TYCOONS GROUP ENTERPRISE CO., LTD.

PARENT COMPANY ONLY

FINANCIAL STATEMENTS

AND INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

ADD: No.79-1, Sinle St., Gangshan Dist., Kaohsiung City 820,
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INDEPENDENT AUDITORS' REPORT

NO.11351050EA

To the Board of Directors of Tycoons Group Enterprise Co., Ltd.:

Opinion

We have audited the parent company only financial statements of Tycoons Group Enterprise Co., Ltd. (“the Company”), which comprise the parent company only balance sheets as of December 31, 2016 and 2015, the parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2016 and 2015, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to Other Matter paragraph), the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as at December 31, 2016 and 2015, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained, inclusive of the reports from other auditors, is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

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

1. Inventories Valuation

Refer to Note 4(5) and 6(4) to the parent company only financial statements for the accounting policies and the details of the information about inventories.

<u>Description of the key audit matter</u>

In the parent company only financial report, the inventory is measured at the lower of cost or realizable value. The Company is principally engaged in the production of metal products such as screws, nuts and wales. The value of inventories is susceptible to fluctuations in the price of the demand market and the speed of change of the respective industries. The sales of products may fluctuate violently, resulting in inventories obsolescence losses and expired losses, there is a risk that inventory costs may exceed the net realizable value.

<u>How the matter was addressed in our audit</u>

- Review the aging schedule of inventories and analysis the changes.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management.
- Obtain the inventory data at the end of the period and compare it with the inventory and actually observe the inventory to verify the existence and completeness of inventory.
- By understanding the sale price made by management and the situation of market price after the accounting period to evaluate the reasonableness of inventory net realizable value and compare the recent sales price or purchase cost of the inventories with the cost of the book to confirm that the inventories has been evaluated at the lower of cost or realizable value.
- Evaluate the fairness of the disclosure of allowance for inventories valuation.

2. Impairment of Investment accounted for under the equity method

Refer to Note 4(6) and 6(7) to the parent company only financial statements for the accounting policies and the details of the information about the impairment of Investment accounted for under the equity method.

Description of the key audit matter

Due to the consideration of business strategy, the Company has invested in Thailand, Vietnam, China and other countries. These investments accounted for under the equity method are important assets for the Company. So, we focus on evaluation of the impairment of these investments.

How the matter was addressed in our audit

- Review the identification of cash-generating units and whether there is an indication exist by the management.
- Review the important assumptions that has used by the management, Such as the expected future cash flows, discount rate and etc.
- Querying the management, whether there is a signification matter after the balance date, that effected the result of the evaluation.
- Evaluate the fairness of the disclosure of the impairment.

3. Revenue recognition

Refer to Note 4(13) and 6(16) to the parent company only financial statements for the accounting policies and the details of information about revenue recognition.

Description of the key audit matter

Revenue recognition when the product transfer of risks and rewards and recorded amount directly affects the annual profit and loss of the Company.

The Company and its clients have different trading conditions , we should identify the transfer of risks and rewards in accordance with trading conditions to recognize revenue. There is therefore a risk of revenue being recognized at an inappropriate amount or earlier than appropriate.

How the matter was addressed in our audit

- Understand and test the company’s internal control related of revenue recognition.

- Understand the income type and trading conditions of the Company, to assess whether the accounting policy of revenue being recognized at the time is appropriate.
- By the sampling method, examine supporting documents for actual sales transactions occurring during the year and near the end of the accounting period.

Other Matter

Making reference to the audits of component auditors

We did not audit the financial statements of certain associates and joint ventures accounted for under the equity method, whose statements are based solely on the reports of other auditors. The associates and joint ventures accounted for under the equity method amounted to $117,080 thousand and $1,317,353 thousand, representing 3% and 20% of total assets on December 31, 2016 and 2015. And the related share of profit from the associates and joint ventures accounted for under the equity method amounted to $ 40,495 thousand and $(183,430) thousand, representing (86)% and (31)% of the loss before income tax of the Company for the year ended December 31, 2016 and 2015.

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

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

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

Those charged with governance, including independent directors and supervisors, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

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

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

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

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

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

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

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

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

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

Baker Tilly Clock & Co

March 13,2017

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

The auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and consolidated financial statements, the Chinese version shall prevail.

TYCOONS GROUP ENTERPRISE CO., LTD.

PARENT COMPANY ONLY BALANCE SHEETS

(Expressed in thousands of New Taiwan Dollars)

ASSETS	NOTES	December 31,2016		December 31,2015	
		Amount	%	Amount	%
CURRENT ASSETS					
Cash and cash equivalents	4,6(1)	$ 131,579	2	$ 97,607	2
Financial assets at fair value through profit or loss-current	4,6(2)	13,469	—	15,689	—
Debt investments with no active market-current	4,6(3),8	103,789	1	99,853	2
Notes receivable	4,6(5)	16,692	—	17,195	—
Accounts receivable	4,6(5),7	131,265	2	207,868	3
Other receivables	7	403,407	6	5,207	—
Current tax assets	4,6(20)	186	—	340	—
Inventories	4,6(6)	313,281	5	281,341	4
Prepayments		14,616	—	18,724	—
Other current assets		8,666	—	5,742	—
Total current assets		1,136,950	16	749,566	11
NONCURRENT ASSETS					
Available-for-sale financial assets-noncurrent	4,6(4)	14,061	—	13,731	—
Debt investments with no active market-noncurrent		24,600	—	—	—
Investments accounted for using equity method	4,6(3),8	5,115,524	74	5,182,928	78
Property, plant and equipment	4,6(8),8	589,082	9	605,492	9
Deferred tax assets	4,6(20)	54,560	1	97,143	2
Prepayments for equipment		—	—	2,146	—
Refundable deposits		485	—	718	—
Total noncurrent assets		5,798,312	84	5,902,158	89
TOTAL		$ 6,935,262	100	$ 6,651,724	100

(Continued)

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

TYCOONS GROUP ENTERPRISE CO., LTD.

PARENT COMPANY ONLY BALANCE SHEETS

(Expressed in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	NOTES	December 31,2016		December 31,2015	
		Amount	%	Amount	%
CURRENT LIABILITIES					
Short-term borrowings	6(9),8	$ 1,070,956	16	$ 478,938	7
Short-term bills payable	6(10)	—	—	69,820	1
Notes payable		93,115	1	77,374	1
Accounts payable	7	135,477	2	108,946	2
Other payables	7	32,759	—	42,708	—
Other current liabilities		200	—	179	—
Receipts in advance		176,522	3	61,388	1
Current portion of long-term borrowings	6(12),8	112,800	2	48,000	1
Total current liabilities		1,621,829	24	887,353	13
NONCURRENT LIABILITIES					
Bonds Payable	4,6(11)	300,000	4	300,000	4
Long-term borrowings	6(12),8	689,200	10	1,052,000	16
Deferred tax liabilities	6(20)	54,009	1	69,766	1
Net defined benefit liabilities-noncurrent	6(13)	8,325	—	8,290	—
Guarantee deposits	7	810	—	893	—
Total noncurrent liabilities		1,052,344	15	1,430,949	21
Total liabilities		2,674,173	39	2,318,302	34
EQUITY					
Capital stock	6(14)	5,470,911	79	5,470,911	82
Capital surplus	6(14)	76,760	1	39,824	—
Retained earnings	6(14)				
Legal reserve		16,248	—	16,248	—
Unappropriated earnings (Accumulated deficits)		(1,581,836)	(23)	(1,494,622)	(21)
Other equity	6(14)	279,006	4	301,061	5
Total equity		4,261,089	61	4,333,422	66
TOTAL		$ 6,935,262	100	$ 6,651,724	100

