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

Ticker: 3189

KINSUS INTERCONNET TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH AUDIT REPORT OF INDEPENDENT AUDITORS
AS OF DECEMBER 31, 2016 AND 2015
AND FOR THE YEARS THEN ENDED

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

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MANAGEMENT REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Kinsus Interconnect Technology Corp. as of December 31, 2016 and for the year then ended under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Accounting Standard No. 10, “Consolidated and Separate Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Kinsus Interconnect Technology Corp. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

Kinsus Interconnect Technology Corp.

By

Guo, Ming-Dong
Chairman
February 8, 2017

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REVIEW REPORT OF INDEPENDENT AUDITORS

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

Opinion

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

In our opinion, based on our audits and the reports of other auditor (please refer to the Other Matter – Making Reference to the Audit of a Component Auditor section of our report), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2016 and 2015, and their consolidated financial performance and cash flows for the years then ended, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

Revenue Recognition

We determine that revenue recognition is one of the key audit matters. The Company's consolidated revenue amounting to NT$23,165,066 thousand for the year ended December 31, 2016 is a significant account to the Company's consolidated financial statements. The Company and its subsidiaries have conducted these sale activities in multi-marketplace, including Taiwan, China, USA, etc. Among these locations, the Company and its subsidiaries have established hub-warehouse for certain foreign customers' convenience. Furthermore, variety of sale terms and conditions enacted in the main sale contracts or sale orders contributed to the complexity for the Company and its subsidiaries to decide the appropriate timing of transfer the risk of ownership and return of goods to the buyers. We therefore conclude that there are significant risks with respect to the topic of revenue recognition.

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

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

Related Party Transactions

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

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

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

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

We did not audit the financial statements of FuYang Technology Corp., an invested associate accounted for under the equity method. The financial statements of FuYang Technology Corp. as of December 31, 2016 and for the year then ended were audited by other auditors, whose report thereon has been furnished to us. Our audit, insofar as it related to the investment in the associate accounted for under the equity method amounting to NT$432,689 thousand as of December 31, 2016 representing 1.05% of the Company's consolidated total assets, the related shares of income before tax from the associate under the equity method for the year then ended amounting to NT$(12,783) thousand representing (0.50)% of the Company's consolidated income before tax, and the related shares of other comprehensive income from the associate under the equity method for the year then ended amounting to NT$(4,528) thousand representing 1.38% of the consolidated other comprehensive income, are based solely on the audit reports of other auditors.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

Ernst & Young

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

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

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Consolidated Balance Sheets

As of December 31, 2016 and 2015

(Amounts Expressed In Thousands of New Taiwan Dollars)

Assets			2016		2015	
Code	Accounts	Notes	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	4, 6(1)	$11,212,646	27	$12,746,307	30
1110	Financial assets at fair value through profit or loss	4, 6(2)	3,268,435	8	3,536,370	8
1147	Bond investments with no active market	4, 6(3), 8	423,057	1	428,112	1
1150	Notes receivable, net	4, 6(5)	3,030	-	1,835	-
1170	Accounts receivable, net	4, 6(6)	3,197,829	8	3,590,193	8
1180	Accounts receivable - related parties	4, 6(6), 7	399,736	1	248,909	1
1200	Other receivables		289,514	1	336,543	1
1210	Other receivables - related parties	7	307,646	1	2,081	-
1310	Inventories, net	4, 6(7)	2,258,244	5	2,285,436	5
1410	Prepayments		134,676	-	159,205	1
1470	Other current assets		120,742	-	136,377	-
11XX	Total current assets		21,615,555	52	23,471,368	55
	Non-current assets					
1543	Financial assets carried at cost	4, 6(4)	50,000	-	50,000	-
1550	Investment accounted for under equity method	4, 6(8)	432,689	1	-	-
1600	Property, plant and equipment, net	4, 6(9), 8	16,578,663	40	16,150,904	38
1780	Intangible assets	4, 6(10)	18,820	-	30,280	-
1840	Deferred income tax assets	4, 6(25)	9,882	-	9,880	-
1900	Other non-current assets	6(11), 7	295,385	1	318,785	1
1915	Prepayment for equipment	4, 6(9), 9	2,252,721	6	2,607,515	6
15XX	Total non-current assets		19,638,160	48	19,167,364	45
1XXX	Total Assets		$41,253,715	100	$42,638,732	100

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

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

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Kinsus Interconnect Technology Corp. and Subsidiaries

Consolidated Balance Sheets-(Continued)

As of December 31, 2016 and 2015

(Amounts Expressed In Thousands of New Taiwan Dollars)

Liabilities and Equity			2016		2015	
Code	Accounts	Notes	Amount	%	Amount	%
	Current liabilities					
2100	Short-term loans	6(12)	$2,228,478	6	$3,095,030	7
2150	Notes payable		48,092	-	55,484	-
2170	Accounts payable		2,126,485	5	1,996,799	5
2180	Accounts payable - related parties	7	16,059	-	-	-
2200	Other payables	6(13), 7	3,021,801	7	3,932,762	9
2230	Current income tax liabilities	4, 6(25)	510,591	1	569,378	1
2250	Provisions	4, 6(14)	-	-	294	-
2300	Other current liabilities	6(15)	688,291	2	668,701	2
21XX	Total current liabilities		8,639,797	21	10,318,448	24
	Non-current liabilities					
2540	Long-term loans	6(16), 8	1,508,390	4	1,366,299	4
2570	Deferred income tax liabilities	4, 6(25)	631	-	40,190	-
2600	Other non-current liabilities	4, 6(17), 6(18)	90,128	-	85,994	-
25XX	Total non-current liabilities		1,599,149	4	1,492,483	4
2XXX	Total liabilities		10,238,946	25	11,810,931	28
31XX	Equity attributable to shareholders of the parent					
3100	Capital	6(19)				
3110	Common stock		4,460,000	11	4,460,000	10
3200	Capital surplus	6(19)	5,939,819	14	5,939,819	14
3300	Retained earnings	6(19)				
3310	Legal reserve		3,340,018	8	3,049,623	7
3350	Unappropriated earnings		15,163,371	37	14,780,095	35
3400	Other components of equity		(613)	-	194,484	-
3500	Treasury Stock	6(19)	(32,885)	-	(32,885)	-
36XX	Non-controlling interests	6(19)	2,145,059	5	2,436,665	6
3XXX	Total equity		31,014,769	75	30,827,801	72
	Total liabilities and equity		$41,253,715	100	$42,638,732	100

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

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2016 and 2015

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

Code	Accounts	Notes	2016 Amount	2016 %	2015 Amount	2015 %
4000	Net revenue	4, 6(20), 7	$23,165,066	100	$23,061,311	100
5000	Cost of sale	7	(17,414,521)	(75)	(17,099,709)	(74)
5900	Gross profit		5,750,545	25	5,961,602	26
6000	Operating expenses	7				
6100	Sales and marketing		(509,185)	(2)	(437,849)	(2)
6200	General and administrative		(1,213,506)	(5)	(975,409)	(4)
6300	Research and development		(1,438,082)	(7)	(1,484,620)	(7)
	Total operating expenses		(3,160,773)	(14)	(2,897,878)	(13)
6900	Operating income		2,589,772	11	3,063,724	13
1310						
7000	Non-operating incomes and expenses					
7010	Other incomes	6(23), 7	195,672	1	309,476	1
7020	Other gains and losses	6(23)	(131,897)	(1)	(110,984)	-
7050	Finance costs	6(23)	(71,306)	-	(56,968)	-
7060	Share of profit or loss of associates and joint ventures	4, 6(8)	(12,783)	-	-	-
	Total non-operating incomes and expenses		(20,314)	-	141,524	1
7900	Income before income tax		2,569,458	11	3,205,248	14
7950	Income tax expense	4, 6(25)	(496,430)	(2)	(475,722)	(2)
8200	Net income		2,073,028	9	2,729,526	12
8300	Other comprehensive income (loss)	6(24)				
8310	Item that may not be reclassified to profit or loss					
8311	Actuarial gain (loss) from defined benefit plans		(959)	-	(8,721)	-
8360	Items that may be reclassified subsequently to profit or loss					
8361	Exchange differences arising on translation of foreign operations		(361,332)	(1)	(116,596)	(1)
8362	Unrealized valuation gain (loss) on available-for-sale financial assets		-	-	(24,694)	-
8370	Share of profit or loss of associates and joint ventures		(4,528)	-	-	-
8399	Income tax related to items that may be reclassified subsequently to P/L		39,834	-	12,397	-
	Total other comprehensive income, net of tax		(326,985)	(1)	(137,614)	(1)
8500	Total comprehensive income		$1,746,043	8	$2,591,912	11
8600	Net income (loss) attributable to:					
8610	Shareholders of the parent		$2,233,705	10	$2,903,952	13
8620	Non-controlling interests		(160,677)	(1)	(174,426)	(1)
			$2,073,028	9	$2,729,526	12
8700	Total comprehensive income (loss) attributable to:					
8710	Shareholders of the parent		$2,037,649	9	$2,810,012	12
8720	Non-controlling interests		(291,606)	(1)	(218,100)	(1)
			$1,746,043	8	$2,591,912	11
9750	Earnings per share - basic (In NT$)	6(26)	$5.01		$6.51	
9850	Earnings per share - diluted (In NT$)	6(26)	$4.95		$6.38	

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

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

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Kinsus Interconnect Technology Corp. and Subsidiaries

Consolidated Statements of Changes in Equity

For the Years Ended December 31, 2016 and 2015

(Amounts Expressed In Thousands of New Taiwan Dollars)

