that the variability in the range of reasonable fair value measurements is significant for that investment and that the probabilities of the various estimates within the range cannot be reasonably assessed and used when measuring fair value.

The shareholdings of Gongwin Biopharm Holdings Co., Ltd. by the Group please refer to Note 6.(6).

The shareholdings of Circuits & Cables L.L.C by the Group please refer to Note 6.(8).

On March 31, 2017, the Group invested NT\$40,443 thousand in Cayman Lan-Chen Fund.

The return of paid-in capital for capital reduction from Top Taiwan II Venture Capital Co., Ltd., Top Taiwan III Venture Capital Co., Ltd. and Shanghai Guoshun Shimen Investment for the six-month period ended June 30, 2016 were NT\$17,500 thousand, NT\$10,162 thousand and NT\$19,440 thousand, respectively.

On May 24, 2017, the Group disposed of the shares of Sinbon Czech a.s. and a cash consideration of NT\$279 thousand was received.

Financial assets measured at cost were not pledged.

(8) Investments accounted for using the equity method

The following table lists the investments accounted for using the equity method of the Group:

Investees	As of					
	June 30, 2017		December 31, 2016		June 30, 2016	
	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Investments in associates:						
<u>Listed company</u>						
Argocy Research Inc.	\$272,675	21.40%	\$254,418	21.40%	\$250,414	21.40%
<u>Unlisted companies</u>						
Top Taiwan IV Venture Capital Co., Ltd.	43,580	20.00%	89,949	20.00%	91,412	20.00%
Circuits&Cables L.L.C	50,283	40.00%	-	-	-	-
Sardines Wisdom Technology Co., Ltd.	-	24.59%	6,164	27.16%	8,547	27.16%
Korea Sinbon Electronics Co., Ltd.	-	-	-	-	16,524	37.50%
Total	<u>\$366,538</u>		<u>\$350,531</u>		<u>\$366,897</u>	

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In the first quarter of 2017, Sardines Wisdom Technology Co., Ltd. (Sardines Wisdom) raised cash capital; however, the Group did not acquire shares according to the shareholding percentage of shareholding. Therefore, its ownership dropped from 27.16% to 24.59%. Because Sardines Wisdom suffered losses and the Group didn't intend to support Sardines Wisdom, the Group reduced the book value of the investment of Sardines Wisdom to zero through recognizing loss.

The shareholders' of Korea Sinbon Electronics Co., Ltd. (Korea Sinbon) approved liquidation of Korea Sinbon. Approved by a majority of the shareholders, the liquidation was completed on July 12, 2016. A Cash consideration of NT\$9,344 thousand was received and the Group has recognized loss on liquidation of investment amounting to NT\$6,464 thousand.

On March 13, 2017, the Group invested NT\$25,004 thousand in Circuits & Cables L.L.C. The Group's ownership in the company rose to 40%. The Group originally used cost method as measurement but later changed to equity method while the investments were accounted for using the equity method.

The return of paid-in capital for capital reduction from Top Taiwan IV Venture Capital Co., Ltd. for the six-month periods ended June 30, 2017 and 2016 were NT\$40,000 thousand and NT\$60,000 thousand.

Fair value of the investment in the associate when there is a quoted market price for the investment: Argocy Research Inc. is a listed entity on the Taiwan Stock Exchange (TWSE). The fair value of the investment in Argocy Research Inc. is NT\$465,585 thousand, NT\$374,225 thousand and NT\$233,671 thousand as of June 30, 2017, December 31, 2016 and June 30, 2016, respectively.

The Group's investments in Argocy Research Inc., Top Taiwan IV Venture Capital Co., Ltd., Circuits & Cables L.L.C. and Sardines Wisdom Technology Co., Ltd. are not individually material. The aggregate financial information of the Group's share of its associates is as follows:

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	3-month periods ended June 30,		6-month periods ended June 30,	
	2017	2016	2017	2016
Profit or loss from continuing operations	\$9,605	\$6,282	\$14,369	\$15,746
Other comprehensive income (post-tax)	(5,052)	3,123	1,062	(3,579)
Total comprehensive income	<u>\$4,553</u>	<u>\$9,405</u>	<u>\$15,431</u>	<u>\$12,167</u>

The associates had no contingent liabilities or capital commitments as of June 30, 2017, December 31, 2016 and June 30, 2016.

As of June 30, 2017 and 2016, the carrying amount of investments accounted for under the equity method and the share of the profit or loss and other comprehensive income of these associates and joint ventures accounted for using the equity method amounts were based on unreviewed financial statements of the investees.

(9) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Office equipment	Transportation equipment	Other equipment	Leasehold improvements	Construction in progress and equipment awaiting examination	Total
Cost:									
As of January 1, 2017	\$156,669	\$1,324,362	\$743,947	\$94,174	\$35,356	\$180,575	\$5,394	\$345	\$2,540,822
Additions	-	1,815	19,321	5,470	430	7,830	5,467	4,627	44,960
Disposals	-	(25)	(31,142)	(1,615)	(1,514)	(729)	-	-	(35,025)
Exchange differences	(92)	(37,143)	(20,460)	(2,373)	(1,162)	(6,848)	-	(12)	(68,090)
Other changes	-	-	62	16	-	4,239	479	(4,397)	399
As of June 30, 2017	<u>\$156,577</u>	<u>\$1,289,009</u>	<u>\$711,728</u>	<u>\$95,672</u>	<u>\$33,110</u>	<u>\$185,067</u>	<u>\$11,340</u>	<u>\$563</u>	<u>\$2,483,066</u>
As of January 1, 2016	\$149,804	\$1,422,969	\$804,096	\$99,429	\$44,998	\$171,805	\$5,394	\$8,772	\$2,707,267
Additions	2,728	300	17,913	6,058	735	12,050	-	3,606	43,390
Disposals	-	(176)	(10,411)	(4,959)	(449)	(3,466)	-	-	(19,461)
Exchange differences	408	(55,087)	(28,736)	(3,146)	(1,584)	(7,015)	-	(396)	(95,556)
Other changes	726	2,719	2,461	-	-	480	-	(10,110)	(3,724)
As of June 30, 2016	<u>\$153,666</u>	<u>\$1,370,725</u>	<u>\$785,323</u>	<u>\$97,382</u>	<u>\$43,700</u>	<u>\$173,854</u>	<u>\$5,394</u>	<u>\$1,872</u>	<u>\$2,631,916</u>

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	Land	Buildings	Machinery and equipment	Office equipment	Transportation equipment	Other equipment	Leasehold improvements	Construction in progress and equipment awaiting examination	Total
Depreciation and impairment:									
As of January 1, 2017	\$ -	\$514,716	\$479,257	\$66,087	\$26,421	\$109,964	\$5,269	\$ -	\$1,201,714
Depreciation	-	27,238	22,907	4,763	1,148	11,040	602	-	67,698
Disposals	-	(10)	(26,629)	(1,446)	(1,363)	(604)	-	-	(30,052)
Exchange differences	-	(13,815)	(3,908)	(1,694)	(872)	(12,545)	(5)	-	(32,839)
As of June 30, 2017	<u>\$ -</u>	<u>\$528,129</u>	<u>\$471,627</u>	<u>\$67,710</u>	<u>\$25,334</u>	<u>\$107,855</u>	<u>\$5,866</u>	<u>\$ -</u>	<u>\$1,206,521</u>
As of January 1, 2016	\$ -	\$487,770	\$509,890	\$68,691	\$31,257	\$97,012	\$5,110	\$ -	\$1,199,730
Depreciation	-	34,463	25,773	5,214	2,431	10,886	79	-	78,846
Disposals	-	(131)	(7,332)	(4,401)	(429)	(3,109)	-	-	(15,402)
Exchange differences	-	(19,141)	(18,435)	(2,404)	(1,285)	(4,182)	-	-	(45,447)
As of June 30, 2016	<u>\$ -</u>	<u>\$502,961</u>	<u>\$509,896</u>	<u>\$67,100</u>	<u>\$31,974</u>	<u>\$100,607</u>	<u>\$5,189</u>	<u>\$ -</u>	<u>\$1,217,727</u>
Net carrying amount as of:									
June 30, 2017	<u>\$156,577</u>	<u>\$760,880</u>	<u>\$240,101</u>	<u>\$27,962</u>	<u>\$7,776</u>	<u>\$77,212</u>	<u>\$5,474</u>	<u>\$563</u>	<u>\$1,276,545</u>
December 31, 2016	<u>\$156,669</u>	<u>\$809,646</u>	<u>\$264,690</u>	<u>\$28,087</u>	<u>\$8,935</u>	<u>\$70,611</u>	<u>\$125</u>	<u>\$345</u>	<u>\$1,339,108</u>
June 30, 2016	<u>\$153,666</u>	<u>\$867,764</u>	<u>\$275,427</u>	<u>\$30,282</u>	<u>\$11,726</u>	<u>\$73,247</u>	<u>\$205</u>	<u>\$1,872</u>	<u>\$1,414,189</u>

Property, plant and equipment was not pledged.

There is no capitalization of interest due to purchase of property, plant and equipment.

Components of building that have different useful lives are the main building structure and air conditioning, which are depreciated over 50 years and 25 years, respectively.

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(10) Other non-current assets

	As of		
	June 30, 2017	December 31, 2016	June 30, 2016
Prepayment for equipment	\$92,692	\$34,205	\$7,018
Long-term deferred charges	65,569	62,953	57,599
Long-term prepaid rent	38,427	39,843	42,708
Refundable deposits	13,513	21,138	16,027
Other assets	754	2,515	12,384
Total	<u>\$210,955</u>	<u>\$160,654</u>	<u>\$135,736</u>

Long-term prepaid rents were payments for land use rights as of June 30, 2017, December 31, 2016 and June 30, 2016.