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

TYCOONS GROUP ENTERPRISE CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED ON DECEMBER 31, 2016 AND 2015

(Expressed in thousands of New Taiwan Dollars)

DESCRIPTION	NOTE	For the Year Ended December 31			
		2016		2015	
		Amount	%	Amount	%
OPERATING REVENUES	4,6(16),7	$ 2,207,561	100	$ 2,054,815	100
OPERATING COSTS	6(21),7	(2,026,182)	(92)	(2,045,579)	(100)
GROSS PROFIT		181,379	8	9,236	—
UNREALIZED GAIN ON THE TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES		(4,326)	—	(5,056)	—
REALIZED GAIN ON THE TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES		4,547	—	5,586	—
REALIZED GROSS PROFIT		181,600	8	9,766	—
OPERATING EXPENSES	6(21)				
Selling and marketing expenses		(48,476)	(2)	(43,378)	(2)
General and administrative expenses		(55,425)	(2)	(58,296)	(3)
Total operating expenses		(103,901)	(4)	(101,674)	(5)
(LOSS) PROFIT FROM OPERATIONS		77,699	4	(91,908)	(5)
NON-OPERATING INCOME AND EXPENSES					
Other income	6(17)	369	—	1,057	—
Other gains and losses	6(18)	(7,528)	(1)	1,474	—
Finance costs	6(19)	(49,401)	(2)	(43,653)	(2)
Share of the profit (loss) of subsidiaries and associates	6(7)	(68,459)	(3)	(456,034)	(22)
Total non-operating income and expenses		(125,019)	(6)	(497,156)	(24)
(LOSS) PROFIT BEFORE INCOME TAX		(47,320)	(2)	(589,064)	(29)
INCOME TAX BENEFIT	4,6(20)	(42,342)	(2)	7,971	—
NET (LOSS) PROFIT		(89,662)	(4)	(581,093)	(29)
OTHER COMPREHENSIVE (LOSS) INCOME					
Items that will may be reclassified subsequently to profit or loss					
Exchange differences arising from the translation of the foreign operations		(91,288)	(4)	(227,738)	(11)
Unrealized (loss) gain on available-for-sale financial assets		330	—	(1,234)	—
Share of the other comprehensive income of subsidiaries and associates		55,832	2	(41,938)	(2)
Income tax relating to the components of other comprehensive income (loss)	4,6(20)	15,519	1	38,716	2
Total other comprehensive incomes (loss), net of tax		(19,607)	(1)	(232,194)	(11)
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR		$ (109,269)	(5)	$ (813,287)	(40)
(LOSS) EARNING PER SHARE	6(15)				
BASIC (LOSS) EARNING PER SHARE		$ (0.16)		$ (1.06)	

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

TYCOONS GROUP ENTERPRISE CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(Expressed in thousands of New Taiwan Dollars)

DESCRIPTION	Capital Stock		Retained earnings		Other equity		
	Common stock	Capital surplus	Legal reserve	Unappropriated earnings (Accumulated deficits)	Exchange differences arising from the translation of the foreign operations	Unrealized gain (loss) on available-for-sale financial assets	Total equity
BALANCE, JANUARY 1, 2015	$ 5,470,911	$ 13,445	$ 16,248	$ (913,529)	$ 520,974	$ 12,281	$ 5,120,330
Actual disposal or acquisition of interest in subsidiaries	–	26,379	–	–	–	–	26,379
Net income for 2015	–	–	–	(581,093)	–	–	(581,093)
Other comprehensive (loss) income for 2015, net of income tax	–	–	–	–	(189,022)	(43,172)	(232,194)
Total comprehensive income (loss) for 2015	–	–	–	(581,093)	(189,022)	(43,172)	(813,287)
BALANCE, DECEMBER 31, 2015	5,470,911	39,824	16,248	(1,494,622)	331,952	(30,891)	4,333,422
Actual disposal or acquisition of interest in subsidiaries	–	36,936	–	–	–	–	36,936
Net loss for 2016	–	–	–	(89,662)	–	–	(89,662)
Other comprehensive (loss) income for 2016, net of income tax	–	–	–	2,448	(75,769)	53,714	(19,607)
Total comprehensive (loss) income for 2016	–	–	–	(87,214)	(75,769)	53,714	(109,269)
BALANCE, DECEMBER 31, 2016	$ 5,470,911	$ 76,760	$ 16,248	$ (1,581,836)	$ 256,183	$ 22,823	$ 4,261,089

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

TYCOONS GROUP ENTERPRISE CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED ON DECEMBER 31, 2016 AND 2015

(Expressed in thousands of New Taiwan Dollars)

DESCRIPTION	For the Year Ended December 31	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) profit before income tax	$ (47,320)	$ (589,064)
Adjustments for:		
Depreciation expense	30,207	28,988
Net gain on financial assets and liabilities at fair value through profit or loss, net	8,844	(3,730)
Interest expense	42,528	43,653
Interest income	(369)	(855)
(Gain) loss from price recovery of inventory	(41,399)	44,954
Share of the profit of subsidiaries and associates	68,459	456,034
Gain on disposal of property, plant and equipment	286	1,084
Realized gain on the transactions with subsidiaries and associates	(221)	(531)
Changes in operating assets and liabilities		
Financial assets held for trading	(6,624)	16,612
Notes receivable	503	8,218
Accounts receivable	76,603	170,217
Other receivables	(398,134)	117,770
Inventories	9,459	33,440
Prepayments	4,108	7,492
Other current assets	(5,989)	(4,132)
Notes payable	15,741	(59,360)
Accounts payable	26,531	(107,923)
Other payables	(12,784)	1,351
Receipts in advance	115,134	51,485
Other current liabilities	21	(12)
Net defined benefit liabilities-noncurrent	35	100

(Continued)

TYCOONS GROUP ENTERPRISE CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED ON DECEMBER 31, 2016 AND 2015

(Expressed in thousands of New Taiwan Dollars)

DESCRIPTION	For the Year Ended December 31	
	2016	2015
Cash (used in) generated operations	$ (114,381)	$ 215,791
Interest received	303	867
Interest paid	(39,693)	(30,605)
Income taxes paid	157	(45)
Net cash (used in) generated by operating activities	(153,614)	186,008
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in debt investments with no active market	(28,536)	59,401
Acquisition of investments accounted for using equity method	(2,424)	(443,259)
Payments for property, plant and equipment	(11,324)	(29,477)
Proceeds from disposal of property, plant and equipment	57	1,855
Decrease (increase) in prepayments for equipment	2,146	(2,146)
Dividend received from investments accounted for using equity method	3,319	15,760
Decrease in refundable deposits	233	361
Net cash used in investing activities	(36,529)	(397,505)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term bills payable	(69,820)	69,820
Increase (decrease) in short-term borrowings	592,018	(501,717)
Issuance of bonds	—	300,000
Repayment of bonds	—	(265,206)
Increase in long-term borrowings	(298,000)	680,000
Increase in guarantee deposits	(83)	214
Net Cash generated by Financing Activities	224,115	283,111
NET INCREASE IN CASH AND CASH EQUIVALENTS	33,972	71,614
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	97,607	25,993
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	$ 131,579	$ 97,607

The accompanying notes are an integral parent company only financial statements.