Code	Items	Equity Attributable to Shareholders of the Parent								Non-controlling Interests	Total Equity
				Retained Earnings		Others					
		Capital	Capital Surplus	Legal Reserve	Unappropriated Earnings	Exchange differences arising on translation of foreign operations	Unrealized valuation gain (loss) on available-for-sale financial assets	Treasury Stock	Total		
		3100	3200	3310	3350	3410	3425	3500	31XX	36XX	3XXX
A1	Balance as of January 1, 2015	$4,460,000	$5,939,819	$2,687,890	$14,030,597	$255,009	$24,694	$-	$27,398,009	$2,654,765	$30,052,774
	Appropriation and distribution of 2014 earnings:										
B1	Legal reserve			361,733	(361,733)				-		-
B5	Cash dividends - common shares				(1,784,000)				(1,784,000)		(1,784,000)
D1	Net income (loss) for 2015				2,903,952				2,903,952	(174,426)	2,729,526
D3	Other comprehensive income (loss) for 2015				(8,721)	(60,525)	(24,694)		(93,940)	(43,674)	(137,614)
D5	Total comprehensive income	-	-	-	2,895,231	(60,525)	(24,694)	-	2,810,012	(218,100)	2,591,912
L1	Treasury stock repurchased							(32,885)	($32,885)		(32,885)
A1	Balance as of December 31, 2015	4,460,000	5,939,819	3,049,623	14,780,095	194,484	-	(32,885)	28,391,136	2,436,665	30,827,801
	Appropriation and distribution of 2015 earnings:										
B1	Legal reserve			290,395	(290,395)				-		-
B5	Cash dividends - common shares				(1,559,075)				(1,559,075)		(1,559,075)
D1	Net income (loss) for 2016				2,233,705				2,233,705	(160,677)	2,073,028
D3	Other comprehensive income (loss) for 2016				(959)	(195,097)			(196,056)	(130,929)	(326,985)
D5	Total comprehensive income	-	-	-	2,232,746	(195,097)	-	-	2,037,649	(291,606)	1,746,043
Z1	Balance as of December 31, 2016	$4,460,000	$5,939,819	$3,340,018	$15,163,371	$(613)	$-	$(32,885)	$28,869,710	$2,145,059	$31,014,769

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

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2016 and 2015

(Amounts Expressed In Thousands of New Taiwan Dollars)

Code	Items	2016	2015
AAAA	Cash flows from operating activities:		
A10000	Income before income tax	$2,569,458	$3,205,248
A20000	Adjustments:		
A20010	Income and expense adjustments:		
A20100	Depreciation	3,464,017	3,196,903
A20200	Amortization	31,215	34,432
A20300	Bad debt expense (gain on recovery)	6,531	(19,603)
A20400	Net loss (gain) of financial assets (liabilities) at fair value through profit or loss	(10,653)	(55,431)
A20900	Interest expense	71,306	56,968
A21200	Interest income	(72,471)	(86,116)
A22300	Share of profit or loss of associates and joint ventures	12,783	-
A22500	Loss (gain) on disposal of property, plant and equipment	43,555	108,807
A23700	Impairment loss on non-financial assets	21,126	14,211
A30000	Changes in operating assets and liabilities:		
A31110	Financial assets at fair value through profit or loss	278,588	1,623,650
A31130	Notes receivable	(1,195)	4,417
A31150	Accounts receivable	386,860	(529,703)
A31160	Accounts receivable - related parties	(150,827)	187,497
A31180	Other receivables	47,292	111,215
A31190	Other receivables - related parties	(305,565)	(774)
A31200	Inventories	27,192	(122,467)
A31230	Prepayments	24,529	(60,704)
A31240	Other current assets	15,635	(44,397)
A31990	Long-term prepaid rents	28,213	13,291
A32130	Notes payable	(7,392)	14,473
A32150	Accounts payable	129,686	10,050
A32160	Accounts payable - related parties	16,059	-
A32180	Other payables	(369,201)	73,374
A32200	Provisions	(294)	(8)
A32210	Unearned sales revenue	59,442	(11,246)
A32230	Other current liabilities	(3,469)	(2,035)
A32240	Accrued pension liabilities	(4,098)	(4,241)
A33000	Cash generated from (used in) operations	6,308,322	7,717,811
A33100	Interest received	72,140	90,561
A33300	Interest paid	(72,842)	(55,519)
A33500	Income tax paid	(554,944)	(814,278)
AAAA	Net cash provided by (used in) operating activities	5,752,676	6,938,575

Code	Items	2016	2015
BBBB	Cash flows from investing activities:		
B00400	Disposal of available-for-sale financial assets	-	46,520
B00700	Disposal of bond investments with no active market	5,055	35,715
B01800	Acquisition of Investment accounted for under equity method	(450,000)	-
B02700	Acquisition of property, plant and equipment	(4,761,567)	(5,000,206)
B02800	Disposal of property, plant and equipment	260,601	1,680
B03800	Decrease (increase) in refundable deposits	(4,813)	(363)
B04500	Acquisition of intangible assets	(20,457)	(44,806)
BBBB	Net cash provided by (used in) investing activities	(4,971,181)	(4,961,460)
CCCC	Cash flows from financing activities:		
C00100	Increase in (repayment of) short-term loans	(866,552)	1,288,134
C01600	Increase in long-term loans	800,000	1,084,751
C01700	Repayment of long-term loans	(694,292)	(1,310,123)
C03000	Increase (decrease) in deposits received	7,273	(29,106)
C04500	Payment of cash dividends	(1,559,075)	(1,784,000)
C04900	Treasury stock purchased	-	(32,885)
CCCC	Net cash provided by (used in) financing activities	(2,312,646)	(783,229)
DDDD	Effect of exchange rate changes	(2,510)	10,806
EEEE	Increase (decrease) in cash and cash equivalents	(1,533,661)	1,204,692
E00100	Cash and cash equivalents at beginning of period	12,746,307	11,541,615
E00200	Cash and cash equivalents at end of period	$11,212,646	$12,746,307

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

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

1. HISTORY AND ORGANIZATION

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

2. DATE AND PROCEDURE OF AUTHORIZATION FOR FINANCIAL STATEMENTS ISSUANCE

The consolidated financial statements of the Company and its subsidiaries ("the Group") were authorized to be issued in accordance with a resolution of the Board of Directors'meeting held on February 8, 2017.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

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

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

This amendments relate to the amendment issued in May 2011 and requires 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 amendment also requires detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognized or reversed, including valuation techniques used, level of fair value hierarchy of assets and key assumptions used in measurement. The amendments are effective for annual periods beginning on or after January 1, 2014.

(b) IFRIC 21 "Levies"

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

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

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

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

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

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

IFRS 2 “Share-based Payment”

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

IFRS 3 “Business Combinations”

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

IFRS 8 “Operating Segments”

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

IFRS 13 “Fair Value Measurement”

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

IAS 16 “Property, Plant and Equipment”

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

IAS 24 “Related Party Disclosures”

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

IAS 38 “Intangible Assets”

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

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

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

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

IFRS 3 “Business Combinations”

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

IFRS 13 “Fair Value Measurement”

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

IAS 40 “Investment Property”

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

(g) IFRS 14 "Regulatory Deferral Accounts"

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

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

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

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

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

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

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

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

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

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

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

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

IFRS 7 "Financial Instruments: Disclosures"

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

IAS 19 "Employee Benefits"

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

IAS 34 “Interim Financial Reporting”

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

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

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

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

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

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

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

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

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

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

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

(b) IFRS 9"Financial Instruments"

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

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

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

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

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

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

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

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

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

(d) IFRS 16“Leases”

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

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

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

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

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

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

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

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

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

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

The amendments help to resolve issues arising from the different effective dates for IFRS 9 “Financial Instruments” (January 1, 2018) and the new insurance contracts standard about to be issued by the IASB (still to be decided, but not before 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).

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

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

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

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

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

IFRS 12 “Disclosure of Interests in Other Entities”

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

IAS 28“Investments in Associates and Joint Ventures”

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1)Statement of compliance

The consolidated financial statements of the Group for the years ended December 31, 2016 and 2015 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed 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 presented in thousands of New Taiwan Dollars ("NT$") unless otherwise specified.

(3)Basis of consolidation

Preparation principle of consolidated financial statements

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:

(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 NCIs even if this results in a deficit balance of the NCIs.

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.

The consolidated entities are listed as follows:

			Percentage of Ownership (%) As of December 31,	
Investor	Subsidiary	Main businesses	2016	2015
The Company	KINSUS CORP. (USA)	Designing substrates, formulating marketing strategy analysis, developing new customers, researching and development new product technology	100.00%	100.00%
The Company	KINSUS HOLDING (SAMOA) LIMITED	Investing activities	100.00%	100.00%
The Company	KINSUS INVESTMENT CO., LTD.	Investing activities	100.00%	100.00%

KINSUS HOLDING (SAMOA) LIMITED	KINSUS HOLDING (CAYMAN) LIMITED	Investing activities	100.00%	100.00%
KINSUS HOLDING (SAMOA) LIMITED	PIOTEK HOLDINGS LTD. (CAYMAN)	Investing activities	51.00%	51.00%
KINSUS INVESTMENT CO., LTD.	PEGAVISION CORPORATION	Manufacture of medical equipment	36.81% (Note)	36.81% (Note)
KINSUS HOLDING (CAYMAN) LIMITED	KINSUS INTERCONNECT TECHNOLOGY SUZHOU CORP.	Manufacturing and selling printed circuit board (PCB) (not high-density fine-line)	100.00%	100.00%
KINSUS HOLDING (CAYMAN) LIMITED	XIANG-SHOU (SUZHOU) TRADING LIMITED	Trading of PCB related products and materials (not high-density fine-line)	100.00%	100.00%
PIOTEK HOLDINGS LTD. (CAYMAN)	PIOTEK HOLDING LIMITED	Investing activities	100.00%	100.00%
PIOTEK HOLDING LIMITED	PIOTEK COMPUTER (SUZHOU) CO., LTD.	Researching, developing, producing and selling electronic components, PCBs and related products and providing after-sale services	100.00%	100.00%
PIOTEK HOLDING LIMITED	PIOTEK (H.K.) TRADING LIMITED	Trading activities	100.00%	100.00%
PEGAVISION CORPORATION	PEGAVISION HOLDINGS CORPORATION	Investing activities	100.00%	100.00%

PEGAVISION CORPORATION	PEGAVISION JAPAN INC.	Selling medical equipment	100.00%	100.00%
PEGAVISION HOLDINGS CORPORATION	PEGAVISION CONTACT LENSES (SHANGHAI) CORPORATION	Selling medical equipment	100.00%	100.00%

Note：The Group owned 36.81% of ownership of Pegavision Corporation as of December 31, 2016 and 2015. The management decide to include Pegavision Corporation as a consolidated entity because the Group, in substance, possess the control over this entity.