No other non-current asset was pledged.

(11) Short-term loans

	As of		
	June 30, 2017	December 31, 2016	June 30, 2016
Unsecured bank loans	<u>\$971,927</u>	<u>\$1,592,317</u>	<u>\$1,688,822</u>

	6-month periods ended June 30	
	2017	2016
Interest rates applied	<u>0.70%-5.00%</u>	<u>0.74%-4.79%</u>

The Group's unused short-term lines of credits amounted to NT\$1,038,987 thousand, NT\$437,448 thousand and NT\$722,618 thousand as of June 30, 2017, December 31, 2016 and June 30, 2016, respectively.

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(12) Financial liabilities at fair value through profit or loss

	As of		
	June 30, 2017	December 31, 2016	June 30, 2016
Held for trading:			
Derivatives not designated as hedging			
Instruments			
Cross currency swap	\$27,534	\$ -	\$10,172
Currency option contracts	5,963	58,096	118,734
Forward exchange contracts	-	958	-
Embedded derivatives-bond	2,750	-	-
Total	<u>\$36,247</u>	<u>\$59,054</u>	<u>\$128,906</u>
Current	\$33,497	\$59,054	\$128,906
Non-current	<u>2,750</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$36,247</u></u>	<u><u>\$59,054</u></u>	<u><u>\$128,906</u></u>

(13) Bonds payable

	As of		
	June 30, 2017	December 31, 2016	June 30, 2016
Liability component			
Principal amount	\$500,000	\$ -	\$35,300
Discounts on bonds payable	(21,700)	-	(584)
Subtotal	478,300	-	34,716
Less: current portion	-	-	(34,716)
Net	<u>\$478,300</u>	<u>\$ -</u>	<u>\$ -</u>
Embedded derivative	<u>\$2,750</u>	<u>\$ -</u>	<u>\$(21)</u>
Equity component	<u><u>\$14,652</u></u>	<u><u>\$ -</u></u>	<u><u>\$1,350</u></u>

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Issuance of convertible bonds:

On June 8, 2017, the Company issued the sixth zero coupon unsecured convertible bonds. The terms of the convertible bonds were evaluated to include a liability component, embedded derivatives (a call option and a put option) and an equity component (an option for conversion into issuer's ordinary shares). The terms of the bonds are as follows:

Issue amount: NT\$500,000

Period: June 8, 2017 ~ June 8, 2020

Redemption clauses:

- a. The Company may redeem the bonds, in whole or in part, after 3 months of the issuance (September 9, 2017) and prior to 40 days before the maturity date (April 29, 2020), at the principal amount of the bonds with an interest calculated at the rate of 0% per annum (early redemption conversion price) if the closing price of the Company's ordinary shares on the Taiwan Stock Exchange (TWSE) for a period of 30 consecutive trading days, is at least 130% of the conversion price.
- b. The Company may redeem the bonds, in whole or in part, after 3 months of the issuance (September 9, 2017) and prior to 40 days before the maturity date (April 29, 2020), at the early redemption conversion price if at least 90% in principal amount of the bonds has already been exchanged, redeemed, purchased or cancelled.
- c. The Company may redeem the bonds in cash, within 5 trading days after the base date of withdrawing the bonds as stated on the "Withdrawal of Convertible Bonds Notice", at the par value if the bondholders do not reply to the share affair agency in writing before the base date.

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Reversal clauses:

- a. The bondholders have the right to require the Company to redeem all or any portion of the bonds, 30 days prior to 2 year anniversary (June 8, 2019) of the issuance , at the principal amount of the bonds with an interest calculated at the rate of 0.5% per annum.

Terms of Exchange:

- a. Underlying Securities: Common shares of the Company
- b. Exchange Period: The bonds are exchangeable at any time on or after September 9, 2017 and prior to June 8, 2020 into common shares of the Company.
- c. Exchange Price and Adjustment: The exchange price was originally NT\$76.6 per share. The exchange price will be subject to adjustments upon the occurrence of certain events set out in the indenture.

On June 23, 2014, the Company issued the fifth zero coupon unsecured convertible bonds. The terms of the convertible bonds were evaluated to include a liability component, embedded derivatives (a call option and a put option) and an equity component (an option for conversion into issuer's ordinary shares). The terms of the bonds are as follows:

Issue amount: NT\$300,000

Period: June 23, 2014 ~ June 23, 2017

Redemption clauses:

- a. The Company may redeem the bonds, in whole or in part, after 3 month of the issuance (September 24, 2014) and prior to 40 days before the maturity date (May 14, 2017), at the principal amount of the bonds with an interest calculated at the rate of 0% per annum (early redemption conversion price) if the closing price of the Company's ordinary shares on the Taiwan Stock Exchange (TWSE) for a period of 30 consecutive trading days, is at least 130% of the conversion price.

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- b. The Company may redeem the bonds, in whole or in part, after 3 months of the issuance (September 24, 2014) and prior to 40 days before the maturity date (May 14, 2017), at the early redemption conversion price if at least 90% in principal amount of the bonds has already been exchanged, redeemed, purchased or cancelled.
- c. The Company may redeem the bonds in cash, within 5 trading days after the base date of withdrawing the bonds as stated on the “Withdrawal of Convertible Bonds Notice”, at the par value if the bondholders do not reply to the share affair agency in writing before the base date.

Reversal clauses:

- a. The bondholders have the right to require the Company to redeem all or any portion of the bonds, 30 days prior to 2 year anniversary (June 23, 2017) of the issuance, at the principal amount of the bonds with an interest calculated at the rate of 1% per annum.

Terms of Exchange:

- a. Underlying Securities: Common shares of the Company
- b. Exchange Period: The bonds are exchangeable at any time on or after September 24, 2014 and prior to June 13, 2017 into common shares of the Company.
- c. Exchange Price and Adjustment: The exchange price was originally NT\$46.9 per share. The exchange price will be subject to adjustments upon the occurrence of certain events set out in the indenture. On August 21, 2014, the conversion price had been adjusted from NT\$ 46.9 to NT\$ 44.5 (in dollar) per share. On September 2, 2016, the conversion price had been adjusted from NT\$ 44.5 to NT\$ 41.2.

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In accordance with IAS 7, it is classified as an embedded derivative so the exercise price of the embedded put option is allocated to the liability component and equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. The difference between the equity component and the book value was recognized in profit or loss. The difference between the liability component and the book value was recognized in “Share premium-warrants”. The financial liabilities of convertible bonds are measured at amortized cost, fair value through profit or loss amounted to NT\$2,750 thousand, NT\$0 and NT\$0, as at 30 June 2017, 31 December 2016 and 30 June 2016, respectively.

The convertible bonds that have already been converted were: NT\$300,000 thousand, NT\$300,000 thousand, and NT\$264,700 thousand, as at 30 June 2017, 31 December 2016 and 30 June 2016, respectively.

(14) Long-term loans

Details of long-term loans as of June 30, 2017, December 31, 2016 and June 30, 2016 are as follows:

Lenders	As of June 30, 2017	Interest Rate (%)	Maturity date and terms of repayment
The Bank of Nagoya, Ltd	\$12,287	0.70%	Repayable quarterly from October 13,2016 to October 7,2023 and interest is paid monthly.
The Bank of Nagoya, Ltd	6,338	0.85%	Repayable quarterly from March 7,2016 to March 7,2019 and interest is paid monthly.
The Bank of Nagoya, Ltd	2,349	0.90%	Repayable quarterly from August 7,2013 to July 9,2018 and interest is paid monthly.
The Bank of Nagoya, Ltd	147	0.90%	Repayable quarterly from July 25,2014 to July 7,2017 and interest is paid monthly.
Total	<u>21,121</u>		
Less: current portion	<u>(7,950)</u>		
Total	<u><u>\$13,171</u></u>		

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	As of December		
Lenders	31, 2016	Interest Rate (%)	Maturity date and terms of repayment
The Bank of Nagoya, Ltd	\$13,456	0.70%	Repayable quarterly from October 13,2016 to October 7,2023 and interest is paid monthly.
The Bank of Nagoya, Ltd	8,271	0.85%	Repayable quarterly from March 7,2016 to March 7,2019 and interest is paid monthly.
The Bank of Nagoya, Ltd	3,488	0.90%	Repayable quarterly from August 7,2013 to July 9,2018 and interest is paid monthly.
The Bank of Nagoya, Ltd	1,069	0.90%	Repayable quarterly from July 25,2014 to July 7,2017 and interest is paid monthly.
Total	26,284		
Less: current portion	(8,998)		
Net amount	<u>\$17,286</u>		

	As of June 30,		
Lenders	2016	Interest Rate (%)	Maturity date and terms of repayment
The Bank of Nagoya, Ltd	\$11,527	0.85%	Repayable quarterly from March 7,2016 to March 7,2019 and interest is paid monthly.
The Bank of Nagoya, Ltd	5,236	0.90%	Repayable quarterly from August 7,2013 to July 9,2018 and interest is paid monthly.
The Bank of Nagoya, Ltd	2,267	0.90%	Repayable quarterly from July 25,2014 to July 7,2017 and interest is paid monthly.
Total	19,030		
Less: current portion	(8,882)		
Total	<u>\$10,148</u>		

(15) Long-term deferred revenue

	As of		
	December 31, 2016	December 31, 2016	December 31, 2016
Beginning balance	\$16,858	\$18,902	\$18,902
Amortization	(185)	(403)	(208)
Exchange differences	(565)	(1,641)	(855)
Ending balance	<u>\$16,108</u>	<u>\$16,858</u>	<u>\$17,839</u>

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	As of		
	June 30, 2017	December 31, 2016	June 30, 2016
Deferred revenue - related to assets	<u>\$16,108</u>	<u>\$16,858</u>	<u>\$17,839</u>

Government grants have been received for the purchase of certain items of property, plant and equipment. There are no unfulfilled conditions or contingencies attached to these grants.

