Stock Code：6251

dynamic

Dynamic Electronics Co., Ltd

ANNUAL REPORT 2016

Print on April 15th 2017

Market Observation Post System：http://mops.twse.com.tw

Dynamic Website：http://www.dynamicpcb.com

1. Spokesperson's and deputy spokesperson's name, title, telephone, and email address:
   Spokesperson : Jean Liu
   Title : Special Assistant of Chairman Office
   Telephone : +886 3 349 3300 #7721
   E-mail : jean_liu@dynamicpcb.com
   Deputy spokesperson : Sabrina Teng
   Title : AVP of the Administration Div.
   Telephone : +886 3 349 3300 #7116
   E-mail : sabrina_teng@dynamicpcb.com

2. Addresses and telephone numbers of the headquarters, branch offices, and plants:
   Headquarters: No. 356, Shanying Rd, Guishan District, Taoyuan City, Taiwan
   Telephone: +886 3 349 3300
   Taoyuan Plant: No. 356, Shanying Rd, Guishan District, Taoyuan City, Taiwan
   Telephone: +886 3 349 3300
   Kunshan Plant: No. 1688, Jinshajiang North Rd. Kunshan City, Jiangsu Province 215344, China
   Tel: +86 512 5718 1688

3. Name, address, telephone, and website address of the stock transfer agent:
   Name: Taishin International Bank Co., Ltd. Stock Transfer Agency Department
   Address: No. 96, Section 1, Jianguo N Rd, Zhongshan District, Taipei City, Taiwan
   Telephone: +886 2 2504 8125
   Website: http://www.taishinbank.com.tw

4. Names, firm name, address, telephone number, and website address of the auditors of the latest annual financial statements:
   Accountant names: Ching-Piao Cheng, Mao-Yi Hung
   Firm name: Ernst & Young Global Limited
   Address: F. 9, No. 333, Section 1, Keelung Rd, Xinyi District, Taipei City, Taiwan
   Telephone: +886 2 2757 8888
   Website: http://www.ey.com.tw