(4)Foreign currency transactions

The Group’s consolidated financial statements are presented in New Taiwan Dollar, which is the parent 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 entities at their respective functional currency rates prevailing at the date of the transaction. At the reporting date, monetary items denominated in foreign currencies are retranslated at the prevailing functional currency closing rate of exchange; non-monetary items measured at fair value in a foreign currency are retranslated using the exchange rates at the date when the fair value is determined; and non-monetary items measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

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

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

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

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

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

(5)Foreign currency transactions and translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into New Taiwan dollar at the closing rate of exchange prevailing at the balance sheet 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 under exchange differences on translation of foreign operations. On disposal of the foreign operation, cumulative amount of the exchange differences recognized in other comprehensive income under separate component of equity is reclassified from equity to profit or loss when recognizing the disposal gain/loss.

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

Any goodwill and 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 for assets and liabilities

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.

(7)Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (including fixed-term deposits that have maturities equal to or less than three months from the date of acquisition).

(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 financial assets and financial liabilities 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 settlement date basis.

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

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:

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

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial 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:

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

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 far 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.

Available-for-sale financial assets

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

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

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

Loans and receivables

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

Loans and receivables are separately presented on the balance sheet as receivables or bond investments with no active market. 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 is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss.

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

Other loss events include:

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

For held-to-maturity financial assets and loans and receivables measured at amortized cost, the 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 exits 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 write-off is later recovered, the recovery is credited to profit or loss.

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

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

Derecognition of financial assets

A financial asset is derecognized when:

(a) The rights to receive cash flows from the asset have expired
(b) The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
(c) 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 instruments

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.

Equity instruments

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

Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

A financial liability is classified as held for trading if:

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

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

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

Gains or losses from subsequent measurement on liabilities at fair value through profit or loss, including interests, 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 far 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 payables and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Relevant gains or losses and amortization amounts are recognized in profit or loss when the liabilities are derecognized and amortized through the effective interest rate method.

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

Derecognition of financial liabilities

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

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

(9)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.

(10) Inventories

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

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

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

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

(11) Investments accounted for using 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 affects 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 prorata basis.

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:

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

Because goodwill that forms part of the carrying amount of an investment in an associate or 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.

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.

(12) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the 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:

Buildings	10 to 25 years
Machinery	5 to 10 years
Transportation	2 to 6 years
Office equipment	3 to 5 years
Other equipment	1 to 25 years

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

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

(13) Leasing

Group as a lessee

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Rental incomes under operating lease are recognized on a straight-line basis over the lease term. Contingent rents are recognized as revenue in the period in which they are earned.

(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, not meeting the recognition criteria, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

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

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

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

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

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

	Cost of Computer Software
Useful economic life	1 to 5 years
Amortization method	Straight-line method during the contract term
Internally generated or acquired externally	Acquired externally

(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 would conduct impairment tests at individual or CGU level. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired. An asset’s recoverable amount is the higher of an asset’s net fair value or its value in use.

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

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

(16) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable 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.

Provisions for sales returns and allowances

The Group estimates provisions for sales returns and allowances based on past experience and other known factors.

(17) Treasury Stock

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

(18) 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. Conditions and methods for the recognition of various types of revenue are listed below:

Sale of goods

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

Customer Loyalty Program

When the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme is to be taken into account.

Interest income

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

Dividend income

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

(19) Borrowing costs

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

(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 and the contribution is expensed as incurred.

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.

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

Current income tax

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

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

Deferred income tax

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

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

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

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

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

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

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

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

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

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

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Estimates and assumptions

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

(1)Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including income approach (for example, the discounted cash flows model) or the 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)Post-employment benefits

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

(3)Revenue recognition - customer loyalty programmes

The Group uses statistical techniques to estimate the fair value of award credits under customer loyalty programmes. Parameters used in the estimation include: assumptions on the expected exchange rate, commodity portfolio available for future exchange and customer preference. Before the points issued under the programme expire, the estimates have material uncertainty. Please refer to Note 6 for more details.

(4)Revenue recognition – sale returns and allowances

The Group estimates sales returns and allowances based on past experience and other known factors as reductions of sales revenue upon sales. Please refer to Note 6 for more details.

(5)Income tax

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

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

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1)Cash and cash equivalents

	As of December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Cash and petty cash	5,693	6,234
Checking and saving	2,948,555	3,379,804
Time deposit	8,258,398	9,360,269
Total	11,212,646	12,746,307

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

	As of December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Held for trading:		
Money market fund	3,198,334	3,453,872
Valuation adjustment	70,101	82,498
Total	3,268,435	3,536,370

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

(3)Bond investments with no active market

	As of December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Time deposits	423,057	428,112
Current	423,057	428,112
Non-current	-	-

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

(4)Financial assets carried at cost

	As of December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Stocks	50,000	50,000
Non-current	50,000	50,000

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

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

(5)Notes receivable

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

No notes receivable was pledged by the Group as collateral.

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

A. Accounts receivable, net

	As of December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Accounts receivable, gross	3,282,698	3,642,703
Less: allowance for doubtful accounts	(53,303)	(47,799)
Less: allowance for return & discount	(31,566)	(4,711)
Net of allowances	3,197,829	3,590,193
Accounts receivable - related parties, gross	399,736	248,909
Less: allowance for doubtful accounts	-	-
Net of allowances	399,736	248,909
Total accounts receivable, net	3,597,565	3,839,102

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

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

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

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

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

	Impaired Individually (NT$'000)	Impaired Collectively (NT$'000)	Total (NT$'000)
As of January 1, 2016	-	47,799	47,799
Provision (reversal)	-	6,531	6,531
Effect of exchange rate changes	-	(1,027)	(1,027)
As of December 31, 2016	-	53,303	53,303
As of January 1, 2015	-	67,946	67,946
Provision (reversal)	-	(19,603)	(19,603)
Effect of exchange rate changes	-	(544)	(544)
As of December 31, 2015	-	47,799	47,799

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

		Accounts receivable – past due, but not impaired				
	Neither past due nor impaired (NT$'000)	Less than 61 days (NT$'000)	61 to 90 days (NT$'000)	91 to 120 days (NT$'000)	Longer than 120 days (NT$'000)	Total (NT$'000)
12/31/2016	3,391,325	206,240	-	-	-	3,597,565
12/31/2015	3,639,724	199,378	-	-	-	3,839,102

(7)Inventory

A. Details of inventory:

	As of December 31, 2016 (NT$'000)	As of December 31, 2015 (NT$'000)
Raw material	682,338	638,897
Supplies	41,619	41,027
Work in process	769,623	815,704
Finished goods	711,312	759,271
Merchandises	53,352	30,537
Total	2,258,244	2,285,436

B. For the year ended December 31, 2016 and 2015, the Group recognized NT$17,414,521 thousand and NT$17,099,709 thousand under the caption of costs of sale, respectively. The following items were also included in cost.

Item	For the year ended December 31, 2016 (NT$'000)	For the year ended December 31, 2015 (NT$'000)
Loss from (Gains on recovery of) inventory market decline	21,905	(104,357)
Loss (gain) from physical	39,428	(2,118)
Loss in inventory write-off obselencense	1,785,503	1,319,081
Total	1,846,836	1,212,606

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

C. The inventories were not pledged.

(8)Investments accounted for using the equity method

	As of December 31			
	2016		2015	
Investee	Carrying amount (NT$'000)	Percentage of ownership (%)	Carrying amount (NT$'000)	Percentage of ownership (%)
FuYang Technology Corp.	432,689	36.00%	-	-%

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

B. Investments in associates

The aggregate carrying amount of the Group's interests in FuYang Technology Corp. is NT$432,689 thousand. The aggregate financial information based on Group's share of FuYang Technology Corp. is as follows:

	As of December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Profit or loss from continuing operations	(12,783)	-
Other comprehensive income (post-tax)	(4,528)	-
Total comprehensive income	(17,311)	-

There were no contingent liabilities or capital commitments with respect to the investment in the associate as of December 31, 2016. Nor any of the Group's share interest on FuYang was pledged as collateral.

The Group's investment accounted for under equity method as of December 31, 2016 amounted to NT$432,689 thousand while the related investment income/loss and other comprehensive income were NT$(17,311) for the year then ended. They were measured based on the audited financial statements of the investee for the same correspondent period.