TYCOONS GROUP ENTERPRISE CO., LTD.

NOTES TO STANDALONE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(Amounts in thousands of New Taiwan dollars, unless otherwise stated)

1. HISTORY AND ORGANIZATION

Tycoons Group Enterprises Co., Ltd. (the "Company") was incorporated under the Company Law on November 20, 1980. The main business is to produce, process, commerce, export or lease screws, screw nuts, washer, steel thread, heat-processing of metal-blazed, mechanical parts, press-modeling machines as well as heat-processing equipment, and to manufacture, process and export various metal-models, and general international trade business excluding futures transactions.

In January 1995, the Company's stocks were approved by the Financial Supervisory Commission, Executive Yuan, R.O.C for listing on the Taiwan Stock Exchange.

The parent company only financial statements are presented in the Company's functional currency, New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The parent company only financial statements were approved by the board of directors and authorized for issue on March 13, 2017.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

None.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
JFRS 14, "Regulatory deferral accounts"	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortization (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, "Levies	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

The above standards and interpretations have no significant impact to the Company's financial condition and operating result based on the Company's assessment.

(3) New standards and interpretations issued by the IASB but not yet endorsed by the FSC

New Standards, Amendments and Interpretations	Effective Date by IASB
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	January 1, 2018
Applying IFRS 9 'Financial instruments' with IFRS 4 'Insurance contracts' (amendments to IFRS 4)	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, 'Revenue from contracts with customers' (amendments to IFRS 15)	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealized losses (amendments to IAS 12)	January 1, 2017
Transfers of investment property (amendments to IAS 40)	January 1, 2018
IFRS 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 1, 'First-time adoption of international financial reporting standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the followings, the above standards and interpretations have no significant impact to the Company's financial condition and operating result based on the Company's assessment. The quantitative impact will be disclosed when the assessment is complete.

A. IFRS 9, 'Financial instruments'

(a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortized cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

(b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognize 12-month expected credit losses ('ECL') or lifetime expected credit losses ECL (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

(c) The amended general hedge accounting requirements align hedge accounting more closely with an entity's risk management strategy. Risk components of non-financial items and a group of items can be designated as hedged items. The standard relaxes the requirements for hedge effectiveness, removing the 80-125% bright line, and introduces the concept of 'rebalancing'; while its risk management objective remains unchanged, an entity shall rebalance the hedged item or the hedging instrument for the purpose of maintaining the hedge ratio.

B. IFRS 15, 'Revenue from contracts with customers'

IFRS 15, 'revenue from contracts with customers' replaces IAS 11 'Construction Contracts', IAS 18 'Revenue' and relevant interpretations. According to IFRS 15, revenue is recognized when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following steps:

Step1: Identify contracts with customer

Step 2: Identify separate performance obligations in the contract(s)

Step 3: Determine the transaction price

Step 4: Allocate the transaction price.

Step 5: Recognize revenue when the performance obligation is satisfied.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

C. IFRS 16, ‘Leases’

IFRS 16, ‘Leases’, replaces IAS 17, ‘Leases’ and related interpretations and SICs. The standard requires lessees to recognize a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The parent company only financial statements have been prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, IFRSs, IASs, Interpretations as well as related guidance translated by the ARDF endorsed by the FSC with the effective dates (collectively, “IFRSs”).

(2) Basis of Preparation

The parent company only financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The subsidiaries, associates and jointly controlled entities are incorporated in the standalone financial statements under the equity method. To make net profit for the year, other comprehensive income and equity in the parent company only financial statements equal to those attributed to owners of the Company on consolidated financial statements, the effect of the differences between basis of parent company only and basis of consolidation are adjusted in the investments accounted for using equity method, the related share of the profit or loss, the related share of other comprehensive income of subsidiaries and associates and related equity.

(3) Current and Noncurrent Assets and Liabilities

Current assets held for trading purposes and expected to be, sold or consumed within one year from the balance sheet date. Current liabilities are obligations incurred for trading purposes and to be settled within one year from the balance sheet date. Assets and liabilities that are not classified as current are noncurrent assets and liabilities, respectively.

(4) Foreign Currencies

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

At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the closing rates. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks.

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

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting parent company only financial statements, the assets and liabilities of the Company' foreign operations are translated into New Taiwan dollars using exchange rates prevailing at each balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income

(5) Inventories

Inventories are stated at the lower of cost or net realizable value. Inventories are recorded at weighted-average cost. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale.

(6) Investment in subsidiaries and associates

Investments in subsidiaries and associates are recognized under the equity method.

(A) Investment in subsidiaries

A subsidiary is an entity that is controlled by the Company. Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiary as well as the distribution received. The Company also recognized its share in the changes in the equity of subsidiaries.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amount of the subsidiary and the fair value of the consideration paid or received is recognized directly in equity.

When the Company loses control of a subsidiary, any retained investment of the former subsidiary is measured at the fair value at that date. A gain or loss is recognized in profit or loss and calculated as the difference between (a) the aggregate of the fair value of consideration received and the fair value of any retained interest at the date when control is lost; and (b) the previous carrying amount of the investments in such subsidiary. In addition, the Company shall account for all amounts previously recognized in other comprehensive income in relation to the subsidiary on the same basis as would be required if the Company had directly disposed of the related assets and liabilities. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the cost on initial recognition of an investment in an associate.

When the Company transacts with its subsidiaries, profits and losses resulting from the transactions with the subsidiaries are recognized in the Company's parent company only financial statements only to the extent of interests in the subsidiaries that are not owned by the Company.

(B) Investment in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The operating results and assets and liabilities of associates are incorporated in these parent company only financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized in the statement of financial position at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the associate as well as the distribution received. The Company also recognized its share in the changes in the equity of associates.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When the Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the net assets of the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Company's ownership interest is reduced due to the additional subscription to the shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate shall be reclassified to profit or loss on the same basis as would be required if the associate or jointly controlled entity had directly disposed of the related assets or liabilities.

When the Company transacts with an associate, profits and losses resulting from the transactions with the associate are recognized in the Company' parent company only financial statements only to the extent of interests in the associate that are not owned by the Company.

(7) Property, Plant, and Equipment

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use and depreciated accordingly.

Depreciation is computed by the straight-line method over the estimated useful lives. The estimated useful lives are as follows:

Buildings	4～45	years
Machinery and equipment	4～15	years
Transportation equipment	5	years
Furniture and fixtures	3～15	years
Leasehold improvements	2～15	years
Miscellaneous equipment	1～15	years

If each component of property, plant and equipment is significant, it is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss in the current year.

(8) Impairment of Tangible and Intangible Assets

At each balance sheet date, the Company review the carrying amounts of their tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimate the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

(9) Financial Instruments

Financial assets and financial liabilities are recognized when the Standalone Company become a party to the contractual provisions of the instruments.