5. Name of overseas securities exchange: None

6. Corporate website: http://www.dynamicpcb.com

Corporate Vision、Core Value and Corporate Culture

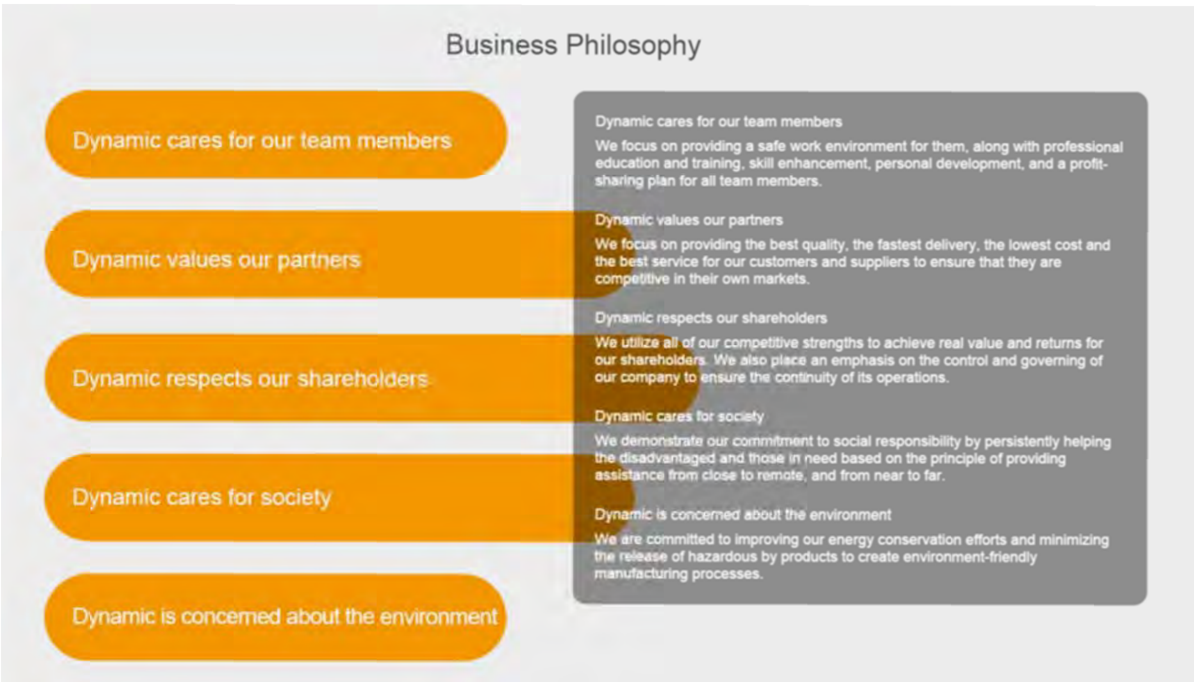


Table of Contents

I. Letter to Shareholders 1

A. Operation Results in 2016 1

B. Business Plan Summary for 2017 4

C. Impact on future development strategy by the external competitive environment, regulatory environment, and overall business environment 9

II. Company Introduction 11

A. Founding Date 11

B. Company History 11

III. Corporate Governance 14

A. Organization System 14

B. Information pertaining to the Directors, President, VP, AVP, and Supervisors in each department and branch office 18

C. Compensation for the Directors, President, and VPs for this fiscal year 25

D. Operations of Corporate Governance 30

E. Information Regarding the Company's Audit Fee and Independence 73

F. Replacement of CPA 74

G. Have any of the company's Chairman, President, or manager responsible for finance or accounting duties served in a CPA accounting firm or its affiliated company in the last year. 74

H. Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders 74

I. Relationship among the Top Ten Shareholders who are in No. 6 relationship according to the IFRS. 76

J. Ownership of Shares in Affiliated Enterprises 77

IV. Capital Overview 78

A. Capital and Shares 78

B. Corporate bonds handling. 83

C. Preferred stock handling 83

D. Global Depository Receipts handling 83

E. Employee stock option and New Restricted Employee share rights handling. 83

F. Mergers or transferee to other companies and issuance of new shares. 83

G. Implementation on fund utilization planning: none. 83

V. Operations Overview 84

A. Business Content 84

B. Market and Production/Sales Conditions 92

C. From the most recent two years to the date on the annual report, the number of workers, average years of service, average age, and distribution ratios of education 98

D. Environmental Expenditure Information 98

E. Employer and Employee Relations 98
F. Important Contracts 101

VI. Financial Overview 102

A. Concise Balanced Sheet and Income Statement for the past 5 years, noting the names of the Accountant and their Qualified Opinions 102
B. Financial Analysis for the Past Five Years 109
C. For the audit report from the audit committee for the financial report of this year 114
D. The financial statement of the most recent year, including accountant's audit report, balance sheet with two-year comparison, income statement, changes in equity, cash flow statement, and notes and attached tables. 114
E. The Company's individual financial report of the most recent year with CPA's check and verification, excluding detailed table of important accounting items. 114
F. From the most recent year to the date on this report, if any financial difficulties or turnover problems should occur to the Company and its affiliated firms, please list out their impacts on the financial conditions of the Company 114

VII. Review and Analysis of Financial Conditions and Performance, and Risk Management 115

A. Financial Conditions 115
B. Financial Performances 116
C. Cash Flow 117
D. Impacts of Major Capital Expenditures in the Most Recent Year on Financial Operation. 118
E. Reinvestment Policies, Main Reasons of Profit and Loss and Improvement Plans in the Most Recent Year and Investment Plans for the Coming Year 118
F. Sources of Risk 119
G. Other Important Matters 125

VIII. Affiliated Companies and Other Special Disclosures 126

A. Related Information on Affiliated Companies 126
B. Private Placement Securities in the Most Recent Year and as of the Publishing Date of the Annual Report 129
C. Company's Shares Held or Transferred by Subsidiaries in the Most Recent Year and as of the Publishing Date of the Annual Report 129
D. Other Supplementary Information 129
E. Pursuant to the Article 36-2-2 of Security Exchange Act, Event Having Material Impact on Shareholders' Equity or Share Price in the Most Recent Year and as of the Publishing Date of the Annual Report 129

VIIII. Other Information Disclosures 130

A. Precautionary Measures for a Safe Working Environment and Personnel Security 130
B. Material Insider Information Non-Disclosure Procedure 131

X. Auditor's Report and 2016 Financial Statement 132

I. Letter to Shareholders

Dear Shareholders:

Due to the impacts of global economic slowdown and the raw material prices falling on the first half of 2016, the global economic did not perform well. In the second half of 2016, the energy price started to stabilize and the global demand warmed up, the global economy gradually improved. However, the growth rate was still limited.