C. No investment accounted for under equity method was pledged as collateral as of December 31, 2016.

(9) Property, plant and equipment

	Land (NT$'000)	Buildings (NT$'000)	Machinery (NT$'000)	Office Equipment (NT$'000)	Transportation (NT$'000)	Other Equipment (NT$'000)	Construction in progress and equipment awaiting inspection (including prepaid equipment) (NT$'000)	Total (NT$'000)
Cost:								
As of 1/1/2016	1,557,800	5,556,743	16,781,076	131,576	15,809	3,992,908	5,238,467	33,274,379
Addition	-	3,938	10,253	9,376	1,805	198,196	3,997,933	4,221,501
Disposals	-	(10,510)	(1,846,796)	(10,971)	(1,355)	(417,520)	(2,575)	(2,289,727)
Effect of EX rate	-	(241,745)	(521,279)	(4,625)	(672)	(108,420)	(10,111)	(886,852)
Reclassification	4,642	1,030,743	3,150,827	18,835	-	640,416	(4,846,840)	(1,377)
As of 12/31/2016	1,562,442	6,339,169	17,574,081	144,191	15,587	4,305,580	4,376,874	34,317,924
As of 1/1/2015	1,366,426	5,614,222	17,202,285	118,946	14,700	3,958,417	3,107,645	31,382,641
Addition	-	10,654	58,908	11,408	1,355	86,105	4,861,010	5,029,440
Disposals	-	(71,944)	(2,442,452)	(17,968)	-	(342,406)	-	(2,874,770)
Effect of EX rate	-	(70,843)	(154,054)	(1,428)	(246)	(33,606)	(2,755)	(262,932)
Reclassification	191,374	74,654	2,116,389	20,618	-	324,398	(2,727,433)	-
As of 12/31/2015	1,557,800	5,556,743	16,781,076	131,576	15,809	3,992,908	5,238,467	33,274,379
Depreciation and impairment:								
As of 1/1/2016	-	1,743,546	10,148,920	80,839	11,552	2,531,103	-	14,515,960
Depreciation	-	284,820	2,520,866	29,751	2,586	625,994	-	3,464,017
Impairment loss	-	-	17,100	-	-	4,026	-	21,126
Disposal	-	(10,510)	(1,556,702)	(9,724)	(418)	(408,217)	-	(1,985,571)
Effect of EX rate	-	(74,154)	(372,329)	(3,866)	(794)	(76,664)	-	(527,807)
Reclassification	-	-	374	(185)	-	(1,374)	-	(1,185)
As of 12/31/2016	-	1,943,702	10,758,229	96,815	12,926	2,674,868	-	15,486,540
As of 1/1/2015	-	1,521,919	10,235,466	73,772	8,679	2,364,370	-	14,204,206
Depreciation	-	266,238	2,390,247	24,444	3,055	512,919	-	3,196,903
Impairment loss	-	-	13,425	391	-	395	-	14,211
Disposal	-	(26,551)	(2,402,650)	(16,642)	-	(318,440)	-	(2,764,283)
Effect of EX rate	-	(18,060)	(96,305)	(1,126)	(182)	(19,404)	-	(135,077)
Reclassification	-	-	8,737	-	-	(8,737)	-	-
As of 12/31/2015	-	1,743,546	10,148,920	80,839	11,552	2,531,103	-	14,515,960

Net carrying amount:								
As of 12/31/2016	1,562,442	4,395,467	6,815,852	47,376	2,661	1,630,712	4,376,874	18,831,384
As of 12/31/2015	1,557,800	3,813,197	6,632,156	50,737	4,257	1,461,805	5,238,467	18,758,419

A. " Significant components " of buildings primarily comprised the main buildings and the facilities, which are depreciated based on their respective useful economic life of 20 to 25 years and 3 to 20 years.

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

	As of December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Property, plant and equipment	16,578,663	16,150,904
Prepayment for equipment	2,252,721	2,607,515
Total	18,831,384	18,758,419

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

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

(10) Intangible assets

	Computer software (NT$'000)
Cost:	
As of January 1, 2016	55,622
Additions – acquired separately	20,457
Derecognized upon retirement	(33,411)
Reclassification	1,377
Effect of exchange rate changes	(1,790)
As of December 31, 2016	42,255

As of January 1, 2015	40,101
Additions – acquired separately	44,806
Derecognized upon retirement	(29,007)
Effect of exchange rate changes	(278)
As of December 31, 2015	55,622
Amortization and Impairment:	
As of January 1, 2016	25,342
Amortization	31,215
Derecognized upon retirement	(33,411)
Reclassification	1,185
Effect of exchange rate changes	(896)
As of December 31, 2016	23,435
As of January 1, 2015	20,119
Amortization	34,432
Derecognized upon retirement	(29,007)
Effect of exchange rate changes	(202)
As of December 31, 2015	25,342
Carrying amount, net:	
As of December 31, 2016	18,820
As of December 31, 2015	30,280

Amounts of amortization recognized for intangible assets are as follows:

	For the year ended December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Operating expense	205	-
Sales and marketing	869	1,107
General and administrative	29,445	31,257
Research and development	696	2,068
Total	31,215	34,432

(11) Other non-current assets

	As of December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Refundable deposits	49,919	45,106
Long-term prepaid rent	245,466	273,679
Total	295,385	318,785

As of December 31, 2016 and 2015, among the long-term prepaid rent, the balances of right to use land amounted to NT$245,466 thousand and NT$273,679 thousand, respectively.

(12) Short-term loans

		As of December 31,	
	Interest interval (%)	2016 (NT$'000)	2015 (NT$'000)
Unsecured bank loans	0.88~1.85	2,228,478	3,095,030

As of December 31, 2016 and 2015, the line of unused short-term loan credit for the Group amounted to NT$6,192,525 thousand and NT$3,156,970 thousand, respectively.

(13) Other payable

	As of December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Accrued expense	2,293,765	2,662,966
Equipment payable	725,692	1,265,758
Accrued interest	2,344	4,038
Total	3,021,801	3,932,762

(14) Provisions

	Sales Returns and Allowances (NT$'000)
As of January 1, 2016	294
Additions	-
Used	-

Reversal	(294)
Adjustment to present value due to discount rate change and passage of time	-
As of December 31, 2016	-

	As of December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Current	-	294
Non-current	-	-
Total	-	294

Sales returns and allowances

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

(15) Other current liabilities

A.

	As of December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Other current liabilities	69,362	73,152
Unearned sales revenue	81,049	21,607
Deferred revenue - Customer Loyalty Programmes	1,623	1,302
Current portion of long-term loans	536,257	572,640
Total	688,291	668,701

B. Customer loyalty programs

	For the year ended December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Balance, beginning	1,302	781
Deferred during the period	11,561	637
Recognized in profit or loss	(11,240)	(116)
Balance, ending	1,623	1,302

	As of December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Current	1,623	1,302
Non-current	-	-
Total	1,623	1,302

(16) Long-term loans

Details of long-term loans were as follows:

Debtor	Type of Loan	Maturity	Loan Balance As of Dec. 31, 2016 (NT$'000)	Repayment
Mega International Commercial Bank - LanYa Branch	Secured bank loan	2020.05.07	96,000	Note 9
Mega International Commercial Bank - LanYa Branch	Credit loan	2018.08.12-2021.09.05	1,676,397	Note 8
The Shanghai Commercial & Savings Bank - ZhongLi Branch	Secured bank loan	2017.04.15-2019.01.15	75,000	Note 6 and 8
The Shanghai Commercial & Savings Bank - ZhongLi Branch	Credit loan	2017.01.15-2017.04.15	3,750	Note 8
Taipei Fubon Commercial Bank – BeiTou Branch	Credit loan	2017.12.14	193,500	Note 10
Total			2,044,647	
Less: current portion			(536,257)	
Non-current portion			1,508,390	

Debtor	Type of Loan	Maturity	Loan Balance As of Dec. 31, 2015 (NT$'000)	Repayment
Mega International Commercial Bank - LanYa Branch	Secured bank loan	2016.05.07-2016.12.15	123,081	Note 1, 2 and 9
Mega International Commercial Bank - LanYa Branch	Credit loan	2016.01.17-2020.12.04	1,162,006	Note 2, 3 and 4
The Shanghai Commercial & Savings Bank - ZhongLi Branch	Secured bank loan	2016.07.15-2019.01.15	181,953	Note 6, 7 and 8
The Shanghai Commercial & Savings Bank - ZhongLi Branch	Credit loan	2016.01.24-2017.04.15	15,000	Note 6 and 8
Land Bank of Taiwan - ZhongLi Branch	Credit loan	2016.04.27	62,999	Note 2 and 5
Taipei Fubon Commercial Bank – BeiTou Branch	Credit loan	2017.12.14	393,900	Note 10
Total			1,938,939	
Less: current portion			(572,640)	
Non-current portion			1,366,299	

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

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

Note 3: A term is defined as every 3 months starting from the initial draw-down date. The loan is repayable in installments of equal amount for 20 terms.

Note 4: A term is defined as every 3 months starting from the initial draw-down date. The loan is repayable in installments of equal amount for 16 terms.

Note 5: A term is defined as every 1 months starting from the initial draw-down date. The principal and interest are repayable in installments of equal amount.

Note 6: A term is defined as every 3 months starting from the initial draw-down date. Grace period is 2 years (8 terms). The rest is repayable in installments of equal amount for 12 terms.

Note 7: Starting from the 25th month, a term is defined as every 3 months. The loan is repayable in installments of equal amount for 11 terms.

Note 8: A term is defined as every 3 months starting from the initial draw-down date. Grace period is 1 years (4 terms). The rest is repayable in installments of equal amount for 16 terms.

Note 9: The first year is the grace period while the loan principal is repaid in 16 installments 4% for each of the first 15 installments and 40% for the very last installment.

Note 10: One year after the initial draw-down date is considered term one and the following terms are defined as every 6 months since then. The principal and interest are repayable in installments of equal amount for 5 terms.

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

B. As of December 31, 2016 and 2015, the interest rate intervals for long-term loans were 1.076%~2.590% and 1.02%~2.01%, respectively.

(17) Other non-current liabilities

	As of December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Accrued pension costs	31,009	34,148
Deposits received	59,119	51,846
Total	90,128	85,994

(18) Post-employment benefits

Defined contribution plan

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

Subsidiaries located in the People's Republic of China will contribute social welfare benefits based on a certain percentage of employees' salaries or wages to the employees' individual pension accounts.