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

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

A. Financial assets

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

a. Measurement category

Financial assets held by the Standalone Company include financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables.

a) Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset.

b) Available-for-sale financial assets

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

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

Dividends on available-for-sale equity instruments are recognized when the Standalone Company' right to receive the dividends is established.

c) Loans and receivables

Loans and receivables (including accounts receivable, cash and cash equivalents and bond investments with no active market) are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Deposits in banks consisted of highly liquid time deposits that were readily convertible to known amounts of cash and were subject to an insignificant risk of changes in value.

b. Impairment of financial assets

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

Financial assets carried at amortized cost, such as accounts receivable, other receivables and bond investments with no active market are assessed for impairment on a collective basis even if there is no objective evidence of impairment individually. The amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account.

c. Derecognition of financial assets

The Company derecognize a financial asset only when the contractual rights to the cash flows from the asset expire, or when they transfer the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

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

B. Equity Instruments

a. Classification as debt or equity

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

b. Equity instruments

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

C. Financial liabilities

a. Subsequent measurement

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

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

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

b. Derecognition of financial liabilities

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

(10) Retirement benefits

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

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost, past service cost, as well as gains and losses on settlements) and net interest on the net defined benefit liability are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

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

(11) Convertible Bonds

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

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

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

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability components (included in the carrying amount of liabilities) and equity components (included in equity) in proportion to the allocation of the gross proceeds.

(12) Derivative financial instruments

The Company enter into a variety of derivative financial instruments to manage their exposure to foreign exchange rate and interest rate risks, including foreign exchange forward contracts and interest rate swap contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognized in profit or loss immediately.

(13) Revenue recognition

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

A. Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

(a) The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;

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

(c) The amount of revenue can be measured reliably;

(d) It is probable that the economic benefits associated with the transaction will flow to the Company; and

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

B. Dividend income and interest income are recognized when it is probable that the economic benefits will flow to the Company and the amount of revenue can be reliably measured, recognized as follows:

(a) Dividend income is recognized when the shareholder’s right to receive payment has been established.

(b) Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(14) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

A. Current tax

Income tax on unappropriated earnings (excluding earnings from foreign standalone subsidiaries) at a rate of 10% is expensed in the year the shareholders approved the appropriation of earnings which is the year subsequent to the year the earnings are generated.

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

B. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the standalone financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, net operating loss carryforwards and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. The deferred tax assets which originally not recognized is also reviewed at the end of each reporting period and recognized to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences 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.

C. Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 4, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following are the critical judgments, apart from those involving estimations, that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the standalone financial statements.

(1) Revenue Recognition

The Company recognizes revenue when the conditions described in Note 4 are satisfied. The Company also records a provision for estimated future returns and other allowances in the same period the related revenue is recorded. Provision for estimated sales returns and other allowances is generally made and adjusted at a specific percentage based on historical experience and any known factors that would significantly affect the allowance, and our management periodically reviews the adequacy of the estimation used.

(2) Valuation of Inventory

Inventories are stated at the lower of cost or net realizable value, and the Company use judgment and estimate to determine the net realizable value of inventory at the end of each reporting period.

Due to the rapid industrial changes, the Company estimates the net realizable value of inventory for obsolescence and unmarketable items at the end of reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon.

(3) Impairment assessment on investments accounted for using equity method

The Company assesses the impairment of investments accounted for using the equity method whenever triggering events or changes in circumstances indicate that an investment may be impaired and carrying value may not be recoverable. The Company measures the impairment based on a projected future cash flow of the investees, including the underlying assumptions of sales growth rate and capacity utilization rate formulated by such investees' internal management team, to ensure the reasonableness of such assumptions.

(4) Estimated impairment of accounts receivable

When there is objective evidence of impairment loss, the Company take into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

(5) Impairment assessment of tangible and intangible assets

In the process of evaluating the potential impairment of tangible and intangible assets other than goodwill, the Company is required to make subjective judgments in determining the independent cash flows, useful lives, expected future revenue and expenses related to the specific asset groups with the consideration of the nature of semiconductor industry. Any changes in these estimates based on changed economic conditions or business strategies could result in significant impairment charges or reversal in future years.

(6) Recognition and measurement of defined benefit plans

Net defined benefit liability and the resulting defined benefit costs under defined benefit pension plans are calculated using the Projected Unit Credit Method. Actuarial assumptions comprise the discount rate, rate of employee turnover, and future salary increase rate. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

(7) Realization of deferred income tax assets

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Assessment of the realization of deferred income tax assets involves critical accounting judgments and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, tax exempt duration, available tax credits, tax planning, etc. Any variations in global economic environment, industrial environment, and laws and regulations might cause material adjustments to deferred income tax assets.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2016	December 31, 2015
Cash on hand	$ 177	$ 215
Bank deposits	131,402	97,392
Total	$ 131,579	$ 97,607

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

Financial assets held for trading

	December 31, 2016	December 31, 2015
Derivative financial assets		
Forward exchange contracts	$ 5,292	$ 5,659
Non-derivative financial assets		
Mutual funds	8,177	10,030
	$ 13,469	$ 15,689

The main purpose for the Company to engage in forward exchange contracts transactions is to evade the risk resulting from the fluctuation of currency exchange rate. However, those derivative assets and liabilities did not meet the criteria of hedge effectiveness and therefore were not accounted for by using hedge accounting.

The undue derivative financial products were as follows:

December 31, 2016	Currency	Maturity Period	Contracted Amount (in thousand)
Buy forward exchange	United States dollars	2016.08.11~2017.01.16	USD 2,000
〃	〃	2016.09.06~2017.01.16	USD 1,000
〃	〃	2016.09.07~2017.01.16	USD 1,000
〃	〃	2016.11.15~2017.04.13	USD 1,000
〃	〃	2016.12.08~2017.04.13	USD 1,700

December 31, 2015	Currency	Maturity Period	Contracted Amount (in thousand)	
Buy forward exchange	United States dollars	2015.08.13~2016.01.21	USD	2,000
〃	〃	2015.08.18~2016.01.21	USD	1,000
〃	〃	2015.08.20~2016.02.15	USD	2,000
〃	〃	2015.08.20~2016.02.15	USD	2,000
〃	〃	2015.08.20~2016.02.15	USD	1,300
〃	〃	2015.10.07~2016.03.17	USD	1,700
〃	〃	2015.10.15~2016.04.19	USD	1,000

(3) Debt investments with no active market

	December 31, 2016	December 31, 2015
Pledge deposits	$ 48,375	$ —
Restricted deposits	80,014	99,853
Total	$ 128,389	$ 99,853
Current	$ 103,789	$ 99,853
No current	$ 24,600	$ —
Rate	0.05%～0.17%	0.02%～0.17%

Refer to note 8 for information relating to debt investments with no active markets pledged as security.

(4) Available-for-sale financial assets – noncurrent

	December 31, 2016	December 31, 2015
Listed shares	$ 4,364	$ 4,310
Unlisted shares	9,697	9,421
Total	$ 14,061	$ 13,731

(5) Notes and accounts receivable-net

	December 31, 2016	December 31, 2015
Notes and accounts receivable	$ 148,418	$ 225,524
Less: Allowance for doubtful accounts	(461)	(461)
Net	$ 147,957	$ 225,063

A. The Company's sale agreements typically provide that the payment is due 30 days from the invoice date for a majority of the customers and 30 to 45 days after the end of the month in which sales occur for some customers. The allowance for doubtful receivables is assessed by reference to the collectability of receivables by performing the account aging analysis, historical experience and current financial condition of customers.

B. Notes and accounts receivable include amounts that are past due but for which the Company has not recognized an allowance for doubtful receivables after the assessment since there has not been a significant change in the credit quality of its customers and the amounts are still considered recoverable.

C. Aging analysis of notes and accounts receivable

	December 31, 2016		December 31, 2015	
Past due but not impaired				
Less than 90 days	$	41,452	$	57,220
91-180 days		—		4,725
Total	$	41,452	$	61,945

(6) Inventories

	December 31, 2016		December 31, 2015	
Finished goods	$	103,095	$	99,190
Work in process		55,277		56,862
Raw materials		106,636		105,851
Supplies		7,134		8,029
Goods in transit		41,139		11,409
Total	$	313,281	$	281,341

A. The operating cost of the Company includes unallocated overhead amounted to $4,092 thousand and $10,787 thousand for the year ended December 31, 2016 and 2015, respectively.