(16) Post-employment benefits

Defined contribution plan

Expenses under the defined contribution plan for the three-month and six-month periods ended June 30, 2017 and 2016 were NT\$4,940 thousand, NT\$6,076 thousand, NT\$10,040 thousand and NT\$12,222 thousand, respectively.

Defined benefits plan

Expenses under the defined benefits plan for the three-month and six-month periods ended June 30, 2017 and 2016 are NT\$934 thousand, NT\$711 thousand, NT\$1,656 thousand and NT\$1,422 thousand, respectively.

(17) Equities

(a) Common stock

The investors requested to convert the Company's convertible bonds into common stocks by issuing new common shares from January 1, 2016 to June 30, 2016 and December 31, 2016 amount to NT\$12,900 thousand in a total of 313 thousand and NT\$48,200 thousand in a total of 1,235 thousand shares and had been completed the registration process for 23 thousand and 809 thousand shares as of December 31 and June 30, 2016, respectively. The accumulated book value of certificates of bond - to - stock conversion had been completed the registration process in the amount of NT\$8,094 thousand in a total of 809 thousand shares and NT\$243 thousand in a total of in the month ended June 30, 2016. The accumulated book value of certificates of bond - to - stock conversion had been completed the registration process in the amount of NT\$243 thousand in a total of 23 thousand shares and NT\$8,094 thousand in a total of 809 thousand shares in the period ended June 30, 2017 and 2016, respectively.

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(b) Capital surplus

	As of		
	June 30, 2017	December 31, 2016	June 30, 2016
Premium on convertible bonds	\$813,537	\$858,621	\$831,611
Treasury share transactions	5,749	5,749	5,749
Share of changes in net assets of associates and joint ventures accounted for using the equity method	(6,613)	(6,613)	(3,924)
Premium from merger	705	705	705
Share options	14,652	-	1,350
Total	<u>\$828,030</u>	<u>\$858,462</u>	<u>\$835,491</u>

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

(c) Retained earnings and dividend policies

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

- a. Payment of all taxes and dues;
- b. Offset prior years' operation losses;
- c. Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
- d. Set aside or reverse special reserve in accordance with law and regulations; and
- e. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

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As the Company is undergoing a growth stage, the policy of dividend distribution should reflect its long-term financial planning. The Board of Directors shall make the distribution proposal annually and present it at the Shareholder's meeting every year. The distribution of shareholders dividend shall be allocated cash dividends to be distributed may not be less than 10% of total dividends to be distributed.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

Pursuant to existing regulation, the Company is required to appropriate addition special reserve in the amount equal to the net debit balance of the other components of shareholders' equity. However, if any of the debit elements is reversed, the special reverse in the amount equal to the reversal maybe released for earnings distribution or offestting accumulated deficit.

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

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

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The Company did not reverse any special reserve as a result of use, disposal or reclassification of related assets during the six-month periods ended 30 June, 2017 and 2016.

Details of the 2016 and 2015 earnings distribution and dividends per share as resolved by the shareholders' meeting on June 16, 2017 and June 17, 2016, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NT\$)	
	2016	2015	2016	2015
Common stock -cash dividend	\$788,956	\$675,430	\$3.5	\$3.1
Legal reserve	115,739	97,019		
Special reserve	46,578	-		
Total	<u>\$951,273</u>	<u>\$772,449</u>		

On June 16, 2017, the Company's shareholders' meeting resolved in a board meeting to distribute cash dividend in the amount of NT\$45,084 thousand (\$0.2 per share) by additional paid-in capital. On June 17, 2016, the Company's shareholders' meeting resolved to convert paid-in capital to capital increase of NT\$65,364 thousand (\$0.3 per share).

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

(e) Non-controlling interests

	6-month periods ended June 30,	
	2017	2016
Beginning balance	\$46,699	\$54,715
Profit attributable to non-controlling interests	7,477	533
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of a foreign operation	(2,358)	(274)
Ending balance	<u>\$51,818</u>	<u>\$54,974</u>

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(18) Operating revenue

	3-month periods ended June 30,		6-month periods ended June 30,	
	2017	2016	2017	2016
Sales of goods	\$3,348,761	\$3,444,574	\$6,572,473	\$6,777,528
Less: Sales returns, discounts and allowances	(17,604)	(19,542)	(27,415)	(29,842)
Total	<u>\$3,331,157</u>	<u>\$3,425,032</u>	<u>\$6,545,058</u>	<u>\$6,747,686</u>

(19) Summary of employee benefits, depreciation and amortization expenses by function for the three-month and six-month periods ended June 30, 2017 and 2016:

	3-month periods ended June 30,					
	2017			2016		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$165,717	\$223,010	\$388,727	\$144,696	\$234,504	\$379,200
Labor and health insurance	21,642	29,161	50,803	17,852	28,926	46,778
Pension	1,416	4,458	5,874	1,151	5,636	6,787
Other employee benefits expense	15,124	14,088	29,212	16,107	14,717	30,824
Depreciation	20,533	13,199	33,732	18,558	20,229	38,787
Amortization	2,188	6,665	8,853	906	5,247	6,153

	6-month periods ended June 30,					
	2017			2016		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$314,140	\$453,265	\$767,405	\$298,086	\$455,928	\$754,014
Labor and health insurance	43,296	58,872	102,168	36,679	59,420	96,099
Pension	2,775	8,921	11,696	2,295	11,349	13,644
Other employee benefits expense	28,824	27,910	56,734	29,259	29,699	58,958
Depreciation	41,104	26,594	67,698	37,099	41,747	78,846
Amortization	3,981	13,240	17,221	2,021	10,987	13,008

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The number of employees for Company and its subsidiaries are 5,274 and 4,664 for the six-month periods ended June 30, 2017 and 2016.

According to the Articles of Incorporation, 1% to 15% of profit of the current year is distributable as employees' compensation and no higher than 3% of profit of the current year is distributable as remuneration to directors and supervisors. However, the company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on the profit of the first half of 2017, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the six-month period ended 30 June 2017 to be 1.71% and 1.14% of profit of the current six-month period, respectively, recognized as employee benefits expense. As such, employees' compensation and remuneration to directors and supervisors for the three-month period ended 30 June 2017 amount to NT\$9,000 thousand and NT\$5,000 thousand respectively. Employees' compensation and remuneration to directors and supervisors for the six-month period ended 30 June 2017 amount to NT\$12,000 thousand and NT\$8,000 thousand respectively. Employees' compensation and remuneration to directors and supervisors for the three-month period ended June 30, 2016 amount to \$2,000 and \$2,000, respectively. Employees' compensation and remuneration to directors and supervisors for the six-month period ended June 30, 2016 amount to \$11,000 and \$8,000, respectively.

A resolution was passed at a Board of Directors meeting held on March 9, 2017 to distribute NT\$21,000 and NT\$13,800 in cash as employees' compensation and remuneration to directors and supervisors of 2016, respectively. No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended 31 December 2016.

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

(20) Non-operating income and expenses

(a) Other income

	3-month periods ended June 30,		6-month periods ended June 30,	
	2017	2016	2017	2016
Sample income	\$6,522	\$13,363	\$11,951	\$17,668
Dividend income	12,974	10,489	12,974	10,489
Interest income	2,653	2,309	5,058	4,113
Others	74,212	62,475	128,167	142,318
Total	<u>\$96,361</u>	<u>\$88,636</u>	<u>\$158,150</u>	<u>\$174,588</u>

(b) Other gains and losses

	3-month periods ended June 30,		6-month periods ended June 30,	
	2017	2016	2017	2016
Foreign exchange (losses) gains, net	\$(11,742)	\$47,590	\$(77,127)	\$59,806
Gains on disposal of investments	-	-	41	-
Losses on disposal of property, plant and equipment	(449)	(2,975)	(3,596)	(3,967)
Gains (Losses) of financial liabilities at fair value through profit or loss	26,223	(59,875)	17,909	(161,046)
Others	(5,722)	(15,000)	(6,296)	(9,830)
Total	<u>\$8,310</u>	<u>\$(30,260)</u>	<u>\$(69,069)</u>	<u>\$(115,037)</u>

(c) Finance costs

	3-month periods ended June 30,		6-month periods ended June 30,	
	2017	2016	2017	2016
Interest on loans from bank	\$4,829	\$7,267	\$9,974	\$13,127
Interest on bonds payable	774	139	774	301
Total	<u>\$5,603</u>	<u>\$7,406</u>	<u>\$10,748</u>	<u>\$13,428</u>

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(21) Components of other comprehensive income

For the three-month period ended June 30, 2017

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	\$87,999	\$ -	\$87,999	\$(14,543)	\$73,456
Unrealized gains (losses) from available-for-sale financial assets	(3,287)	-	(3,287)	-	(3,287)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(5,052)	-	(5,052)	-	(5,052)
Total of other comprehensive income	<u>\$79,660</u>	<u>\$ -</u>	<u>\$79,660</u>	<u>\$(14,543)</u>	<u>\$65,117</u>

For the three-month period ended June 30, 2016

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	\$(116,662)	\$ -	\$(116,662)	\$19,440	\$(97,222)
Unrealized gains from available-for-sale financial assets	4,600	-	4,600	-	4,600
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	3,123	-	3,123	-	3,123
Total of other comprehensive income	<u>\$(108,939)</u>	<u>\$ -</u>	<u>\$(108,939)</u>	<u>\$19,440</u>	<u>\$(89,499)</u>

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For the six-month period ended June 30, 2017

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	\$(189,128)	\$ -	\$(189,128)	\$30,672	\$(158,456)
Unrealized losses from available-for-sale financial assets	(4,849)	-	(4,849)	-	(4,849)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	1,062	-	1,062	-	1,062
Total of other comprehensive income	<u>\$(192,915)</u>	<u>\$ -</u>	<u>\$(192,915)</u>	<u>\$30,672</u>	<u>\$(162,243)</u>