Pension benefits for employees of overseas subsidiaries and branches are provided in accordance with the local regulations.

Expenses under the defined contribution plan for the years ended December 31, 2016 and 2015 were NT$113,660 thousand and NT$112,096 thousand, respectively.

Defined benefits plan

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

The fund is operated in a potofolio basis by Governance Committee on Labor Retirement Fund in accordance with the Rule for Custody and Operating the Labor Retirement Fund. The investment of the Fund may be executed either by the Committee itself or by outsourced other profession institutions with its investment stategy, including both active and passive management, targeting in a medium or longer term. In considering the risks of market, credit and liquidity, the Committee establishes the ceiling of fund investment and control plan, in one hand, to reduce investment risk to an affordable extent and, in the other hand, to achieve the targeted return flexibly. As of December 31, 2016, the Company plans to contribute NT$4,969 thousand to the funds under its defined benefit scheme during the following fiscal year.

As of December 31, 2016 and 2015, the maturities of the Company's defined benefit plan were expected in 2036 and 2037 and the detail information is listed as below.

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

Pension costs recognized in profit or loss were as follows:

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

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

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

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

	Present value of defined benefit obligation (NT$'000)	Fair value of plan assets (NT$'000)	Net defined benefit liability (asset) (NT$'000)
1/1/2015	116,697	(87,029)	29,668
Current service cost	152	-	152
Interest expense(revenue)	2,626	(1,958)	668
Past service cost and settlement	-	-	-
Total	2,778	(1,958)	820
Re-measurment on defined benefit liability/assets:			
Actuarial gain/loss due to change in population statistic assumptions	2,453	-	2,453
Actuarial gian/loss due to change in financial assumptions	6,154	-	6,154
Experience adjustments	474	(360)	114

Re-measurement on defined benefit assets	-	-	-
Total	9,081	(360)	8,721
Benefits paid	(849)	849	-
Contributions by employer	-	(5,061)	(5,061)
Effect of exchange rate	-	-	-
12/31/2015	127,707	(93,559)	34,148
Current service cost	189	-	189
Interest expense(revenue)	2,554	(1,871)	683
Past service cost and settlement	-	-	-
Total	2,743	(1,871)	872
Re-measurment on defined benefit liability/assets:			
Actuarial gain/loss due to change in population statistic assumptions	(726)	-	(726)
Actuarial gian/loss due to change in financial assumptions	5,073	-	5,073
Experience adjustments	(4,393)	1,005	(3,388)
Re-measurement on defined benefit assets	-	-	-
Total	(46)	1,005	959
Benefits paid	-	-	-
Contributions by employer	-	(4,970)	(4,970)
Effect of exchange rate	-	-	-
12/31/2016	130,404	(99,395)	31,009

The major categories as a percentage of the fair value of total plan assets are as follows:

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

The actuarial assumptions used for the Group’s defined benefit plan are shown below:

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

Sensitivity analysis:

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

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

(19) Equity

A. Common shares

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

Treasury stocks brought back by the Company for the purpose of transfer to employee during the period from August 18, 2015 to September 25, 2015 totaled to 550 thousand shares. Please refer to Note 6(19)-C to the financial statements for more details.

B. Capital surplus

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

All changes in interests in subsidiaries	38,894	38,894
Total	5,939,819	5,939,819

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

C. Treasury stock

For the years ended December 31, 2016 and 2015,treasury stock was held by the Group while treasury stock amounted to NT$32,885 thousand, divided into 550 thousand shares.

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

Purpose of repurchase	Beginning balance	Addition	Decrease	Ending balance
To be transfered to employees	-	550	-	550

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

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

D. Appropriation of earnings and dividend policies

(a) Earning distribution

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

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

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

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

(b) Dividend policies

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

(c) Legal reserve

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

(d) Special reserve

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

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

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

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

For 2015 employee and directors' compensation under the new Article to be amended, please refer to Note 6(22) for details.

E. Non-controlling interests

	For the year ended December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Beginning balance	24,367,665	2,654,765
Net loss attributable to NCIs	(160,677)	(174,426)
Other comprehensive income attributable to NCIs:		
Exchange differences arising on translation of foreign operations	(130,929)	(43,674)
Ending balance	2,145,059	2,436,665

(20) Sale

	For the year ended December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Sale of goods	23,182,483	23,155,396
Less: sales returns and allowances	(485,401)	(491,745)
Services rendered	157,707	190,589
Other operating revenue	310,277	207,071
Total	23,165,066	23,061,311

(21) Operating lease

A. Group as a lessee

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

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

	As of December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Less than one year	89,893	84,745
More than one year but less than five years	304,162	394,056
Total	394,055	478,801

Expenses under operating lease were as follows:

	For the year ended December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Minimum lease payment	148,762	149,112

B. Group as a lessor

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

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

	As of December 31	
	2016 (NT$'000)	2015 (NT$'000)
Less than one year	-	-

For the years ended December 31, 2016 and 2015, rent incomes of the Group amounted to NT$26,903 thousand and NT$22,716 thousand, respectively.

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

Function / Nature	2016 (NT$'000)			2015 (NT$'000)		
	Cost of goods sold	Operating expense	Total	Cost of goods sold	Operating expense	Total
Employee benefit						
Salaries & wages	2,972,538	923,223	3,895,761	3,182,359	921,541	4,103,900
Labor and health insurance	185,291	71,144	256,435	189,146	67,082	256,228
Pension	77,990	36,542	114,532	79,690	33,226	112,916
Other employee benefit	218,370	100,111	318,481	214,987	93,195	308,182
Depreciation	3,093,276	370,741	3,464,017	2,952,612	244,291	3,196,903
Amortization	205	31,010	31,215	-	34,432	34,432

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

Based on profit of the year ended December 31,2016, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2016 to be not lower than 10% and not higher than 1% of profit of the current nine-month period, respectively, recognized as employee benefits expense. As such, employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2016 amount to NT$343,533 thousand and NT$20,911 thousand, respectively. Employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2015 amount to NT$442,444 thousand and NT$26,026 thousand. The aforementioned employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2016 were estimated based on post-tax net income of the period and recognized as salary expenses. The number of stocks distributed as employees' compensation, if any, shall be calculated based on the closing price one day earlier than the date of shareholders' meeting and considered the impacts of ex-right/ex-dividend.

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

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

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

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

(23) Non-operating incomes and expenses

A. Other incomes

	For the year ended December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Interest income	72,471	86,116
Other income－others	123,201	223,360
Total	195,672	309,476

B. Other gains and losses

	For the year ended December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Loss from disposal of property, plant and equipment	(43,555)	(108,807)
Foreign exchange loss, net	(48,989)	(14,925)
Financial assets at fair value through profit	10,653	55,431
Impairment loss on non-financial assets	(21,126)	(14,211)
Other expenses	(28,880)	(28,472)
Total	(131,897)	(110,984)

C. Finance costs

	For the year ended December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Interests on bank loans	71,306	56,968

(24) Components of other comprehensive income (OCI)

For the year ended December 31, 2016

	Arising during the period (NT$'000)	Reclassification during the period (NT$'000)	Subtotal (NT$'000)	Income tax benefit (expense) (NT$'000)	OCI, Net of tax (NT$'000)
Not reclassified to profit or loss:					
Actuarial gains or losses on defined benefits plan	(959)	-	(959)	-	(959)
To be reclassified to profit or loss in subsequent period:					
Exchange differences arising on translation of foreign operations	(361,332)	-	(361,332)	39,834	(321,498)
Unrealized valuation gain (loss) on available-for-sale financial assets	(4,528)	-	(4,528)	-	(4,528)
Total OCI	(366,819)	-	(366,819)	39,834	(326,985)

For the year ended December 31, 2015

	Arising during the period (NT$'000)	Reclassification during the period (NT$'000)	Subtotal (NT$'000)	Income tax benefit (expense) (NT$'000)	OCI, Net of tax (NT$'000)
Not reclassified to profit or loss:					
Actuarial gains or losses on defined benefits plan	(8,721)	-	(8,721)	-	(8,721)
To be reclassified to profit or loss in subsequent period:					
Exchange differences arising on translation of foreign operations	(116,596)	-	(116,596)	12,397	(104,199)
Unrealized valuation gain (loss) on available-for-sale financial assets	6,151	(30,845)	(24,694)	-	(24,694)
Total OCI	(119,166)	(30,845)	(150,011)	12,397	(137,614)

(25)Income tax

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

Income tax expense (benefit) recognized in profit or loss

	For the year ended December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Current income tax expense (benefit):		
Current income tax expense	618,253	687,692
Reversal of uncertain tax position upon finalization	(122,096)	(210,169)
Deferred tax expense (benefit):		
Deferred tax expense (benefit) relating to origination and reversal of temporary differences	273	(1,801)
Total income tax expense	496,430	475,722

B. Income tax recognized in other comprehensive income

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

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

	For the year ended December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Accounting profit (loss) before tax from continuing operations	2,569,458	3,205,248
Tax payable at the enacted tax rates	508,837	501,265
10% surtax on Undistributed earnings	120,013	157,191
Tax effect of income tax-exempted	(43,296)	(112,954)

Tax effect of expenses not deductible for tax purposes	37	506
Tax effect of deferred tax assets/liabilities	32,935	139,883
Reversal of uncertain tax position upon finalization	(122,096)	(210,169)
Total income tax expense (income) recognized in profit or loss	496,430	475,722