Write-down of inventories to net realizable value was included in the cost of revenue, which was as follows:

	For the Year Ended December 31	
Inventory (recovery) impairment	$ 41,399	$ (44,954)

B. The insurance coverage as of December 31, 2016 and 2015, were both of $310,000 thousand.

(7) Investments accounted for using equity method

	December 31, 2016	December 31, 2015
Investments in subsidiaries	$ 5,001,027	$ 5,078,408
Investments in associates	$ 114,497	$ 104,520

A. Investments in subsidiaries

	December 31, 2016	December 31, 2015
Tycoons Group International Co., Ltd.	$ 4,696,531	$ 4,833,988
Yuan Zhen Investment Co., Ltd.	217,385	161,193
Tycoons Worldwide Group (Thailand) Public Co., Ltd.	87,111	83,227
	$ 5,001,027	$ 5,078,408

The holding percentage of ownership and voting rights held by the Company were as follows.

	December 31, 2016	December 31, 2015
Tycoons Group International Co., Ltd.	100%	100%
Yuan Zhen Investment Co., Ltd.	100%	100%
Tycoons Worldwide Group (Thailand) Public Co., Ltd.	3.39%	3.33%

In 2015, the Company invested in Tycoons Group International Co., Ltd. which amounted to 442,117 thousand.

Mortgaged or pledged the shares of the subsidiaries see Note 8.

B. Investments in associates

	December 31, 2016	December 31, 2015
Unlisted companies		
Hurco Automation Ltd.	$ 114,497	$ 104,520

The holding percentage of ownership and voting rights held by the Company were as follows.

	December 31, 2016	December 31, 2015
Hurco Automation Ltd.	35%	35%

Financial information of the Company's associates was summarized as follows:

	December 31, 2016	December 31, 2015
Total assets	$ 425,661	$ 401,324
Total liabilities	(98,525)	(98,611)
Net assets	$ 327,136	$ 302,713
The Company's share of net assets of associates	$ 114,497	$ 104,520

	For the Year Ended December 31	
	2016	2015
Net revenue	$ 484,404	$ 422,398
Net income	$ 43,370	$ 48,305
The Company's share of the profit of associate	$ 15,179	$ 16,907

The investments accounted for using equity method and the share of profit or loss and other comprehensive income of investment in Hurco Automation Co., Ltd. was calculated based on the financial statements for the year ended Oct. 31, that have been audited by another auditor.

(8) Property, plant and equipment

Item	Balance, Beginning of Year	Additions	Disposals	Reclassification	Balance, End of Year
	For the Year Ended December 31, 2016				
Cost					
Land	$ 339,728	$ —	$ —	$ —	$ 339,728
Buildings	315,243	—	—	—	315,243
Machinery and equipment	133,107	580	(15,591)	—	118,096
Transportation equipment	32,817	3,866	(1,106)	—	35,577
Furniture and fixtures	14,134	—	(797)	—	13,337
Leasehold improvements	2,682	—	—	—	2,682
Other equipment	69,658	6,878	(4,275)	3,065	75,326
Total	907,369	11,324	(21,769)	3,065	899,989
Accumulated depreciation and impairment					
Buildings	141,221	8,175	—	—	149,396
Machinery and equipment	79,683	9,063	(15,151)	—	73,595
Transportation equipment	24,505	3,402	(1,060)	—	26,847
Furniture and fixtures	11,356	399	(757)	—	10,998
Leasehold improvements	1,662	217	—	—	1,879
Other equipment	43,450	8,951	(4,209)	—	48,192
Total	301,877	30,207	(21,177)	—	310,907
Net	$ 605,492	$ (18,883)	$ (592)	$ 3,065	$ 589,082

Item	Balance, Beginning of Year	Additions	Disposals	Reclassification	Balance, End of Year
	For the Year Ended December 31, 2015				
Cost					
Land	$ 339,728	$ —	$ —	$ —	$ 339,728
Buildings	307,208	583	—	7,452	315,243
Machinery and equipment	159,803	16,673	(43,369)	—	133,107
Transportation equipment	32,901	1,970	(2,054)	—	32,817
Furniture and fixtures	14,030	257	(153)	—	14,134
Leasehold improvements	2,434	248	—	—	2,682
Other equipment	70,238	9,746	(10,326)	—	69,658
Prepayment for estate	7,452	—	—	(7,452)	—
Total	933,794	29,477	(55,902)	—	907,369
Accumulated depreciation and impairment					
Buildings	132,981	8,240	—	—	141,221
Machinery and equipment	111,502	9,344	(41,163)	—	79,683
Transportation equipment	23,007	3,083	(1,585)	—	24,505
Furniture and fixtures	11,145	357	(146)	—	11,356
Leasehold improvements	1,477	185	—	—	1,662
Other equipment	45,490	7,779	(9,819)	—	43,450
Total	325,602	28,988	(52,713)	—	301,877
Net	$ 608,192	$ 489	$ (3,189)	$ —	$ 605,492

A. The significant part of the Company’s buildings includes main plants and affiliated equipment and the related depreciation is calculated using the estimated useful lives of 3 to 45 years, and 1 to 15 years, respectively.

B. The insurance coverage as of December 31, 2016 and 2015 were $302,442 thousand and $196,500 thousand, respectively.

C. Mortgaged or pledged property, plant and equipment, see Note 8.

(9) Short-term borrowings

	December 31, 2016	December 31, 2015
Bank loans for purchasing materials	$ 590,956	$ 448,938
Unsecured loans	480,000	30,000
Total	$ 1,070,956	$ 478,938
Rate	1.47%～2.52%	1.36%～1.82%

(10) Short-term bills payable

	December 31, 2015
Commercial paper	$ 70,000
Less: Discount on short-term bills payable	(180)
Net	$ 69,820
Interest Rate	1.68%
Period	104.12.31～105.2.26

(11) Bonds payable

A. On September 30, 2013, the Company issued secured, domestic convertible bonds with a face value of $300,000 thousand. The details of the convertible bonds payable are as follows:

	December 31, 2016	December 31, 2015
Bonds payable	$ —	$ —
Less: Discount on bonds payable	—	—
Current portion	—	—
Total	$ —	$ —

The main terms of the secured domestic convertible bonds are as follow:

a. Total price: $ 300,000 thousand.

b. Stated interest rate and payment term: Stated rate is 0%, principal shall be redeemed at 100% of the face value when due.

c. Issue type: Domestic secured convertible bonds issued in registered form, in denomination of $100 thousand or the exact multiple thereof, issued at 100% of principal amount.

d. Issue period: Three years.

e. Redemption at the option of the Company:

(A) Unless previously converted or repurchased, the bonds will be redeemed at the face value at maturity.

(B) The withdraw price before maturity

(a) The Company may redeem all of the bonds with prior notice (actual number of days after one month of issuing till the 40th day before redemption) at any time, provided that the closing price of the Company's shares on the TSE reaches 30% of the conversion price for 30 consecutive trading days.