For the six-month period ended June 30, 2016

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	\$(226,879)	\$ -	\$(226,879)	\$38,302	\$(188,577)
Unrealized losses from available-for-sale financial assets	(3,346)	-	(3,346)	-	(3,346)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(3,579)	-	(3,579)	-	(3,579)
Total of other comprehensive income	<u>\$(233,804)</u>	<u>\$ -</u>	<u>\$(233,804)</u>	<u>\$38,302</u>	<u>\$(195,502)</u>

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(22) Income tax

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

Income tax expense recognized in profit or loss

	3-month periods ended June 30,		6-month periods ended June 30,	
	2017	2016	2017	2016
Current income tax expense :				
Current income tax charge	\$130,310	\$169,106	\$189,735	\$268,267
Deferred tax expense:				
Deferred tax expense (income) relating to origination and reversal of temporary differences	628	(35,911)	34,756	(21,334)
Total income tax expense	<u>\$130,938</u>	<u>\$133,195</u>	<u>\$224,491</u>	<u>\$246,933</u>

Income tax relating to components of other comprehensive income

	3-month periods ended June 30,		6-month periods ended June 30,	
	2017	2016	2017	2016
Deferred tax income:				
Exchange differences on translation of foreign operations	\$(14,543)	\$(19,440)	\$(30,672)	\$(38,302)
Income tax relating to components of other comprehensive income	<u>\$(14,543)</u>	<u>\$(19,440)</u>	<u>\$(30,672)</u>	<u>\$(38,302)</u>

Imputation credit information

	As of		
	June 30, 2017	December 31, 2016	June 30, 2016
Balances of imputation credit amounts	<u>\$253,304</u>	<u>\$141,445</u>	<u>\$184,296</u>

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The expected creditable ratio for 2016 and the actual creditable ratio for 2015 were 13.14% and 12.20%, respectively. Imputation credit ratio for individual shareholders residing in R.O.C will be half of the original ratio according to the Article 66-6 of Income Tax Act.

Information of the Company's earnings generated

	As of		
	June 30, 2017	December 31, 2016	June 30, 2016
Earnings generated before the year ended December 31, 1997	\$382	\$382	\$382
Earnings generated after the year ended December 31, 1997	1,608,713	1,937,888	1,403,676
Total	<u>\$1,609,095</u>	<u>\$1,938,270</u>	<u>\$1,404,058</u>

The assessment of income tax returns

As of June 30, 2017, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

	The assessment of income tax returns
The Company	Assessed and approved up to 2014
Subsidiary- Kwan-Ze Corporation Ltd.	Assessed and approved up to 2015
Subsidiary- Digi O2 International Co., Ltd.	Assessed and approved up to 2015
Subsidiary- T-CONN Precision Co., Ltd.	Assessed and approved up to 2014

(23) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

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

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	3-month periods ended June 30,		6-month periods ended June 30,	
	2017	2016	2017	2016
(a) Basic earnings per share				
Profit attributable to ordinary equity holders of the Company	<u>\$340,161</u>	<u>\$308,409</u>	<u>\$622,098</u>	<u>\$616,535</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	<u>225,416</u>	<u>224,486</u>	<u>225,416</u>	<u>224,417</u>
Basic earnings per share (NTD)	<u>\$1.51</u>	<u>\$1.37</u>	<u>\$2.76</u>	<u>\$2.75</u>
(b) Diluted earnings per share				
Profit attributable to ordinary equity holders of the Company	\$340,161	\$308,409	\$622,098	\$616,535
Add: Interest expense from convertible bonds	<u>642</u>	<u>116</u>	<u>642</u>	<u>250</u>
Profit attributable to ordinary equity holders of the Company after dilution	<u>\$340,803</u>	<u>\$308,525</u>	<u>\$622,740</u>	<u>\$616,785</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	225,416	224,486	225,416	224,417
Effect of dilution:				
Employee compensation -stock (in thousands)	125	28	167	441
Convertible bonds (in thousands)	<u>1,760</u>	<u>883</u>	<u>875</u>	<u>883</u>
Weighted average number of ordinary shares outstanding after dilution (in thousands)	<u>227,301</u>	<u>225,397</u>	<u>226,458</u>	<u>225,741</u>
Diluted earnings per share (NTD)	<u>\$1.50</u>	<u>\$1.37</u>	<u>\$2.75</u>	<u>\$2.73</u>

The aforementioned weighted average number of ordinary shares outstanding has been adjusted retrospectively to June 30, 2017 in consideration of the issuance of stock dividend from capital surplus.

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There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date of completion of the financial statements.

7. Related party transactions

Information of the related parties that had transactions with the Group during the financial reporting period is as follows:

Name and nature of relationship of the related parties

<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
Argosy Research Inc.	Associate
INPAQ Technology (Suzhou) Co., Ltd.	Substantive related party
Shanghai Huangze Electronic Co., Ltd.	Substantive related party
Hebang Electron (China) Co.	Substantive related party
INPAQ Technology Co., Ltd.	Associate

Significant transactions with related parties

(a) Sales

	3-month periods ended		6-month periods ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Associates				
Others	\$127	\$174	\$485	\$485
Other related parties				
Others	-	-	2	196
Total	<u>\$127</u>	<u>\$174</u>	<u>\$487</u>	<u>\$681</u>

The sales price to the above related parties was determined through mutual agreement based on the market rates. The collection periods for domestic sales to related parties were month-end 60~120 days, while the term for overseas sales were 45~75 days from FOB shipping point. The outstanding balance as of June 30, 2017 and 2016 was unsecured, non-interest bearing and must be settled in cash. The receivables from the related parties were not guaranteed

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(b) Purchases

	3-month periods ended		6-month periods ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Associates				
Others	\$78	\$341	\$82	\$941
Other related parties				
Others	4,559	23,886	20,827	48,150
Total	<u>\$4,637</u>	<u>\$24,227</u>	<u>\$20,909</u>	<u>\$49,091</u>

The purchase price from the above related parties was determined through mutual agreement based on the market rates. The payment terms from the related party suppliers are comparable with third party suppliers and are set between one to four months.

(c) Amounts owed by related parties

	As of		
	June 30,	December 31,	June 30,
	2017	2016	2016
Associates			
Others	<u>\$212</u>	<u>\$114</u>	<u>\$174</u>

(d) Amounts owed to related parties

	As of		
	June 30,	December 31,	June 30,
	2017	2016	2016
Associates			
Others	\$17	\$18	\$396
Other related parties			
Others	4,633	35,225	19,947
Total	<u>\$4,650</u>	<u>\$35,243</u>	<u>\$20,343</u>

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(e) Key management personnel compensation

	3-month periods ended		6-month periods ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Short-term employee benefits	\$44,268	\$36,502	\$84,203	\$80,005
Post-employment benefits	5,874	6,787	11,696	13,644
Total	<u>\$50,142</u>	<u>\$43,289</u>	<u>\$95,899</u>	<u>\$93,649</u>

8. Assets pledged as security

None.

9. Significant contingencies and unrecognized contract commitments

The Company provided guarantees for subsidiaries' financing to banks for the three-month period ended June 30, 2017. Please refer to Note 13.(1)(b).

10. Significant disaster loss

None.

11. Significant subsequent events

None.

12. Others

(1) Categories of financial instruments

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Financial assets

	As of		
	June 30, 2017	December 31, 2016	June 30, 2016
Financial assets at fair value through profit or loss:			
Held for trading	\$5,758	\$11,662	\$33,956
Embedded derivatives-bond	-	-	21
Subtotal	5,758	11,662	33,977
Available-for-sale financial assets :			
Financial assets at fair value	98,348	84,901	89,920
Financial assets at cost-noncurrent	278,314	281,304	322,716
Subtotal	376,662	366,205	412,636
Loans and receivables:			
Cash and cash equivalents (exclude cash on hand)	2,979,764	3,114,018	3,329,138
Notes and accounts receivable	3,741,159	3,312,504	3,601,439
Other receivables	148,403	132,975	96,219
Subtotal	6,869,326	6,559,497	7,026,796
Total	<u>\$7,251,746</u>	<u>\$6,937,364</u>	<u>\$7,473,409</u>

Financial liabilities

	As of		
	June 30, 2017	December 31, 2016	June 30, 2016
Financial liabilities at amortized cost:			
Short-term loans	\$971,927	\$1,592,317	\$1,688,822
Notes and accounts payable	2,293,850	2,311,190	2,208,553
Bonds payable (including current portion with maturity less than 1 year)	478,300	-	34,716
Long-term loans (including current portion with maturity less than 1 year)	21,121	26,284	19,030
Subtotal	3,765,198	3,929,791	3,951,121
Financial liabilities at fair value through profit or loss:			
Held for trading	33,497	59,054	128,906
Embedded derivatives-bond	2,750	-	-
Subtotal	36,247	59,054	128,906
Total	<u>\$3,801,445</u>	<u>\$3,988,845</u>	<u>\$4,080,027</u>

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(2) Financial risk management objectives and policies

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

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

(3) Market risk

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

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

Foreign currency risk

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

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Group also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

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The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for USD and RMB.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's loans and receivables at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable loans and borrowings and entering into interest rate swaps. Hedge accounting does not apply to these swaps as they do not qualify for it.