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

For the year ended December 31, 2016

	Beginning balance as of Jan. 1, 2016 (NT$'000)	Deferred tax income (expense) recognized in P/L (NT$'000)	Deferred tax income (expense) recognized in OCI (NT$'000)	Deferred tax income (expense) recognized in equity (NT$'000)	Increase from business acquisition (NT$'000)	Exchange adjustment (NT$'000)	Ending balance as of Dec. 31, 2016 (NT$'000)
Temporary differences							
Prepaid appreciation tax on agricultural land	9,593	-	-	-	-	-	9,593
Unrealized loss on inventory valuation	287	(6)	-	-	-	-	281
Unrealized exchange loss (gain)	(356)	(275)	-	-	-	-	(631)
Other	-	8	-	-	-	-	8
Cumulative translation adjustment	(39,834)	-	39,834	-	-	-	-
Deferred tax income/ (expense)		(273)	39,834	-	-	-	
Net deferred tax assets/(liabilities)	(30,310)						9,251
Reflected in balance sheet as follows:							
Deferred tax assets	9,880						9,882
Deferred tax liabilities	(40,190)						(631)

For the year ended December 31, 2015

	Beginning balance as of Jan. 1, 2015 (NT$'000)	Deferred tax income (expense) recognized in P/L (NT$'000)	Deferred tax income (expense) recognized in OCI (NT$'000)	Deferred tax income (expense) recognized in equity (NT$'000)	Increase from business acquisition (NT$'000)	Exchange adjustment (NT$'000)	Ending balance as of Dec. 31, 2015 (NT$'000)
Temporary differences							
Prepaid appreciation tax on agricultural land	`-	9,593	-	-	-	-	9,593
Unrealized loss on inventory valuation	276	11	-	-	-	-	287
Unrealized exchange loss (gain)	(2,146)	1,790	-	-	-	-	(356)
Cumulative translation adjustment	(52,231)	-	12,397	-	-	-	(39,834)
Deferred tax income/ (expense)		11,394	12,397	-	-	-	
Net deferred tax assets/(liabilities)	(54,101)						(30,310)
Reflected in balance sheet as follows:							
Deferred tax assets	276						9,880
Deferred tax liabilities	(54,377)						(40,190)

D. Unrecognized deferred tax assets

As of December 31, 2016 and 2015, deferred tax assets that have not been recognized as they may not be used to offset future taxable income amounted to NT$1,056,371 thousand and NT$1,078,696 thousand, respectively.

E. The investments and capital additions of the Company and its subsidiary, Pegavision, are qualified as the investment on manufacture or technology service industry during the period from July 1, 2008 to December 31, 2009 and, therefore, entitled to a 5-year tax holidays/exemption enjoyed by the Group are listed as below.

Item	Approval authority	Approval document	Exemption period
1	Ministry of Economic Affairs	No. 10005112010 issued at Aug. 25, 2011	Jan. 1, 2013~ Dec. 31, 2017
2	Ministry of Economic Affairs	No. 10005116950 issued at Dec. 27, 2011	Jan. 1, 2014~ Dec. 31, 2018

F. Unused balance of deductible net operating loss within the Group was listed as following.

Occurrence year	Accumulated net operating loss (NT$'000)	Unused balance As of December 31, 2016 (NT$'000)	Unused balance As of December 31, 2015 (NT$'000)	Expiration Year
2012	135,158	98,291	98,751	2022

G. Imputation credit information

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

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

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

H. The assessment of income tax return

As of December 31, 2016, the assessment status of income tax returns of the Company and subsidiaries were as follows:

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

(26) Earnings per share

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

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

A. Basic earnings per share

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

B. Diluted earnings per share

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

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

(27) Subsidiary that has material non-controlling interests

Proportion of equity interest held by non-controlling interests:

		As of December 31,	
Name	Country	2016	2015
PIOTEK HOLDINGS LTD. and its subsidary	China	51.00%	51.00%

	As of December 31,	
Accumulated balances of material non-controlling interest:	2016 (NT$'000)	2015 (NT$'000)
PIOTEK HOLDINGS LTD. and its subsidary	1,370,753	1,777,880

	For the year ended December 31,	
Profit/(loss) allocated to material non-controlling interest:	2016 (NT$'000)	2015 (NT$'000)
PIOTEK HOLDINGS LTD. and its subsidary	(278,764)	(254,741)

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

Summarized information of profit or loss is as follows:

	For the year ended December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Operating revenue	4,190,571	4,700,977
Profit/loss from continuing operation	(568,886)	(520,173)
Total comprehensive income for the period	(830,882)	(609,370)

Summarized information of financial position is as follows:

	As of December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Current assets	2,098,636	2,516,463
Non-current assets	2,585,677	3,336,563
Current liabilities	1,044,255	1,188,561
Non-current liabilities	842,596	1,036,121

Summarized cash flow information is as follows:

	For the year ended Deceember 31,	
	2016 (NT$'000)	2015 (NT$'000)
Operating activities	(198,386)	123,821
Investing activities	(39,600)	(171,773)
Financing activities	(193,459)	404,416
Net increase/(decrease) in cash and cash equivalents	(463,330)	349,218

7. RELATED PARTY TRANSACTIONS

(1) Significant transactions with related parties

A. Sales to

	For the year ended December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Parent company	1,393,606	1,452,652
Other related parties	69,913	62,426
Total	1,463,519	1,515,078

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

B. Purchases

	For the year ended December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Other related parties	15,870	-

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

C. For the years ended December 31, 2016 and 2015, the Group recognized travelling expenses of NT$152 thousand and NT$340 thousand, respectively, for commissioning other related parties to handle travelling logistics.

D. For the years ended December 31, 2016 and 2015, the Group recognized rent expenses of NT$68,236 thousand and NT$50,460 thousand, respectively, for plants leased from the Parent.

Moreover, for the years ended December 31, 2016 and 2015, the Group recognized rent expenses of NT$923 thousand and NT$7,769 thousand, respectively, for plants leased from other related parties.

In addition, for the years ended December 31, 2016 and 2015, the Group recognized rent expenses of NT$265 thousand and NT$183 thousand (tax included), respectively, for various facilities leased from the Parent.

E. For the years ended December 31, 2016 and 2015, the Group recognized operating expenses of NT$5,591 thousand and NT$7,554 thousand, respectively, for services provided by other related parties.

Moreover, for the years ended December 31, 2016 and 2015, the Group recognized operating expenses of NT$1,073 thousand and NT$1,261 thousand (tax included), respectively, for services provided by the Parent.

In addition, for the years ended December 31, 2016 and 2015, the Group incurred operating expenses of NT$70,504 thousand and NT$91,965 thousand (tax included), respectively, for utility bills paid by the Parent on behalf of the Group.

F. For the years ended December 31, 2016 and 2015, the Group recognized rent income of NT$5,332 thousand and NT$7,243 thousand, for plants leased to other related parties.

G. For the years ended December 31, 2016, the Group recognized other income of NT$1,877 thousand, for provided services to other related parties.

H. For the year ended December 31, 2016, the Group recognized other income of NT$41,930 thousand, for selling equipment and spare parts to other related parties.

I. Accounts receivable - related parties

	As of December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Parent company	357,057	227,150
Other related parties	42,679	21,759
Total	399,736	248,909
Less: allowance for doubtful accounts	-	-
Net	399,736	248,909

J. Accounts payable - related parties

	As of December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Other related parties	16,059	-

K. Salaries and rewards to key management of the Group

	For the year ended December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Short-term employee benefits	96,019	90,101
Post-employee benefits	810	819
Total	96,829	90,920

L. Other receivables

	As of December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Other related parties	307,646	2,081

M.Refundable deposits

	As of December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Parent company	10,000	5,700

N. Accrued expenses

	As of December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Ultimate parent company	16,594	22,971
Other related parties	936	1,607
Total	17,530	24,578

O. Transfering asset

The Group did not conduct any transactions related to property, plant and equipment with related parties during the year ended December 31, 2015. While, for 2016, transfer of assets with related parties were shown as the following.

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

8. PLEDGED ASSETS

The following assets of the Group are pledged as collaterals:

Item	Carrying Amount As of December 31, 2016 (NT$'000)	2015 (NT$'000)	Purpose
Property, plant and equipment - machinery (carrying amount)	244,492	332,913	Long-term secured loans
Property, plant and equipment - other equipment (carrying amount)	5,157	13,400	Long-term secured loans
Total	249,649	346,313	

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

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

Currency	LC Amount (in thousand)		Security(in thousand)
JPY	JPY	1,454,932	-
USD	USD	8,469	-
Euro	EUR	53	-

(2) Details of significant constructions in progress and outstanding contracts of property, plant and equipment as of December 31, 2016 were as follows:

Nature of Contract	Contract Amount (NT$'000)	Amount Paid (NT$'000)	Outstanding Balance (NT$'000)
Machinery and contruction contracts	3,807,972	3,049,055	758,917

10. SIGNIFICANT DISASTER LOSS

None

11. SIGNIFICANT SUBSEQUENT EVENT

None

12. OTHERS

(1) Categories of financial instruments

Financial assets

	As of December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Financial assets at fair value through profit or loss:		
Held for trading	3,268,435	3,536,370
Loans and receivable		
Cash and cash equivalents (excluding cash on hand)	11,206,953	12,740,073

Bond investments with no active market	423,057	428,112
Notes receivable	3,030	1,835
Accounts receivable	3,197,829	3,590,193
Accounts receivable - related parties	399,736	248,909
Other receivable	289,514	336,543
Other receivable - related parties	307,646	2,081
Total	19,096,200	20,884,116

Financial liabilities

	As of December 31,	
	2016 (NT$'000)	2015 (NT$'000)
Financial liabilities measured at amortized cost:		
Short-term loans	2,228,478	3,095,030
Payables	5,212,437	5,985,045
Long-term loans (including current portion)	2,044,647	1,938,939
Total	9,485,562	11,019,014

(2) Objectives and policies of financial risk management

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

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

(3) Market risk

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

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

Foreign currency risk

The Group's exposure to foreign currency risk relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign operations. The Group has certain foreign currency receivables denominated in the same foreign currency as certain foreign currency payables, therefore natural hedge is achieved. Thus, hedge accounting is not adopted.