With the impact of the adverse environment condition, the performance of Dynamic in 2016 was unsatisfactory, yet the overall profit of the year reached NT $ 10 million. In year 2016, the proportion of automotive products that accounted for the revenue increased from the 16% of year 2015 to 25%.

In the beginning of year 2016, we carried out three turns of home-returning leave program, so that the production during the Spring Festival was successfully completed with such arrangement. In the second quarter, the automotive products continued to grow which showed the silver lining to the off-season, and the third quarter revenue continued to rise. However, G20 summit was held in Hangzhou in September, the mainland government tightened the environmental protection regulation on the neighboring enterprises. To ensure that environmental standards were met, we put a considerable amount of waste water treatment costs, and invested more in wastewater treatment to improve its capacity and quality. By the end of the year the problem has been fully resolved. In addition, the Dynamic's 2016 Corporate Social Responsibility Report was our third publication and the first, by introducing integrated reporting framework, to both comply with the International Integrated Reporting <IR> Framework and the Global Reporting Initiative (GRI) G4 Guidelines. It created a more comprehensive, more integrated, more coherent, and more efficient communication platform for Dynamic's stakeholders. Furthermore, Dynamic is ranked in the top 5 among all listed companies in the "Corporate Governance Assessment III" which promoted by Financial Supervisory Commission, and Kunshan plant was granted as New high-tech enterprise by Jiangsu Province Science and Technology Department in year 2016.

Looking into year 2017, in terms of product strategy, we will continue to deepen our efforts in the ongoing automotive electronics products (including high-frequency radar of ADAS), Netcom products (including car networking), high-end servers, wearable devices, LED Green products, medical products, etc. In terms of capacity allocation, Hubei Huangshi new plant is expected to output the first 40 million feet in the third quarter of 2017. At the initial stage, LCD panel will be accounting for the biggest proportion of the production, but the long-term focus is to develop Huangshi plant into the main production base of automotive products.

Our 2016 operating performance and 2017 business plan summary are shown as follows:

A. Operation Results in 2016

(A) Operation plan execution results

1. Consolidated

Unit: NTD thousands

Item	2015	2016	Growth Rate
Operating income	11,150,214	11,791,838	5.75%
After-tax (loss) gain	(92,971)	12,828	113.80%
Profitability	(0.83)%	0.11 %	113.05%

2. Individual

Unit: NTD thousands

Item	2015	2016	Growth Rate
Operating income	7,010,679	5,575,299	(20.47)%
After-tax (loss) gain	(93,866)	10,700	111.40%
Profitability	(1.34)%	0.19 %	114.33%

(B) Budget implementation in 2016

1. Consolidated

Unit: NTD thousands

Item	2016 Budget	2016 Actual Performance	Achievement Rate
Operating income	11,778,258	11,791,838	100.12%
Operating cost	10,569,067	10,567,277	99.98%
Operating margin	1,209,191	1,224,561	101.27%
Operating expenses	1,218,361	1,222,899	100.37%
Operating profit	(9,170)	1,662	218.12%
Net non-operating income and expense	32,912	40,784	123.92%
Pre-tax profit	23,742	42,446	178.78%

2. Individual

Unit: NTD thousands

Item	2016 Budget	2016 Actual Performance	Achievement Rate
Operating income	5,571,619	5,575,299	100.07%
Operating cost	5,277,968	5,299,579	100.41%
Operating margin	293,650	275,720	93.89%
Operating expenses	450,177	449,699	99.89%
Operating profit	(156,527)	(173,979)	88.85%
Net non-operating income and expense	165,424	184,679	111.64%
Pre-tax profit	8,897	10,700	120.27%

(C) Revenue and profitability analysis in 2016

1. Consolidated

Unit: NTD thousands

Item			2015	2016
Financial revenues & expenses	Financial revenue		11,273,302	11,890,072
	Financial expenses		11,366,272	11,847,626
Profitability	Return on assets		(0.43)%	0.45 %
	Return on equity		(1.97)%	0.29 %
	Ratio to paid-in capital	Operating profit	(5.70)%	0.06 %
		Pre-tax profit	(3.31)%	1.51 %
	Net profit margin		(0.83)%	0.11 %
	Earnings (loss) per share in NTD		(0.33)	0.04