Equity price risk

The fair value of the Group's listed and unlisted equity securities and conversion rights of the Euro-convertible bonds issued are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's listed and unlisted equity securities are classified under held for trading financial assets or available-for-sale financial assets, while conversion rights of the Euro-convertible bonds issued are classified as financial liabilities at fair value through profit or loss as it does not satisfy the definition of an equity component. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

Pre-tax sensitivity analysis of changes in related risk factors for the six-month periods ended June 30, 2017 and 2016 are as follows:

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For the six-month period ended June 30, 2017

Main Risk	Fluctuation	Sensitivity of profit/loss	Sensitivity of equity
Foreign currency risk	NTD/USD rate +/- 1%	+/- 19,470	+/- (96)
	NTD/RMB rate +/- 1%	+/-987	+/- 10,163
Interest rate risk	Market rate +/- 10 basis points	+/-1,021	-
Equity price risk	Stock price +/- 10%	-	+/- 9,835

For the six-month period ended June 30, 2016

Main Risk	Fluctuation	Sensitivity of profit/loss	Sensitivity of equity
Foreign currency risk	NTD/USD rate +/- 1%	+/- \$27,411	+/- \$(386)
	NTD/RMB rate +/- 1%	+/- \$52	+/- \$9,446
Interest rate risk	Market rate +/- 10 basis points	+/- 1,708	-
Equity price risk	Stock price +/- 10%	-	+/- \$8,992

(4) Credit risk management

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

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc. Certain customer's credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

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As of June 30, 2017, December 31, 2016 and June 30, 2016, amounts receivables from top ten customers represented 27.69%, 23.93% and 19.80% of the total accounts receivables of the Group, respectively. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counter parties.

(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments, bank borrowings, convertible bonds and finance leases. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial instruments

	<u>Less than 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
As of June 30, 2017					
Loans	\$993,741	\$6,836	\$3,906	\$2,609	\$1,007,092
Trade and other payables	2,293,850	-	-	-	2,293,850
Convertible bonds	10,277	489,723	-	-	500,000
As of December 31, 2016					
Loans	\$1,616,534	\$9,905	\$3,964	\$3,640	\$1,634,043
Trade and other payables	2,311,190	-	-	-	2,311,190
As of June 30, 2016					
Loans	\$1,718,730	\$10,324	\$ -	\$ -	\$1,729,054
Trade and other payables	2,208,553	-	-	-	2,208,553
Convertible bonds	36,010	-	-	-	36,010

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Derivative financial instruments

	<u>Less than 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
As of June 30, 2017					
Currency option contracts					
Inflows	\$583	\$ -	\$ -	\$ -	\$583
Outflows	(6,546)	-	-	-	(6,546)
Net	<u>\$(5,963)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$(5,963)</u>
Cross currency swap					
Inflows	\$1,428,626	\$ -	\$ -	\$ -	\$1,428,626
Outflows	(607,534)	-	-	-	(607,534)
Net	<u>\$821,092</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$821,092</u>
As of December 31, 2016					
Currency option contracts					
Inflows	\$5	\$ -	\$ -	\$ -	\$5
Outflows	(58,101)	-	-	-	(58,101)
Net	<u>\$(58,096)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$(58,096)</u>
Forward exchange contracts					
Inflows	\$19,012	\$ -	\$ -	\$ -	\$19,012
Outflows	(20,075)	-	-	-	(20,075)
Net	<u>\$(1,063)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$(1,063)</u>
Cross currency swap					
Inflows	\$691,899	\$269,738	\$ -	\$ -	\$961,637
Outflows	(693,364)	(267,200)	-	-	(960,564)
Net	<u>\$(1,465)</u>	<u>\$2,538</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,073</u>
As of June 30, 2016					
Currency option contracts					
Inflows	\$ -	\$ -	\$ -	\$ -	\$ -
Outflows	(118,734)	-	-	-	(118,734)
Net	<u>\$(118,734)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$(118,734)</u>
Cross currency swap					
Inflows	\$194,890	\$269,738	\$ -	\$ -	\$464,628
Outflows	(186,000)	(267,200)	-	-	(453,200)
Net	<u>\$8,890</u>	<u>\$2,538</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$11,428</u>

The table above contains the undiscounted net cash flows of derivative financial instruments.

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(6) Fair values of financial instruments

- (a) The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

- a. The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.
- b. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.
- c. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).
- d. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

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

(b) Fair value of financial instruments measured at amortized cost

The carrying amount of the Group's financial assets and liabilities measured at amortized cost approximate their fair value.

(c) Fair value measurement hierarchy for financial instruments

Please refer to Note 12.(8) for fair value measurement hierarchy for financial instruments of the Group.

(7) Derivative financial instruments

The Group's derivative financial instruments include forward currency contracts, cross currency swap, currency option contracts and embedded derivatives. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as of June 30, 2017, December 31, 2016 and June 30, 2016 is as follows:

Forward exchange contracts, cross currency swaps and currency option contracts

The Group entered into forward exchange contracts, cross currency swaps and currency option contracts to manage its exposure to financial risk, but these contracts are not designated as hedging instruments. The table below lists the information related to forward exchange contracts, cross currency swaps option and currency option contracts:

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Items (by contract)	Notional Amount			Contract Period
As of June 30, 2017				
Currency option contracts	Buy call option	USD	300	June 7, 2017- June 7, 2018
Currency option contracts	Buy put option	USD	875	October 4, 2016 - November 10, 2017
Currency option contracts	Sell call option	USD	1,750	October 4, 2016 - November 10, 2017
Currency option contracts	Sell put option	USD	600	June 7, 2017- June 7, 2018
Cross currency swap		USD	2,700	January 14, 2016 - January 16, 2018
As of December 31, 2016				
Currency option contracts	Buy call option	USD	2,875	October 4, 2016 - November 10, 2017
Currency option contracts	Sell put option	USD	5,000	October 4, 2016 - November 10, 2017
Currency option contracts	Sell foreign	USD	1,122	November 18, 2016 - March 6, 2017
	USD/Buy currency			
	JPY			
Cross currency swap		USD	30,000	January 14, 2016- January 16, 2018
As of June 30, 2016				
Currency option contracts	Buy call option	USD	1,550	November 12, 2015 - January 17, 2017
Currency option contracts	Sell put option	USD	9,600	November 12, 2015 - March 16, 2017
Cross currency swap		USD	14,000	January 14, 2016 - January 16, 2018

Embedded derivatives

The embedded derivatives arising from issuing convertible bonds have been separated from the host contract and were carried at fair value through profit or loss. Please refer to Note 6(13) for further information on this transaction.

The counterparties for the aforementioned derivatives transactions are well known local or overseas banks, as they have sound credit ratings, the credit risk is insignificant.

The forward foreign exchange contracts have been entered into to hedge the foreign currency risk of net assets or net liabilities, and there will be corresponding cash inflow or outflows upon maturity and the Group has sufficient operating funds, the cash flow risk is insignificant.

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(8) Fair value measurement hierarchy

(a) Fair value measurement hierarchy

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

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

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

Level 3 – Unobservable inputs for the asset or liability

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

(b) Fair value measurement hierarchy of the Group's assets and liabilities

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

As of June 30, 2017				
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Cross currency swaps	\$ -	\$ -	\$ -	\$ -
Fund	1,356	-	-	1,356
Stock	4,402	-	-	4,402
Available-for-sale financial assets:				
Stock	98,348	-	-	98,348

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	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward option	\$ -	\$5,963	\$ -	\$5,963
Cross currency swap	-	27,534	-	27,534
Embedded derivative	-	2,750	-	2,750

As of December 31, 2016

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss				
Cross currency swap	\$ -	\$6,011	\$ -	\$6,011
Fund	2,216	-	-	2,216
Stock	3,435	-	-	3,435
Available-for-sale financial assets:				
Stock	84,901	-	-	84,901

Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Currency option contracts	\$ -	\$58,096	\$ -	\$58,096
Forward exchange contracts	-	958	-	958

As of June 30, 2016

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss				
Fund	\$28,489	\$ -	\$ -	\$28,489
Stock	5,467	-	-	5,467
Embedded derivative	-	21	-	21
Available-for-sale financial assets:				
Stock	89,920	-	-	89,920

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	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Currency option contracts	\$ -	\$118,734	\$ -	\$118,734
Cross currency swap	-	10,172	-	10,172

Transfers between Level 1 and Level 2 during the period

During the six-month periods ended June 30, 2017 and 2016, there were no transfers between Level 1 and Level 2 fair value measurements.

- (c) Fair value measurement hierarchy of the Group's assets and liabilities not measured at fair value but for which the fair value is disclosed.

As at 30 June, 2017

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investments accounted for using the equity method(please refer to Note 6(8))	\$465,585	\$ -	\$ -	\$465,585

As at 31 December, 2016

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investments accounted for using the equity method(please refer to Note 6(8))	\$374,225	\$ -	\$ -	\$374,225

As at 30 June, 2016

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investments accounted for using the equity method(please refer to Note 6(8))	\$233,671	\$ -	\$ -	\$233,671

SINBON ELECTRONICS CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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(9) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	As of June 30, 2017			As of December 31, 2016			As of June 30, 2016		
	Foreign	Foreign		Foreign	Foreign		Foreign	Foreign	
	currencies	exchange	NTD	currencies	exchange	NTD	currencies	exchange	NTD
	rate			rate			rate		
Financial assets									
Monetary items:									
USD	\$106,089	30.44	\$3,228,924	\$101,420	32.28	\$3,273,749	\$126,811	32.29	\$4,094,216
RMB	485,113	4.49	2,177,842	386,892	4.64	1,797,034	426,447	4.86	2,072,506
EUR	2,941	34.73	102,148	1,947	33.92	66,037	963	35.89	34,554
Financial liabilities									
Monetary items:									
USD	42,433	30.44	1,291,505	41,937	32.28	1,353,677	43,106	32.29	1,391,732
RMB	236,745	4.49	1,062,833	199,350	4.64	925,941	230,989	4.86	1,122,593
EUR	598	34.73	20,767	237	33.92	8,031	280	35.89	10,057
Foreign exchange gains or losses on monetary financial assets and financial liabilities									
Monetary items:									
RMB	6,589	4.46	29,401	(14,537)	4.86	(70,720)	4,522	5.03	22,751
HKD	3	3.95	12	23,215	4.16	96,679	(4,392)	4.24	(18,603)

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

SINBON ELECTRONICS CO., LTD. AND SUBSIDIARIES
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(10) Capital management

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

13. Other disclosure

(1) Information at significant transactions

- (a) Financing provided to others for the six-month periods ended June 30, 2017: Please refer to Attachment 1.
- (b) Endorsement/Guarantee provided to others for the six-month periods ended June 30, 2017: Please refer to Attachment 2.
- (c) Securities held as of June 30, 2017: Please refer to Attachment 3.
- (d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the paid-in capital for the six-month period ended June 30, 2017: None.
- (e) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the paid-in capital for the six-month period ended June 30, 2017: None.
- (f) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the six-month period ended June 30, 2017: None.
- (g) Related party transactions for purchases and sales exceeding the lower of NT\$100 million or 20 percent of the capital stock for the six-month period ended June 30, 2017: Please refer to Attachment 4.