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

If NT dollars appreciates/depreciates against US dollars by 1%, net income (loss) for the years ended December 31, 2016 and 2015 would increase/decrease by NT$9,223 thousand and NT$11,442 thousand, respectively.

Interest rate risk

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

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as of the end of the reporting period and presumed to be held for one accounting year, including investments and loans with variable interest rates. If interest rate increases/decreases by 0.1%, the net income (loss) for the years ended December 31, 2016 and 2015 would decrease/increase by NT$1,340 thousand and decrease/increase by NT$7,383 thousand, respectively.

(4) Credit risk management

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

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

As of December 31, 2016 and 2015, receivables from the top ten customers were accounted for 47.67% and 51.71% of the Group's total accounts receivable, respectively. The concentration of credit risk is relatively insignificant for the remaining receivables.

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

(5) Liquidity risk management

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

Non-derivative financial instruments

	Less than 1 year (NT$'000)	1 to 2 years (NT$'000)	2 to 3 years (NT$'000)	3 to 4 years (NT$'000)	4 to 5 years (NT$'000)	Total (NT$'000)
As of December 31, 2016						
Loans	2,825,676	552,030	477,777	376,274	151,614	4,383,371
Payables	5,212,437	-	-	-	-	5,212,437

As of December 31, 2015						
Loans	3,734,453	831,211	228,215	252,199	117,342	5,163,420
Payables	5,985,045	-	-	-	-	5,985,045

(6) Fair values of financial instruments

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

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

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

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

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

B. Fair value of financial instruments measured at amortized cost

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

C. Fair value measurement hierarchy for financial instruments

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

(7) Fair value measurement hierarchy

A. Fair value measurement hierarchy

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

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

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

Level 3 – Unobservable inputs for the asset or liability

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

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

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

As of December 31, 2016

	Level 1 (NT$'000)	Level 2 (NT$'000)	Level 3 (NT$'000)	Total (NT$'000)
Financial assets:				
Financial assets at fair value through profit or loss				
Funds	3,268,435	-	-	3,268,435
Financial liabilities:				
None				

As of December 31, 2015

	Level 1 (NT$'000)	Level 2 (NT$'000)	Level 3 (NT$'000)	Total (NT$'000)
Financial assets:				
Financial assets at fair value through profit or loss				
Funds	3,536,370	-	-	3,536,370
Financial liabilities:				
None				

Transfers between Level 1 and Level 2 during the period

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

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

Information regarding the Group's significant financial assets and liabilities denominated in foreign currencies was listed below:

	As of December 31,					
	2016			2015		
	Foreign Currencies ($'000)	Exchange Rate	NTD (NT$'000)	Foreign Currencies ($'000)	Exchange Rate	NTD (NT$'000)
Financial assets						
Monetary items:						
USD	119,476	32.25	3,853,096	139,277	32.83	4,571,767
CNY	115,027	4.649	534,759	93,723	5.05	473,750
Financial liabilities						
Monetary items:						
USD	142,824	32.25	4,606,070	166,990	32.83	5,482,634
CNY	104,865	4.649	487,514	118,755	5.05	600,304

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

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

Foreign currency resulting in exchange gain or loss	For the year ended December 31, 2016 (NT$'000)	2015 (NT$'000)
USD	(48,995)	(17,421)
Other	6	2,497

(9) Capital management

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

13. ADDITIONAL DISCLOSURES

(1) Information on significant transactions

A. Financing provided to others: None.

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

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

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

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

F. Disposal of individual real estate with amount of at least NT$100 million or 20 percent of the paid-in capital for the year ended December 31, 2016: None.

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

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

I. Derivative instrument transactions: None.

J. Intercompany relationships and significant intercompany transactions for the year ended December 31, 2016: Please refer to attachment 12.

(2) Information on investees

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

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

(a) Financing provided to others: None.

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

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

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

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

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

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

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

(i) Derivative instrument transactions: None.

(3) Information on investments in Mainland China:

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

(In Thousands of New Taiwan Dollars)

Name of Investee in China	Main Business	Paid-in Capital (NT$'000)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2016 (NT$'000)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2016 (NT$'000)	Profit/ Loss of Investee (NT$'000)	Percentage of Ownership (Direct or Indirect Investment)	Share of Profit/Loss (NT$'000)	Carrying Amount as of December 31, 2016 (NT$'000)	Accumulated Inward Remittance of Earnings as of Dec. 31, 2016 (NT$'000)	Accumulated Outflow of Investment from Taiwan to Mainland China as of Dec. 31, 2016 (NT$'000)	Investment Amounts Authorized by Investment Commission, MOEA (NT$'000)	Upper Limit on Investment in China by Investment Commission, MOEA (NT$'000)
					Outflow (NT$'000)	Inflow (NT$'000)									
Kinsus Interconnect Technology Suzhou Corp.	Manufacturing and selling PCB (not high-density fine-line)	2,257,500 (Note 2)	(Note 1)	2,257,500 (Note 2)	-	-	2,257,500 (Note 2)	31,763 (Note 2 and Note 4)	100%	31,763 (Note 2、Note 4 and Note 7)	1,034,889 (Note 2、Note 4 and Note 7)	-	2,257,500 (Note 2)	2,257,500 (Note 2)	No upper limit (Note 5)

Piotek Computer (Suzhou) Co., Ltd.	Researching, developing, producing and selling electronic components, PCBs and related products and providing after-sale services	5,376,075 (Note 2)	(Note 1)	3,039,683 (Note 2)	-	-	3,039,683 (Note 2)	(584,054) (Note 2 and Note 4)	51%	(297,868) (Note 2、Note 4 and Note 7)	2,723,648 (Note 2、Note 4 and Note 7)	-	3,039,683 (Note 2)	3,039,683 (Note 2)	No upper limit (Note 5)
Xiang-Shuo (Suzhou) Trading Limited	Trading of PCB (not high-density fine-line) and material for related products	64,500 (Note 2)	(Note 1)	64,500 (Note 2)	-	-	64,500 (Note 2)	1,511 (Note 2 and Note 4)	100%	1,511 (Note 2、Note 4 and Note 7)	65,149 (Note 2、Note 4 and Note 7)	-	64,500 (Note 2)	64,500 (Note 2)	No upper limit (Note 5)
Pegavision Contact Lenses (Shanghai) Corporation	Selling medical equipment	65,062 (Note 3)	(Note 1)	65,062	-	-	65,062	5,832 (Note 2 and Note 4)	100%	5,832 (Note 2、Note 4 and Note 7)	46,013 (Note 2、Note 4 and Note 7)	-	65,062	65,062	735,270 (Note 6)

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

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

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

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

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

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

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

B. Significant transactions with investees in China:

(a) Purchase and balances of related accounts payable as of December 31, 2016:
Please refer to attachment 12 for details.

(b) Sale and balance of related accounts receivable as of December 31, 2016:
Please refer to attachment 12 for details.

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

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

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

(f) Transactions that have significant impact on profit or loss of current period or the financial position, such as services provided or rendered: Please refer to attachment 12 for details.

(g) Above transactions are eliminated upon preparation of consolidated financial statements. Please refer to attachment 12 for details.

14. OPERATING SEGMENT

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

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

Printed Circuit Board (PCB): This segment produces and manufactures PCBs and sells the products to manufacturers of electronic products.
No operating segments have been aggregated to form the above reportable operating segments.

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

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

For the year ended December 31, 2016

	IC Substrate (NT$'000)	PCB (NT$'000)	Elimination (NT$'000)	Consolidated (NT$'000)
External customer	17,922,696	5,242,370	-	23,165,066
Inter-segment	-	-	-	-
Total revenue	17,922,696	5,242,370	-	23,165,066
Segment income (loss)	2,484,374	(411,346)	-	2,073,028

For the year ended December 31, 2015

	IC Substrate (NT$'000)	PCB (NT$'000)	Elimination (NT$'000)	Consolidated (NT$'000)
External customer	17,820,429	5,240,882	-	23,061,311
Inter-segment	-	-	-	-
Total revenue	17,820,429	5,240,882	-	23,061,311
Segment income (loss)	3,179,452	(449,926)	-	2,729,526

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

Segment assets	IC Substrate (NT$'000)	PCB (NT$'000)	Elimination (NT$'000)	Consolidated (NT$'000)
As of Dec. 31, 2016	34,627,746	6,625,969	-	41,253,715
As of Dec. 31, 2015	35,118,866	7,519,866	-	42,638,732

Segment liabilities	IC Substrate (NT$'000)	PCB (NT$'000)	Elimination (NT$'000)	Consolidated (NT$'000)
As of Dec. 31, 2016	7,697,825	2,541,121	-	10,238,946
As of Dec. 31, 2015	9,012,667	2,798,264	-	11,810,931

(2)Geographical information

Revenues from external customers

	For the year ended December 31, 2016 (NT$'000)	For the year ended December 31, 2015 (NT$'000)
Taiwan	9,092,912	9,184,614
Other countries	14,072,154	13,876,697
Total	23,165,066	23,061,311

Note: The revenue information above is based on the location of the customers.

Non-current assets

	As of December 31, 2016 (NT$'000)	As of December 31, 2015 (NT$'000)
Taiwan	14,888,571	13,769,447
U.S.A	277	243
China	4,256,570	5,337,759
Japan	171	35
Total	19,145,589	19,107,484

(3)Information about major customers

No additional discourses for the years ended December 31, 2016 and 2015 due to no individual customer accounting for at least 10% of net sales.