(b) When over 90% of the bonds had been redeemed, bought back or converted, the Company may redeem the remaining bonds with prior notice.

f. Put option of the bondholders

The Issuer will, on the second anniversary of the Issue Date, at the option of any bondholders by giving prior notice to the Issuer, redeem all or any portion of the Bonds at 102.01% of the face value.

g. Conversion price and adjustment

(A) The conversion price was originally NT$ 6 per share. The conversion price will be subject to adjustments upon. The occurrence of certain events set out in the indenture.

(B) For the convertible corporate bonds, the conversion right is being separated from the liabilities and list as "additional paid-in capital-warrants were $ 0 thousand as December 31, 2016 and 2015. And the embedders, redemption option and put option doesn't have direct relationship with the economic attributes and risk of primary liabilities contract. Thus, they are to be separately recognized and accounted, and the net amount were recognized as "financial liabilities at fair value through profit or loss", and "financial assets at fair value through profit or loss" amounting to $0 thousand, as of December 31, 2016 and 2015, respectively.

h. Secured

The bonds were secured by First Commercial Bank.

i. As December 31, 2015, the Amount $ 40,000 thousand of the convertible corporate bond has been converted into the 6,666 shares of the Company.

j. In September and November 2015, the Company redeemed outstanding bonds of $260,000 thousand in the consideration of $265,206 thousand and resulted in $834 thousand redemption gain and thereafter additional paid-in capital-warrants of $7,722 thousand was reclassified to additional paid-in capital-issuance of common shares.

B. On November 20, 2015, the Company issued secured, domestic bonds with a face value of $300,000 thousand. The details of the convertible bonds payable are as follows:

	December 31, 2016	December 31, 2015
Bonds payable	$ 300,000	$ 300,000

The main terms of the secured domestic bonds are as follow:

a. Total price: $ 300,000 thousand.

b. Face value: $1,000 thousand.

c. Issue price: Issue at 100% of principal amount.

d. Issue period: Three years.

e. Coupon interest rate: 0.9%

f. Payment of interest and principal:

The interest is paid once a year and the principal is paid on Maturity day.

g. Secured

The bonds were secured by First Commercial Bank.

(12) Long-term borrowings

	December 31, 2016				
Creditors	Due Date	Interest Rate (%)	Amount	Payable Within One Year	Description No.
Taiwan Business Bank	03/02/2020	2.55	$ 282,000	$ 36,000	A
First Commercial Bank	06/10/2020	2.65	470,000	60,000	B
Hwatai Bank	08/18/2019	2.36	50,000	16,800	C
Subtotal			802,000	$ 112,800	
Less: amounts payable within one year			(112,800)		
Net			$ 689,200		

	December 31, 2015				
Creditors	Due Date	Interest Rate (%)	Amount	Payable Within One Year	Description No.
Taiwan Business Bank	03/02/2020	2.72	$ 300,000	$ 18,000	A
First Commercial Bank	06/10/2020	2.80～2.87	800,000	30,000	B
Subtotal			1,100,000	$ 48,000	
Less: amounts payable within one year			(48,000)		
Net			$ 1,052,000		

Description of bank borrowings:

A. Repayable starting after the date of credit drawing in six-monthly installments for a total of 8 installments, repayments of 6% of the principal are due on the first to the third installments, 8% of the principal are due on the fourth to the seventh installments and 50% of the principal for the final installment.

B. In the duration of the loan contract, repayable starting on the 18th month after the date of credit drawing in six-monthly installments for a total of 8 installments, repayments of 6% of the principal are due on the first to the third installments, 13% of the principal are due on the fourth to the seventh installments and 30% of the principal for the final installment.

In the duration of the loan contract, the consolidated financial statements, audited by independent auditors, of the borrower are to satisfy the covenants set out below.

a. Current ratio: The ratio of current assets to current liabilities shall not be lower than 100%.

b. Debt ratio: The ratio of debts to tangible net value shall not be higher than 150%.

c. Interest and current liability cover: The ratio of the sum of earnings before interest and tax, depreciation and amortization expenses (EBITDA) to the interest of the current period shall be more than 200%.

d. Net tangible asset value: It shall not be lower than $6 billion.

The company was unable to maintain financial ratios stipulated in an agreement and has received a confirmation from the lender to waive in 2015.

C. Repayable starting on the 6th month after the date of credit drawing in three-monthly installments for a total of 11 installments, repayments NT$4,200 thousand are due on the first to the tenth installments and NT$8,000 thousand for the final installment.

(13) Retired benefit plans

A. Defined contribution plans

The Company adopted a pension plan according to the Labor Pension Act (the "LPA"), which is a defined contribution plan. Based on the LPA, the Corporation makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. Accordingly, the Company recognized expenses of NT$3,961 thousand and NT$4,007 thousand in the statements of comprehensive income ended December 31, 2016 and 2015, respectively.

B. Defined benefit plans

The Company adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement.

The amount arising from the defined benefit obligations of the Company in the balance sheets were as follows:

	December 31, 2016	December 31, 2015
Present value of defined benefit obligation (Net defined benefit liability)	$ (8,235)	$ (8,290)

Movements in the present value of the net defined benefit liability were as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
BALANCE, JANUARY 1, 2016	$ (8,290)	$ —	$ (8,290)
Service cost			
Current service cost	(35)	—	(35)
Recognized in profit or loss	(35)	—	(35)
BALANCE, DECEMBER 31, 2016	$ (8,325)	$ —	$ (8,325)

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
BALANCE, JANUARY 1, 2015	$ (8,190)	$ —	$ (8,190)
Service cost			
Current service cost	(100)	—	(100)
Recognized in profit or loss	(100)	—	(100)
BALANCE, DECEMBER 31, 2015	$ (8,290)	$ —	$ (8,290)

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31, 2016	December 31, 2015
Discount rate	1.25%	1.25%
Expected rate of salary increase	2.00%	2.00%

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

	Effect of the present value of the defined benefit obligation	
December 31, 2016	Actual assumptions Increase 0.25%	Actual assumptions Decrease 0.25%
Discount rate	$ (90)	$ 91
Expected rate of salary increase	$ 98	$ (97)

	Effect of the present value of the defined benefit obligation	
December 31, 2015	Actual assumptions Increase 0.25%	Actual assumptions Decrease 0.25%
Discount rate	$ (90)	$ 91
Expected rate of salary increase	$ 98	$ (97)

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

(14) Equity

A. Capital stock

	December 31, 2016	December 31, 2015
Numbers of shares authorized (in thousands)	640,000	640,000
Shares issued (in thousands)	547,091	547,091

The movement of shares for the year ended December 31, 2016 and 2015 were as follows:

	Numbers of shares issued (in thousands)	Capital	Capital surplus
January 1, 2016	547,091	$ 5,470,911	$ 39,824
Actual disposal or acquisition of interest in subsidiaries	–	–	36,936
December 31, 2016	547,091	$ 5,470,911	$ 76,760

	Numbers of shares issued (in thousands)	Capital	Capital surplus
January 1, 2015	547,091	$ 5,470,911	$ 13,445
Actual disposal or acquisition of interest in subsidiaries	–	–	26,379
December 31, 2015	547,091	$ 5,470,911	$ 39,824

B. Capital surplus

	December 31, 2016	December 31, 2015
Adjusting of resell bonds	$ 7,722	$ 7,722
Actual disposal or acquisition of interest in subsidiaries	69,038	32,102
Total	$ 76,760	$ 39,824

The capital surplus from share issued in excess of par(additional paid-in capital from issuance of common shares etc.) and the part of accepted donation is able to offset the deficit; in addition, when the company has no deficit, such capital surplus may be distributed as cash dividends or stock dividends up to a certain percentage of Company’s paid-in capital.