SINBON ELECTRONICS CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- (h) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of the six-month period ended June 30, 2017: Please refer to Attachment 5.
- (i) Financial instruments and derivative transactions: Please refer to Note 12. (7).
- (j) The business relationship, significant transactions and amounts between parent company and subsidiaries: Please refer to Attachment 6.

(2) Information on investees:

Names, locations, main businesses and products, original investment amount, investment as of June 30, 2017, net income (loss) of the investee company and investment income (loss) recognized as of June 30, 2017: Please refer to Attachment 7.

(3) Information on investments in mainland China

Investment in Mainland China: Please refer to Attachment 8.

14. Segment information

For management purposes, the Group is organized into business units based on their products and services and has three reportable operating segments as follows:

- (1) DMIS: The segment focuses on manufacturing and sale of cable assemblies.
- (2) Component: The segment is in charge of selling various electronic connectors and electronic components.
- (3) Headquarter Operating: The segment focuses on managing investment and other businesses beyond the scopes of DMIS and Component segments.

SINBON ELECTRONICS CO., LTD. AND SUBSIDIARIES
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Operating segments are not aggregated to be reported as aforementioned operating segments.

The management monitors the operation results of its business units individually to make decisions on resource allocation and performance assessment. Segment performance is evaluated by its operating profit or loss and is measured in consistence with the operating profit or loss in the consolidated financial statements. However, the financial costs, financial income and income taxes are managed on a consolidated basis and are not allocated to operating units.

Transfer prices between operating segment are on an arm's length basis in a manner similar to transactions with third parties.

Information on profit or loss, assets and liabilities of the reportable segment for three-month periods and six-month periods ended June 30,2017 and 2016 were as of :

For the three-month period ended June 30, 2017

	Cable Segment	Electronic Segment	Management Operation Segment	Adjustment and elimination (note)	Consolidated
Revenue					
External customer	\$2,201,339	\$878,529	\$251,289	\$ -	\$3,331,157
Inter-segment	573,451	6,099	57,137	(636,687)	-
Total revenue	<u>\$2,774,790</u>	<u>\$884,628</u>	<u>\$308,426</u>	<u>\$(636,687)</u>	<u>\$3,331,157</u>
Segment profit	<u>\$488,209</u>	<u>\$84,282</u>	<u>\$(97,086)</u>	<u>\$ -</u>	<u>\$475,405</u>

Note: Inter-segment revenues were eliminated when consolidated.

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For the three-month period ended June 30, 2016

	Cable Segment	Electronic Segment	Management Operation Segment	Adjustment and elimination (note)	Consolidated
Revenue					
External customer	\$2,297,164	\$1,044,968	\$82,900	\$ -	\$3,425,032
Inter-segment	532,490	6,948	59,700	(599,138)	-
Total revenue	<u>\$2,829,654</u>	<u>\$1,051,916</u>	<u>\$142,600</u>	<u>\$(599,138)</u>	<u>\$3,425,032</u>
Segment profit	<u>\$495,575</u>	<u>\$86,012</u>	<u>\$(59,580)</u>	<u>\$(77,678)</u>	<u>\$444,329</u>

Note: Inter-segment revenues were eliminated when consolidated.

For the six-month period ended June 30, 2017

	Cable Segment	Electronic Segment	Management Operation Segment	Adjustment and elimination (note)	Consolidated
Revenue					
External customer	\$4,338,602	\$1,798,903	\$407,553	\$ -	\$6,545,058
Inter-segment	1,068,491	7,721	109,158	(1,185,370)	-
Total revenue	<u>\$5,407,093</u>	<u>\$1,806,624</u>	<u>\$516,711</u>	<u>\$(1,185,370)</u>	<u>\$6,545,058</u>
Segment profit	<u>\$796,076</u>	<u>\$172,673</u>	<u>\$(114,683)</u>	<u>\$ -</u>	<u>\$854,066</u>

Note: Inter-segment revenues were eliminated when consolidated.

For the six-month period ended June 30, 2016

	Cable Segment	Electronic Segment	Management Operation Segment	Adjustment and elimination (note)	Consolidated
Revenue					
External customer	\$4,593,665	\$1,919,235	\$234,786	\$-	\$6,747,686
Inter-segment	1,051,455	23,333	108,435	(1,183,223)	-
Total revenue	<u>\$5,645,120</u>	<u>\$1,942,568</u>	<u>\$343,221</u>	<u>\$(1,183,223)</u>	<u>\$6,747,686</u>
Segment profit	<u>\$893,911</u>	<u>\$172,717</u>	<u>\$(51,175)</u>	<u>\$(151,452)</u>	<u>\$864,001</u>

Note: Inter-segment revenues were eliminated when consolidated.

SINBON ELECTRONICS CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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Information on assets and liabilities of the reportable segment as of June 30, 2017, December 31, 2016 and June 30, 2016 are as follows:

Segment Assets:

	Cable Segment	Electronic Segment	Management Operation Segment	Subtotal	Adjustment and elimination	Consolidated
June 30, 2017	\$5,676,224	\$1,668,955	\$675,464	\$8,020,643	\$3,263,049	\$11,283,692
December 31, 2016	\$4,962,030	\$1,997,440	\$814,726	\$7,774,196	\$3,308,648	\$11,082,844
June 30, 2016	\$5,542,362	\$1,676,521	\$698,091	\$7,916,974	\$3,478,470	\$11,395,444

Segment Liabilities:

	Cable Segment	Electronic Segment	Management Operation Segment	Subtotal	Adjustment and elimination	Consolidated
June 30, 2017	\$2,758,042	\$1,098,445	\$1,916,476	\$5,772,963	\$83,354	\$5,856,317
December 31, 2016	\$2,881,248	\$1,569,272	\$769,539	\$5,220,059	\$83,354	\$5,303,413
June 30, 2016	\$3,193,388	\$1,274,453	\$1,454,668	\$5,922,509	\$75,401	\$5,997,910

Attachment 1: Financing provided to others for the six-month periods ended June 30, 2017

No.	Lender (Note 1)	Counter-party	Financial statement account	Related Party	Maximum balance for the period	Ending balance	Actual amount provided	Interest rate	Nature of financing	Amount of sales to (purchases from) counter-party	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit of financing amount for individual counter-party (Note2)	Limit of total financing amount (Note3)
													Item	Value		
1	BJSB	BJSB Tongan	Other receivables	Y	\$44,894	\$44,894	\$44,894	0.00%	Note 4	\$-	Need for operating	\$ -	-	\$ -	\$86,278	\$86,278

Note 1: The above transactions were all made between consolidated entities in the Group and have been reversed.

Note 2: BJSB's financing limit for BJSB Tongan was set at 40% of the lender's net worth of the financial which were not reviewed by independent accountants as of 30 June 2017.

$$\$215,694 \times 40\% = \$86,278$$

Note 3: Total financing limit for individual counterparty was set at 40% of the lender's net worth of the financial report which were not reviewed by independent accountants as of 30 June 2017.

$$\$215,694 \times 40\% = \$86,278$$

Note 4: For short-term financing.

Attachment 2: Endorsement/Guarantee provided to others for the six-month periods ended June 30, 2017

No. (Note 1)	Endorsor/ Guarantor	Receiving party		Limit of guarantee/endorsement amount for receiving party (Note 3)	Maximum balance for the period	Ending balance	Actual amount provided	Amount of collateral guarantee/ endorsement	Percentage of accumulated guarantee amount to net assets value from the latest financial statement	Limit of total guarantee/ endorsement amount (Note 4)	Parent company's guarantee/ endorsement amount to subsidiaries (Note 5)	Subsidiaries' guarantee/ endorsement amount to parent company (Note 5)	Guarantee/ endorsement amount to company in Mainland China (Note 5)
		Company name	Relationship (Note 2)										
0	The Company	SHSB	3	\$2,150,223	\$47,040	\$45,654	\$ -	none	0.85%	\$5,375,557	Y	N	Y
0	The Company	SZSB	3	\$2,150,223	\$31,360	\$15,218	\$ -	none	0.28%	\$5,375,557	Y	N	Y
0	The Company	TCSB	3	\$2,150,223	\$94,080	\$76,090	\$ -	none	1.42%	\$5,375,557	Y	N	Y
0	The Company	JYSB	3	\$2,150,223	\$313,600	\$243,488	\$ -	none	4.53%	\$5,375,557	Y	N	Y
0	The Company	BJSB Tongan	2	\$2,150,223	\$688,475	\$607,960	\$ -	none	11.31%	\$5,375,557	Y	N	Y
0	The Company	T-CONN Precision	3	\$2,150,223	\$62,720	\$60,872	\$ -	none	1.13%	\$5,375,557	Y	N	N
0	The Company	T-CONN Zhongshan	3	\$2,150,223	\$282,240	\$273,924	\$78,348	none	5.10%	\$5,375,557	Y	N	Y

Note 1: The Company and its subsidiaries are coded as follows:

1. The Company is coded "0".
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: According to the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" issued by the R.O.C. Securities and Futures Bureau, receiving parties should be disclosed as one of the following:

1. A company that has a business relationship with endorsor/guarantor.
2. A subsidiary in which endorsor/guarantor holds directly over 50% of equity interest.
3. An investee in which endorsor/guarantor and its subsidiaries hold over 50% of equity interest.
4. An investee in which endorsor/guarantor holds directly and indirectly over 50% of equity interest.
5. A company that has provided guarantees to endorsor/guarantor, and vice versa, due to contractual requirements.
6. An investee in which endorsor/guarantor conjunctly invests with other shareholders, and for which endorsor/guarantor has provided endorsement/guarantee in proportion to its shareholding percentage.