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Kinsus Interconnect Technology Corp. and Subsidiaries

Endorsement/Guarantee Provided to Others

For the Year ended December 31, 2016

Table 1

(In Thousands of Foreign Currency / New Taiwan Dollars)

Endorsement/ Guarantee Provider		Guaranteed Party											
No. (Note 1)	Name	Name	Nature of Relationship	Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee secured by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial	Maximum Endorsement/ Guarantee Amount Allowed	Endorsement provided by parent company to subsidiaries	Endorsement provided by subsidiaries to parent company	Endorsement provided to entities in China
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	Investee accounted for using equity method indirectly	The overall amount of guarantees/ endorsements provided to a subsidiary in which the Company holds directly over 50% (inclusive) of common equity interest shall not exceed 20% of the net worth in the current financial statements. $5,773.942	$3,708,750 (USD 115,000) (Note 2)	$1,935,000 (USD 60,000) (Note 2)	$951,375	$-	6.70%	Shall not exceed 50% of the net worth in the current financial statements. $14,434,855	Y	N	Y
0	Kinsus Interconnect Technology Corp.	Piotek Computer (Suzhou) Co., Ltd.	Investee accounted for using equity method indirectly	The overall amount of guarantees/ endorsements provided to a subsidiary in which the Company holds directly over 50% (inclusive) of common equity interest shall not exceed 20% of the net worth in the current financial statements. $5,773.,942	$986,850 (USD 30,600) (Note 2)	$986,850 (USD 30,600) (Note 2)	$400,908	$-	3.42%	Shall not exceed 50% of the net worth in the current financial statements. $14,434,855	Y	N	Y

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

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

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Kinsus Interconnect Technology Corp. and Subsidiaries

Marketable Securities Held as of December 31, 2016

Table 2

(In Thousands of New Taiwan Dollars)

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

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

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Kinsus Interconnect Technology Corp. and Subsidiaries

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

For the Year ended December 31, 2016

Table 3

(In Thousands of New Taiwan Dollars)

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

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Kinsus Interconnect Technology Corp. and Subsidiaries

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

For the Year ended December 31, 2016

Table 4

(In Thousands of New Taiwan Dollars)

Acquiring Company	Name of Property	Transaction Date	Transaction Amount	Payment Status	Counter-party	Relationship	Prior Transaction of Related Counter-party: Owner	Prior Transaction of Related Counter-party: Relationship with the Company	Prior Transaction of Related Counter-party: Transfer Date	Prior Transaction of Related Counter-party: Amount	Price Reference	Purpose and Use of Acquisition	Other Terms
Kinsus Interconnect Technology Corp.	Houses and buildings Construction of XinFeng Plant	103.02.13, 104.03.24	$2,268,036	NT$2,146,042 thousand was paid as of December 31, 2016	Guo-Gong Construction Co., Ltd.	None	None	None	None	None	Bidding	Production expansion and operation planning	None

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Kinsus Interconnect Technology Corp. and Subsidiaries

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

For the Year ended December 31, 2016

Table 5

(In Thousands of New Taiwan Dollars)

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

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

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Kinsus Interconnect Technology Corp. and Subsidiaries

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

As of December 31, 2016

Table 6

(In Thousands of New Taiwan Dollars)

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

Note: Other receivables

Kinsus Interconnect Technology Corp. and Subsidiaries

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

As of December 31, 2016

Table 7

(In Thousands of Foreign Currency / New Taiwan Dollars)

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

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

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Marketable Securities Held as of December 31, 2016 (Excluding Investments in Subsidiaries, Associates and Jointly Controlled Entities)

As of December 31, 2016

Table 8

(In Thousands of New Taiwan Dollars)

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

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

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

For the Year ended December 31, 2016

Table 9

(In Thousands of New Taiwan Dollars)

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

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

As of December 31, 2016

Table 10

(In Thousands of US Dollars)

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

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

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

As of December 31, 2016

Table 11

(In Thousands of US Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Ratio	Overdue		Amount Received in Subsequent Periods	Allowance for Doubtful Debts
					Amount	Action Taken		
Piotek Computer (Suzhou) Co., Ltd.	Pegatron Corporation	Parent company	USD 11,071 (Note)	4.80	$-	-	$-	$-
Kinsus Interconnect Technology Suzhou Corp.	Kinsus Interconnect Technology Corp.	Parent company	USD 6,015 (Note and Note 1)	6.67	$-	-	$-	$-

Note: Accounts receivable

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Intercompany Relationships and Significant Intercompany Transactions for the Year Ended December 31, 2016

Table 12

(In Thousands of Foreign Currency / New Taiwan Dollars)

No. (Note 1)	Company Name	Counter-Party	Nature of Relationship (Note 2)	Intercompany Transaction: Financial Statement Account	Amount	Terms	Percentage to Consolidated Net Revenue or Total Assets (Note 3)
	Year 2016						
0	Kinsus Interconnect Technology Corp.	Xiang-Shuo (Suzhou) Trading Limited	1	Other receivables	$963	-	-%
0	Kinsus Interconnect Technology Corp.	Xiang-Shuo (Suzhou) Trading Limited	1	Other income	$2,485	Payment within 60 days from the end of delivery month	0.01%
0	Kinsus Interconnect Technology Corp.	KINSUS CORP. (USA)	1	Accrued expense	$3,396	Payment within 30 days from the end of delivery month by TT	0.01%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Cor	1	Accrued expense	$1,209	Payment within 60 days from the end of delivery month	-%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Cor	1	Accounts payable	$191,819	Payment within 30 days from the end of delivery month	0.46%
0	Kinsus Interconnect Technology Corp.	Piotek Computer (Suzhou) Co., Ltd.	1	Other receivables	$1,104	-	-%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Cor	1	Other receivables	$6,069	-	0.01%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Cor	1	Purchase	$2,006,751	Payment within 30 days from the end of delivery month	8.66%
0	Kinsus Interconnect Technology Corp.	Piotek Computer (Suzhou) Co., Ltd.	1	Purchase	$14,969	Payment within 60 days from the end of delivery month	0.06%
0	Kinsus Interconnect Technology Corp.	KINSUS CORP. (USA)	1	Commission expense	$40,806	Payment within 60 days from the end of delivery month by TT	0.18%
0	Kinsus Interconnect Technology Corp.	KINSUS CORP. (USA)	1	Travel expense	$134	-	-%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Cor	1	Manufacturing - processing	$6,470	Payment within 60 days from the end of delivery month	0.03%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Cor	1	Sales revenue	$9,267	Payment within 30 days from the end of delivery month	0.04%
0	Kinsus Interconnect Technology Corp.	Xiang-Shuo (Suzhou) Trading Limited	1	Sales revenue	$56	Payment within 60 days from the end of delivery month	-%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Cor	1	Other income	$8,714	-	0.04%
0	Kinsus Interconnect Technology Corp.	Piotek Computer (Suzhou) Co., Ltd.	1	Other income	$4,632	-	0.02%
0	Kinsus Interconnect Technology Corp.	PIOTEK (H.K.) TRADING LIMITED	1	Other income	$6,930	-	0.03%
1	Piotek Computer (Suzhou) Co., Ltd.	PIOTEK (H.K.) TRADING LIMITED	3	Sales revenue	USD 18,401	Payment within 60~90 days from the end of delivery month	2.56%
1	Piotek Computer (Suzhou) Co., Ltd.	PIOTEK (H.K.) TRADING LIMITED	3	Accounts receivable	USD 2,431	Payment within 60~90 days from the end of delivery month	0.19%
1	Piotek Computer (Suzhou) Co., Ltd.	Xiang-Shuo (Suzhou) Trading Limited	3	Accounts receivable	USD 825	Payment within 60 days from the end of delivery month	0.06%
1	Piotek Computer (Suzhou) Co., Ltd.	Xiang-Shuo (Suzhou) Trading Limited	3	Sales revenue	USD 2,597	Payment within 60 days from the end of delivery month	0.36%
1	Piotek Computer (Suzhou) Co., Ltd.	Kinsus Interconnect Technology Suzhou Cor	3	Other income	USD 272	Payment within 60~90 days from the end of delivery month	0.04%
1	Piotek Computer (Suzhou) Co., Ltd.	Kinsus Interconnect Technology Suzhou Cor	3	Other receivables	USD 32	Payment within 60~90 days from the end of delivery month	-%
1	Piotek Computer (Suzhou) Co., Ltd.	Kinsus Interconnect Technology Suzhou Cor	3	Purchase	USD 10	Payment within 60~90 days from the end of delivery month	-%
2	Xiang-Shuo (Suzhou) Trading Limited	Piotek Computer (Suzhou) Co., Ltd.	3	Accounts receivable	RMB 4,649	Payment within 60 days from the end of delivery month	0.05%
2	Xiang-Shuo (Suzhou) Trading Limited	Piotek Computer (Suzhou) Co., Ltd.	3	Other receivables	RMB 31	Payment within 60 days from the end of delivery month	-%
2	Xiang-Shuo (Suzhou) Trading Limited	Piotek Computer (Suzhou) Co., Ltd.	3	Sales revenue	RMB 25,825	Payment within 60 days from the end of delivery month	0.52%
2	Xiang-Shuo (Suzhou) Trading Limited	Kinsus Interconnect Technology Suzhou Cor	3	Sales revenue	RMB 4,380	Payment within 60 days from the end of delivery month	0.09%
2	Xiang-Shuo (Suzhou) Trading Limited	Kinsus Interconnect Technology Suzhou Cor	3	Accounts receivable	RMB 866	Payment within 60 days from the end of delivery month	0.01%
4	PIOTEK (H.K.) TRADING LIMITED	KINSUS CORP. (USA)	3	Commission expense	USD 33	Payment within 60 days from the end of delivery month	-%

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

(1) Parent company is coded "0".

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

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

(1) From the parent company to a subsidiary.

(2) From a subsidiary to the parent company.

(3) Between subsidiaries.

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