C. RETAINED EARNINGS AND DIVIDEND POLICY

	Legal reserve	Unappropriated earnings	Total
January 1, 2016	$ 16,248	$ (1,494,622)	$ (1,478,374)
Actuarial loss on defined benefit plans	—	2,448	2,448
Net loss attributable to the owners of the Company	—	(89,662)	(89,662)
December 31, 2016	$ 16,248	$ (1,581,836)	$ (1,565,588)

	Legal reserve	Unappropriated earnings	Total
January 1, 2015	$ 16,248	$ (913,529)	$ (897,281)
Net loss attributable to the owners of the Company	—	(581,093)	(581,093)
December 31, 2015	$ 16,248	$ (1,494,622)	$ (1,478,374)

a. Based on the Company's Articles of Incorporation, the current year's earnings, if any, shall be distributed in the following order:

(A) Payment of all taxes.

(B) Making up loss for preceding years.

(C) Setting aside 10% for legal reserve, except for when accumulated legal reserve has reached the Company’s paid-in capital.

(D) Appropriating or reversing special reserve by government officials or other regulations.

(E) The remaining, plus the previous year’s unappropriated earnings, shall be distributed according to the distribution plan proposed by the Board of Directors according to the dividend policy and submitted to the stockholders’ meeting for approval. According to the Company's Articles of Incorporation, 50%~100% of the distributable retained earnings shall be distributed as stockholders' bonus, of which at most 10% is payable by cash.

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The consequential amendments to the Company's Articles of Incorporation will be subject to the resolution of the shareholders in their meeting to be held in 2016. For information about the accrual basis of the employees' compensation and remuneration to directors and supervisors and the actual appropriations, please refer to note 6(21).

b. The general shareholders' meeting held on June 14, 2016 has approved to offset a deficit. Information about the meeting is available on the Market Observation Post System website of the TSE.

c. The general shareholders' meeting held on June 23, 2015 has approved to offset a deficit. Information about the meeting is available on the Market Observation Post System website of the TSE.

d. The Company appropriates and reverses special reserves under Rule No. 1010012865 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs". Distributions can be made out of any subsequent reversal of the debit to other equity item.

e. The Board of Directors' meeting held on March 13, 2017 has approved to offset a deficit. Information on the Board of Directors' recommendations and shareholders' approval can be obtained from the Market Observation Post System website of the TSE.

D. Other equity items

	Exchange differences arising from the translation of the foreign operations	Unrealized gain (loss) on available-for-sale financial assets	Total
January 1, 2016	$ 331,952	$ (30,891)	$ 301,061
Exchange differences on translating foreign operations	(91,288)	(1,319)	(92,607)
Change in fair value of available-for-sale financial assets	—	330	330
Share of other comprehensive income of subsidiaries and associates	—	54,703	54,703
Income tax effects	15,519	—	15,519
December 31, 2016	$ 256,183	$ 22,823	$ 279,006

	Exchange differences arising from the translation of the foreign operations	Unrealized gain (loss) on available-for-sale financial assets	Total
January 1, 2015	$ 520,974	$ 12,281	$ 533,255
Exchange differences on translating foreign operations	(227,738)	(1,744)	(229,482)
Change in fair value of available-for-sale financial assets	—	(1,234)	(1,234)
Share of other comprehensive income of subsidiaries and associates	—	(40,194)	(40,194)
Income tax effects	38,716	—	38,716
December 31, 2015	$ 331,952	$ (30,891)	$ 301,061

The exchange differences arising on translation of foreign operation's net assets from its functional currency to Company's presentation currency are recognized directly in other comprehensive income and also accumulated in the foreign currency translation reserve.

Unrealized gain/loss on available-for-sale financial assets represents the cumulative gains or losses arising from the fair value measurement on available-for-sale financial assets that are recognized in other comprehensive income.

(15) (Loss) Earnings per share

	For the Years Ended December 31	
	2016	2015
(Loss) profit for the years attributable to owners of the Company	$ (89,662)	$ (581,093)
Weighted average number of ordinary shares outstanding (in thousand shares)	547,091	547,091
Basic EPS	$ (0.16)	$ (1.06)

(16) Operating revenues

The analysis of the Company's operating revenues was as follows:

	For the Years Ended December 31	
	2016	2015
Revenue from the sale of goods	$ 2,126,659	$ 1,936,494
Revenue form processing	80,902	118,321
Total	$ 2,207,561	$ 2,054,815

(17) Other income

	For the Years Ended December 31	
	2016	2015
Interest income	$ 369	$ 855
Dividends	—	202
Total	$ 369	$ 1,057

(18) Other gains and losses

	For the Years Ended December 31	
	2016	2015
(Loss) gain on disposal of property, plant and equipment	$ (286)	$ (1,084)
Foreign exchange gain (loss)	(172)	3,744
Gain on financial assets and liabilities at fair value through profit or loss	(8,844)	3,730
Others	1,774	5,257
Total	$ (7,528)	$ 11,647

(19) Finance costs

	For the Years Ended December 31	
	2016	2015
Interest expense	$ 42,528	$ 43,653
Other finance expense	6,873	10,173
Total	$ 49,401	$ 53,826

(20) Income tax

A. The components of income tax in the years 2016 and 2015 were as follows:

	For the Years Ended December 31	
	2016	2015
Current tax expenses		
Current period	$ —	$ —
Adjustment for prior period	(3)	—
	(3)	—
Deferred tax expenses (benefit)		
Origination and reversal of temporary differences	1,159	(706)
Recognition of previously unrecognized tax losses	41,186	(7,265)
	42,345	(7,971)
Income tax expense (benefit)	$ 42,342	$ (7,971)

Reconciliation of income tax and profit before tax for 2016 and 2015 is as follows:

	For the Years Ended December 31	
	2016	2015
Profit before tax	$ (47,320)	$ (589,064)
Income tax using the statutory rate	—	—
Loss carryforwards	41,186	(7,265)
Other	1,156	(706)
Income tax expense (benefit)	$ 42,342	$ (7,971)

B. Income tax recognized in other comprehensive income

	For the Years Ended December 31	
	2016	2015
Exchange differences arising from the translation of the foreign operations	$ 15,519	$ 38,716

C. Deferred tax assets and liabilities

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

For the year ended December 31, 2016

Deferred Tax Assets	Balance, beginning of year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, end of year
Temporary differences				
Exchange difference on foreign operations	$ (67,989)	$ -	$ 15,519	$ (52,470)
Exchange gain(loss)	729	(1,380)	-	(651)
Unrealized gain on the transactions with subsidiaries and associates	669	(80)	-	589
Unrealized gain/loss on financial assets and liabilities	(972)	84	-	(888)
Cost of goods sold-unallocated overhead	497	116	-	613
Interest expenses	(805)	805	-	-
Unrealized loss on inventories	953	(704)	-	249
Loss carryforwards	94,295	(41,186)	-	53,109
Total	$ 27,377	$ (42,345)	$ 15,519	$ 551
Deferred tax assets	$ 97,143	$ (42,583)	$ -	$ 54,560
Deferred tax liabilities	$ 69,766	$ (238)	$ (15,519)	$ 54,009