Note 3: Limit of guarantee/endorsement amount for receiving party is 40% of the net worth of the financial report reviewed by the certified public accountants as of June 30, 2017.

$$\$5,375,557 \times 40\% = \$2,150,223$$

Note 4: Limit of total guarantee/ endorsement amount is 100% of the net worth of the financial report reviewed by the certified public accountants as of June 30, 2017.

Note 5: "Y" for the listed (OTC) parent company guarantees/endorsees for subsidiary, subsidiary guarantees/endorsees for the listed (OTC) parent company or guarantee/endorse for companies in Mainland China.

Attachment 3: Securities held as of June 30, 2017. (Excluding subsidiaries, associates and joint ventures)

Holding Company	Type and name of securities	Relationship (Note 1)	Financial statement account	as of June 30, 2017				Note
				Shares	Book value	Percentage of ownership (%)	Fair value	
The Company	Top Taiwan Venture Capital Co., Ltd.	-	Financial assets measured at cost- noncurrent	6,000,000 shares	\$60,000	7.50%	Note 2	-
EuropeSB	Elcotronic Holding GmbH	-	Financial assets measured at cost- noncurrent	-	57,615	19.00%	Note 2	-
The Company	Cayman Lan-Cheng Fund	-	Financial assets measured at cost- noncurrent	-	40,443	17.14%	Note 2	-
The Company	Hotwire Development L.L.C	-	Financial assets measured at cost- noncurrent	11,000 shares	32,653	10.00%	Note 2	-
The Company	Top Taiwan VII Venture Capital Co., Ltd.	-	Financial assets measured at cost- noncurrent	3,061,225 shares	31,362	3.06%	Note 2	-
The Company	General Research Of Electronics Inc.	-	Financial assets measured at cost- noncurrent	16,000 shares	23,184	7.50%	Note 2	-
The Company	Niigata Seimitsu Co., Ltd.	-	Financial assets measured at cost- noncurrent	100,000 shares	13,460	0.46%	Note 2	-
The Company	Top Taiwan III Venture Capital Co., Ltd.	-	Financial assets measured at cost- noncurrent	1,341,463 shares	13,415	4.07%	Note 2	-
The Company	Ultracap Technologies Co., Ltd.	-	Financial assets measured at cost- noncurrent	791,667 shares	12,667	4.82%	Note 2	-
The Company	Top Taiwan II Venture Capital Co., Ltd.	-	Financial assets measured at cost- noncurrent	875,000 shares	8,750	5.00%	Note 2	-
The Company	Dynahz Technologies	-	Financial assets measured at cost- noncurrent	2,309,725 shares	6,150	16.67%	Note 2	-
The Company	Bandrich, Inc.	-	Financial assets measured at cost- noncurrent	330,000 shares	4,125	1.62%	Note 2	-
SB BVI	Argosy (Beijing) Technologies Co., Ltd.	-	Financial assets measured at cost- noncurrent	-	2,301	12.00%	Note 2	-
Kwan-Ze	Actmax Technologies Inc.	-	Financial assets measured at cost- noncurrent	-	1,441	19.00%	Note 2	-
			Subtotal		307,566			
			Less: accumulated impairment		(29,252)			
			Total		<u>278,314</u>			
The Company	INPAQ Technology Co., Ltd.	The Company is it's director	Available-for-sale financial assets-noncurrent	4,182,231 shares	\$168,381	4.52%	\$83,436	-
The Company	Gongwin Biopharm Holdings Co., Ltd.	-	Available-for-sale financial assets-noncurrent	235,000 shares	18,296	0.24%	14,912	-
			Adjustments for change in value of investment		(80,338)			
			Less: accumulated impairment		(7,991)			
			Total		<u>\$98,348</u>			

Note 1: Not required if the issuer of securities is not a related party.

Note 2: The financial assets do not have quoted prices in an active market and their fair value cannot be reliably measured

Attachment 4: Related party transactions for purchases and sales exceeding the lower of NT\$100 million or 20 percent of the capital stock for the three-month periods ended June 30, 2017

Related-party	Counter-party	Relationship	Intercompany Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	Percentage of total consolidated purchase (Sales)	Terms	Unit price	Terms	Carrying amount	Percentage of total consolidated receivables (payable)	
The Company	Jiangyin sinbon Electronics Co., Ltd. (JYSB)	Subsidiary	Purchase	\$817,148	45.98%	Trading condition is as same as other supplier	N/A	N/A	\$(437,324)	(46.58)%	

Attachment 5: Receivables from related parties with accounts exceeding the lower of NT\$100 million or 20 percent of the capital stock as of June 30, 2017

Related-party	Counter-party	Relationship	Amount	Average collection turnover	Overdue account receivable-related parties		Collection in subsequent period	Allowance for doubtful debts
					Amount	Processing method		
Jiang yin Sinbon Electronics Co., Ltd. (JYSB)	The Company	Subsidiary	\$437,324	3.95	\$ -	N/A	\$134,404	\$ -

Attachment 6: The business relationship, significant transactions and amounts between parent company and subsidiaries

No. (Note 1)	Related-party	Counter-party	Relationship with the Company (Note 2)	Transactions			
				Account	Amount	Terms	Percentage of consolidated operating revenues or consolidated total assets(Note3)
0	The Company	Jiang yin Sinbon Electronics Co., Ltd. (JYSB)	1	Purchase	\$817,148	(Note 4)	12.48%
1	Jiang yin Sinbon Electronics Co., Ltd. (JYSB)	The Company	2	Sales	\$817,148	(Note 4)	12.48%

Note 1 : The Company is coded "0".The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2 : Transactions are categorized as follows:

1. The holding company to subsidiary.
2. Subsidiary to holding company.
3. Subsidiary to subsidiary.

Note 3 : The percentage with respect to the consolidated asset/liability for transactions of balance sheet items are based on each item's balance at period-end.
For profit or loss items, interim cumulative balances are used as basis.

Note 4 : The sales price to the above related parties was determined through mutual agreement based on the market conditions.

Attachment 7: Names, locations, main businesses and products, original investment amount, investment as of June 30, 2017, net income (loss) of investee company and investment income (loss) recognized as of June 30, 2017: (Excluding investment in Mainland China)

Investor	Investee company	Address	Main businesses and products	Initial Investment		Investment as of June 30, 2016			Net income (loss) of investee company	Investment income (loss) recognized	Note
				Ending balance	Beginning balance	Number of shares	Percentage of ownership (%)	Book value			
The Company	HKSB	Hong Kong	Manufacturing and selling a wide variety of connectors, wires and cables.	HKD95,606,000 \$401,262	HKD95,606,000 \$401,262	-	100.00%	\$517,416	\$109,111	\$109,111	Subsidiary
The Company	JPSB	Japan	Selling a wide variety of connectors, wires and cables.	JPY25,000,000 \$5,008	JPY25,000,000 \$5,008	350 shares	70.00%	\$9,641	\$2,858	\$2,001	Subsidiary
The Company	Kwan-Ze	Taipei County, Taiwan	Holding company	\$235,600	\$235,600	23,560,000 shares	100.00%	\$291,919	\$12,172	\$12,172	Subsidiary
The Company	Top Taiwan IV Venture Capital Co., Ltd	Taipei City, Taiwan	Holding company	\$40,000	\$80,000	4,000,000 shares	20.00%	\$43,580	\$1,959	\$392	Investee under the equity method
The Company	SB BVI	British Virgin Islands	Holding company	USD40,021,000 \$1,309,185	USD40,021,000 \$1,309,185	-	100.00%	\$3,034,592	\$160,614	\$160,614	Subsidiary
The Company	Argosy Technologies Co., Ltd.	Hsinchu City, Taiwan	Produce and sells a variety of electronic components, computers and peripheral equipment	\$30,648	\$30,648	2,945,034 shares	3.59%	\$44,988	\$78,777	\$2,826	Investee under the equity method
The Company	Worldwide Wire Harnesses Co., Ltd.	Samoa	Logistic center.	USD75,000 \$2,451	USD75,000 \$2,451	-	50.00%	\$6,790	\$184	\$92	Subsidiary
The Company	S E L	Mauritius	Holding company	USD 6,109,000 \$192,742	USD 6,109,000 \$192,742	-	64.48%	\$69,990	\$12,095	\$7,799	Subsidiary
The Company	Sinbon USA LLC.	216th street SW,Suite D Lynneood WA 98036	Logistic center.	USD3,000,000 \$93,412	USD2,000,000 \$62,471	-	100.00%	\$73,874	\$(7,031)	\$(7,031)	Subsidiary
The Company	Sinbon Europe GmbH	Pfarrkirchen, Germany	Logistic center.	EUR1,684,000 \$61,743	EUR1,684,000 \$61,743	-	100.00%	\$58,457	\$(12)	\$(12)	Subsidiary
The Company	Ray Service ADA Corp.	Miaoli County, Taiwan	Manufacturing and selling signal cables and cabin wiring.	\$27,000	\$27,000	2,700,000 shares	90.00%	\$11,217	\$(5,136)	\$(4,622)	Subsidiary
S E L	T-CONN	Hsinchu City, Taiwan	Manufacturing and selling a wide variety of connectors, wires and cables.	\$10,000	\$10,000	-	100.00%	USD388,000 \$11,810	USD301,000 \$9,226	\$ -	Subsidiary
S E L	S P L	Mauritius	Logistic center.	USD 100,000 \$3,228	USD 100,000 \$3,228	-	100.00%	USD1,426,000 \$43,399	USD211,000 \$6,477	\$ -	Subsidiary
Sinbon USA L.L.C	Circuits & Cables LLC (C&C)	815 South Brown School Road Vandalia, OH 45377, USA	Selling a wide variety of connectors and cables.	USD 1,604,000	USD 800,000	-	40.00%	USD1,652,000 \$50,283	USD120,000 \$3,689	\$ -	Investee under the equity method
Kwan-Ze	Digi O2	Miaoli Country, Taiwan	Selling a wide variety of connectors and cables.	\$108,770	\$108,770	10,377,000 shares	98.83%	\$(2,612)	\$(1,919)	\$ -	Subsidiary

Attachment 7: Names, locations, main businesses and products, original investment amount, investment as of June 30, 2017, net income (loss) of investee company and investment income (loss) recognized as of June 30, 2017: (Excluding investment in Mainland China)

Investor	Investee company	Address	Main businesses and products	Initial Investment		Investment as of June 30, 2016			Net income (loss) of investee company	Investment income (loss) recognized	Note
				Ending balance	Beginning balance	Number of shares	Percentage of ownership (%)	Book value			
Kwan-Ze	Argocy Research Inc.	Hsinchu City, Taiwan	Produce and sells a variety of electronic components, computers and peripheral equipment	\$147,175	\$147,175	14,624,200 shares	17.81%	\$227,686	\$78,777	\$ -	Investee under the equity method
Worldwide Wire Harnesses Co., Ltd.	STT	U.S.A Tennessee	Logistic center.	USD140,000 \$4,542	USD140,000 \$4,542	-	100.00%	USD195,000 \$5,934	USD12 \$366	\$ -	Subsidiary
Argocy Research Inc.	Argosy Technology Inc.(USA)	U.S.A	Sell Multimedia related products, ODM and OED	\$30,347	\$30,347	900 shares	100.00%	\$ -	\$ -	\$ -	Investee under the equity method
Argocy Research Inc.	Ari International B.V.	The Netherlands	Leasing operations and sell ODM and OED	\$22,314	\$22,314	-	100.00%	\$16,276	\$(160)	\$ -	Investee under the equity method
Argocy Research Inc.	Ari International (Singapore)Pte.,Ltd. (AIS)	Singapore	Holding company	\$32,697	\$32,697	-	100.00%	\$5,314	\$(132)	\$ -	Investee under the equity method
Argocy Research Inc.	NOVAC ARGOSY	Tokyo	Sell computer peripheral products	\$4,294	\$4,294	-	49.00%	\$ -	\$ -	\$ -	Investee under the equity method
Argocy Research Inc.	Global Saber Electronics Co., Ltd.	Mauritius	Selling a wide variety of connectors and cables.	\$ -	\$ -	-	100.00%	\$68,376	\$(809)	\$ -	Investee under the equity method
Argocy Research Inc.	ROTEC LIMITED	British Virgin Islands	Holding company	\$268,479	\$268,479	8,550 shares	77.38%	\$346,783	\$(19,717)	\$ -	Investee under the equity method
Global Saber Electronics Co., Ltd	ROTEC LIMITED	British Virgin Islands	Holding company	\$72,918	\$72,918	2,500 shares	22.62%	\$101,373	\$(19,717)	\$ -	Investee under the equity method

Attachment 6: Investment in Mainland China

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2017	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as of June 30, 2017	Accumulated Inward Remittance of Earnings as of June 30, 2017
					Outflow	Inflow						
BJSB	Manufacturing and selling a wide variety of connectors, wires and cables.	USD 4,450,000	Indirectly investment in Mainland China through remittance from a third region.	USD 1,020,000 \$30,719	\$ -	\$ -	USD 1,020,000 \$30,719	\$2,649	100.00%	\$2,649 (Note 3)	\$215,713	USD8,694,000 \$360,203
JY Sinact	Manufacturing and selling a wide variety of connectors, wires and cables.	USD 31,780,000	Indirectly investment in Mainland China through companies registered in a third region.	USD 21,550,000 \$690,252	USD 500,000 \$15,006	\$ -	USD 22,050,000 \$705,258	USD4,020,000 \$123,352	100.00%	USD4,020,000 \$123,352 (Note 1)	USD71,845,000 \$2,186,689	USD20,539,000 \$631,599
SHSB	Selling a wide variety of connectors, wires and cables.	USD 3,280,000	Indirectly investment in Mainland China through companies registered in a third region.	USD 1,700,000 \$55,358	\$ -	\$ -	USD 1,700,000 \$55,358	USD(30,000) \$(918)	100.00%	USD(30,000) \$(918) (Note 3)	USD6,823,000 \$207,665	USD185,000 \$6,050
SZSB	Selling a wide variety of connectors, wires and cables.	USD 2,810,000	Indirectly investment in Mainland China through companies registered in a third region.	USD 2,750,000 \$83,385	\$ -	\$ -	USD 2,750,000 \$83,385	USD325,000 \$9,959	100.00%	USD325,000 \$9,959 (Note 3)	USD10,453,000 \$318,159	\$ -
TCSB	Selling a wide variety of connectors, wires and cables.	USD 6,000,000	Indirectly investment in Mainland China through companies registered in a third region.	USD 3,000,000 \$96,090	\$ -	\$ -	USD 3,000,000 \$96,090	USD575,000 \$17,652	100.00%	USD575,000 \$17,652 (Note 3)	USD10,034,000 \$305,401	USD218,000 \$6,544
China Digital Library Corp.Ltd.	Technology development of computer software, transfer of technology, advisory service	RMB 88,600,000	Indirectly investment in Mainland China through companies registered in a third region.	USD 750,000	\$ -	\$ -	USD 750,000	\$ -	4.85%	\$ - (Note 2)	\$ -	\$ -
Argosy (Beijing) Technologies Co., Ltd.	Selling a wide variety of connectors, wires and cables.	RMB 5,000,000	Indirectly investment in Mainland China through companies registered in a third region.	USD 76,000	\$ -	\$ -	USD 76,000	\$ -	12.00%	\$ - (Note 2)	USD76,000 \$2,301	\$ -
Wu Xi S&D	Manufacturing and selling new flat panel displays.	USD 4,000,000	Indirectly investment in Mainland China through companies registered in a third region.	USD 1,900,000 \$61,823	\$ -	\$ -	USD 1,900,000 \$61,823	\$ -	-	\$ -	\$ -	\$ -
Ning Bo Smart and Diligent Co., Ltd.	Manufacturing and selling a new Flat Panel Display.	USD 2,000,000	Indirectly investment in Mainland China through companies registered in a third region.	USD 1,140,000 \$37,025	\$ -	\$ -	USD 1,140,000 \$37,025	\$ -	-	\$ -	\$ -	\$ -
JY Sinact	Manufacturing and selling a wide variety of electronic materials.	USD 9,500,000	Indirectly investment in Mainland China through companies registered in a third region.	USD 5,266,000 \$164,599	\$ -	\$ -	USD 5,266,000 \$164,599	\$ -	-	\$ -	\$ -	\$ -

Attachment 6: Investment in Mainland China

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2017	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as of June 30, 2017	Accumulated Inward Remittance of Earnings as of June 30, 2017
					Outflow	Inflow						
Shang Hai Comtek Electronics Trading Co., ltd.	Selling a wide variety of electronic materials.	USD 160,000	Indirectly investment in Mainland China through companies registered in a third region.	USD 104,000 \$3,302	\$ -	\$ -	USD 104,000 \$3,302	\$ -	-	\$ -	\$ -	\$ -
Dong Guan CMK	Manufacturing and selling a wide variety of connectors, wires and cables.	USD 1,000,000	Indirectly investment in Mainland China through companies registered in a third region.	USD 645,000 \$20,768	\$ -	\$ -	USD 645,000 \$20,768	\$ -	-	\$ -	\$ -	\$ -
T-CONN Zhongshan	Manufacturing and selling a wide variety of connectors, wires and cables.	USD 7,100,000	Indirectly investment in Mainland China through companies registered in a third region.	USD 3,086,000 \$99,007	\$ -	\$ -	USD 3,086,000 \$99,007	USD101,000 \$3,110	64.48%	USD65,000 \$2,005 (Note 3)	USD(358,000) \$(10,893)	\$ -
BJSB Tongan	Manufacturing and selling a wide variety of connectors, wires and cables.	USD 3,000,000	Indirectly investment in Mainland China through remittance from a third region.	USD 3,000,000 \$89,134	\$ -	\$ -	USD 3,000,000 \$89,134	\$153,490	100.00%	\$153,490 (Note 1)	\$985,256	\$ -

Accumulated Investment in Mainland China as of June 30, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
USD46,487,000	USD 53,420,000	N/A (Note 4)

Note 1: Based on the financial statements certificated by the public accountant of the parent company in Taiwan.

Note 2: Investee was measured at cost.

Note 3: The financial statements were not reviewed by independent accounts.

Note 4: According to Order No. Shen-Zi-09704604680 issued by Ministry of Economic Affairs, R.O.C., the Company's investment in Mainland China is not limited to 60% of net worth or consolidated net worth specified by the Investment Commission.