For the year ended December 31, 2015

Deferred Tax Assets	Balance, beginning of year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, end of year
Temporary differences				
Exchange difference on foreign operations	$ (106,705)	$ -	$ 38,716	$ (67,989)
Exchange gain(loss)	347	382	-	729
Unrealized gain on the transactions with subsidiaries and associates	802	(133)	-	669
Unrealized gain/loss on financial assets and liabilities	(1,827)	855	-	(972)
Cost of goods sold-unallocated overhead	227	270	-	497
Interest expenses	627	(1,432)	-	(805)
Unrealized loss on inventories	189	764	-	953
Loss carryforwards	87,030	7,265	-	94,295
Total	$ (19,310)	$ 7,971	$ 38,716	$ 27,377
Deferred tax assets	$ 89,223	$ 7,920	$ -	$ 97,143
Deferred tax liabilities	$ 108,533	$ (51)	$ (38,716)	$ 69,766

D. The information of unrecognized deferred income tax

	December 31, 2016	December 31, 2015
Loss carryforwards	$ 334,806	$ 174,900
Deductible temporary differences	$ 40,743	$ 77,903

E. As of December 31, 2015 the balances of income tax deductible from the losses carried forward from previous operating years for the Company are as follows:

December 31, 2015

Loss making year	Loss carryforwards	Expiry year
2006	$ 48,307	2016
2007	92,938	2017
2009	369,290	2019
2012	23,715	2022
2013	26,334	2023
2014	39,285	2024
2015	47,348	2025
Total	$ 647,217	

F. Integrated income tax information：

	December 31, 2016	December 31, 2015
Imputation credits accounts	$ 7,108	$ 7,108

	2016	2015
Estimated/actual creditable ratio for the distribution of earnings	—	—

G. Unappropriated earnings information：

	December 31, 2016	December 31, 2015
Unappropriated earnings generated on and after January 1, 1998	$ (1,581,836)	$ (1,494,622)

H. Income tax assessments

The Company’s income tax returns through 2011 have been assessed by the tax authorities.

(21) The personnel, depreciation and amortization expenses of the company

A. A summary of current-period employee benefits, depreciation and amortization by function is as follows:

	For the Year Ended December 31, 2016			For the Year Ended December 31, 2015		
	Classified as operating cost	Classified as operating expenses	Total	Classified as operating cost	Classified as operating expenses	Total
Personnel expenses						
Payroll expense	$ 52,610	$ 38,993	$ 90,683	$ 56,900	$ 36,452	$ 93,352
Insurance expense	4,784	3,327	8,111	5,541	3,057	8,598
Pension	2,044	1,952	3,996	2,309	1,798	4,107
Others	2,399	1,516	3,915	2,544	1,338	3,882
Depreciation	24,467	5,740	30,207	25,302	3,686	28,988

The employees of the Company were 240 and 220 as of December 31, 2016 and 2015, respectively.

B. Employee compensation

a. The Company shall allocate 2%~5% of profit as employees' compensation and no more than 1% of profit as directors' compensation for each profitable fiscal year after offsetting any cumulative losses. The aforementioned employees' compensation will be distributed in shares or cash. The employees of the Company's subsidiaries who fulfill specific requirements stipulated by the Board of Directors may be granted such compensation.

b. Due to accumulation deficit, there are no allocation as employees' compensation and remuneration to directors for the years ended December 31, 2016.

c. Due to accumulation deficit, there is no allocation as employees' compensation and remuneration to directors for the years ended December 31, 2016 and 2015.

Information on the aforementioned employees' compensation and remuneration to directors can be obtained from the "Market Observation Post System" on the website of the TWSE.

(22) Non-cash transactions

For the years ended December 31, 2016 and 2015, the Company entered into the following non-cash investing and financing activities:

	For the Year Ended December 31, 2016	For the Year Ended December 31, 2015
Unrealized gain/loss on financial instrument	$ 53,714	$ (43,172)
Exchange differences arising from the translation of the foreign operations	$ (75,769)	$ (189,022)

7. RELATED-PARTY TRANSACTIONS

(1) Significant transactions with related parties

A. Sales

	For the Year Ended December 31, 2016		For the Year Ended December 31, 2015	
	Amount	%	Amount	%
Subsidiaries	$ 234,633	10	$ 283,066	14

B. Purchases

	For the Year Ended December 31, 2016		For the Year Ended December 31, 2015	
	Amount	%	Amount	%
Subsidiaries	$ 1,604,908	95	$ 1,535,605	90

C. Accounts Receivables

	December 31, 2016		December 31, 2015	
	Amount	%	Amount	%
Subsidiaries	$ 21,080	16	$ 29,658	14

D. Accounts Payables

	December 31, 2016		December 31, 2015	
	Amount	%	Amount	%
Subsidiaries	$ 93,478	69	$ 76,033	70

E. Other Receivables – Financing provided to related parties

	December 31, 2016				
	Drawdown amounts	Ending balance (Note 1)	Maximum balance (Note 2)	Interest rate %	Interest revenue
Subsidiaries	$ 394,168	$ 421,250	$ 400,771	-	$ -

	December 31, 2015				
	Drawdown amounts	Ending balance (Note 1)	Maximum balance (Note 2)	Interest rate %	Interest revenue
Subsidiaries	$ 152	$ 494,375	$ 371,324	-	$ -

Note 1: The ending balance represent quotas.

Note 2: Maximum balance: the maximum drawdown amounts of the period.

F. Other payables-Financing provided by the related parties

	December 31, 2016				
Related Party	Drawdown amounts	Ending balance (Note 3)	Maximum balance (Note 4)	Interest rate %	Interest expense
Subsidiaries	$ -	$ 193,500	$ 124,681	-	$ -

	December 31, 2015				
Related Party	Drawdown amounts	Ending balance (Note 3)	Maximum balance (Note 4)	Interest rate %	Interest expense
Subsidiaries	$ 9,220	$ 196,950	$ 197,220	-	$ -

Note 3: The ending balance represent quotas.

Note 4: Maximum balance: the maximum drawdown amounts of the period.

G. Endorsement and guarantees (Expressed in THB, US dollars and in thousands of NTD)

	For the Year Ended December 31, 2016		For the Year Ended December 31, 2015	
Related party	Maximum balance	Ending Balance	Maximum balance	Ending Balance
Subsidiaries	USD 170,000,000	USD 146,000,000	USD 155,000,000	USD 153,000,000
〃	THB 1,625,000,000	THB 1,620,000,000	THB 1,718,925,500	THB 1,625,000,000
〃	NTD 110,000	NTD 110,000	NTD 150,000	NTD 110,000

(2) Compensation of key management

The compensation to directors and other key management personnel were as follows:

	For the Year Ended December 31, 2016	For the Year Ended December 31, 2015
Short-term employee benefits	$ 8,804	$ 8,442

8. MORTGAGED OR PLEDGED ASSETS

The Company's assets mortgaged or pledged as collateral for short-term and long-term borrowings were as follows (listed based on their carrying amounts):

	December 31, 2016	December 31, 2015
Debt investments with no active market	$ 128,389	$ 99,853
Property, plant and equipment	$ 505,575	$ 513,750
Investments accounted for using equity method	$ 84,745	$ 82,565

9. COMMITMENTS AND CONTINGENT LIABILITIES

(1) As of December 31, 2016 and 2015, the balances of unused letters of credit for the Company were USD 0 thousand and USD 2,960.

(2) As of December 31, 2016 and 2015, the Company provided guarantee note deposits were $971,800 thousand and $970,800 thousand to the banks as securities against credit facilities.

10. SUBSEQUENT LOSSES: None.

11. SUBSEQUENT EVENTS: None.

12. OTHER: None.