2. Individual

Unit: NTD thousands

Item			2015	2016
Financial revenues & expenses	Financial revenue		7,133,071	5,789,306
	Financial expenses		7,226,937	5,778,606
Profitability	Return on assets		(0.96)%	0.35 %
	Return on equity		(2.01)%	0.24 %
	Ratio to paid-in capital	Operating profit	(7.01)%	(6.19)%
		Pre-tax profit	(3.34)%	0.38 %
	Net profit margin		(1.34)%	0.19 %
	Earnings (loss) per share in NTD		(0.33)	0.04

(D) Research and development status in 2016

To respond accordingly to the development of portable and wearable electronic products, trend of 5G high-frequency high-speed interconnection of all things, widespread use in automotive electronics, and the sales growth of Advanced Driver Assistance Systems (ADAS) and electric vehicles; to achieve sustainable development and contribution of social responsibility and mission, we have strengthened the company's research and development capabilities by constantly importing new technology and equipment for products of niche market and future in year 2016 besides continuous improvement in quality and process capability. By doing this, we've strengthened the company's core competencies and increased our competitiveness in the industry.

Here we summarized our major R&D projects and results in 2016 in the following five points:

1. For high-speed high-frequency low signal loss products, we have successfully obtained certification of Insertion Loss -0.48dB/in, and succeeded in mass production. We also participated the testing of insertion loss -0.4db/in certification which required by 5G Communication era, the relevant materials and technology requirements of which are under active development.
2. For fine lines and thin products, 2 mil fine lines have been successfully produced massively, 12 any layer high density interconnect products have been produced massively, manufacturing process capability for 10 layer thin board with 24 mil thickness has also been developed and the sample is being certified. The improvement of 1.6 mil extremely fine line producing process is being developed.
3. Rigid-flex board and rotatable products has been successfully produced massively. The material and technology of flex board for high-frequency and ultra-high-resolution screen has successfully passed the sample certification. The process improving testing of the dual lens module product with Ultra flatness requirements is complete. The product is now under sample certification.
4. For automotive and microwave products, passive security products has been under mass production. We have mastered the relevant technology of 24GHz products and 77GHz millimeter wave products for ADAS radar, and the process is set in the development. The sample certification of Satellite Receiver Downstream Products LNB is also completed.
5. For heat sink material, BT material products that used in LED products have been successfully produced massively. We have mastered the process technology of thick copper and buried copper technologies that used in twin-lens module of high-end phone and automotive engine control modules, and are developing the samples proactively.

B. Business Plan Summary for 2017

(A) Business Principles

1. Business Level:

(1) Keep improving every aspect of company governance, including defending shareholders' rights, strengthening the structure and operation of the Board of Directors and each functional committee, value each stakeholder's rights, fulfilling corporate society responsibility and enhancing the transparency of information.

(2) Establish a corporate culture of business integrity, actively implement the business integrity policy and commitment, practically execute internal management and business activities, review implementation performance, and continue to improve in order to establish a good business operation model and create a sustainable development business environment.

(3) Give attention to corporate social responsibility; incorporate the various major economic, environmental, and social considerations and indicators important to the various stakeholders into the company's business strategy and management; especially improve the production safety and environmental conservation.

(4) Building mutual trusted team.

(5) Establishing the connection between the key performance indicators and Dynamic business philosophy to ensure the implementation of business strategy to achieve the company's vision - becoming a highly-respected company.

2. R&D Level:

(1) Primary product categories under development are as follows:

- IoT, 5G communication network and high-end high-speed storage device
- Car safety driving detection and engine control module
- Wearable device
- High-end mobile phones
- Medical equipment
- Dual lens module and ultra-high resolution screen module
- Substrate applying to LED cooling requirements

(2) Technology development schedule is as follows:

Year / **Content**	**Product Application**	**2017**				**2018**			
		Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Above-10-layer rigid-flex boards	Ultra-high-resolution screens/high speed storage device								
High-frequency material and Hybrid design	Automotive active safety detection / Satellite Comm. / 5G comm.								
Thick copper and buried and embedded copper cooling technology	Automotive engine / twin-lens module / electric vehicle batteries								
Embedded Passive components	Wearable devices / Twin-lens module								
1.6mil fine line	High-end mobile phones / Medical Equipment / wearable devices								

Program evaluation
Prototyping
Mass production

3. Marketing Level:
   (1) Extend the company's marketing strategy considerations into customer marketing and production lines. Gather information on upper, middle, and lower stream industries; competitors; the environment; and administrative regulation related information through multiple channels so that the operational level can carry out appropriate decisions and R&D strategies.
   (2) Fully communicate with the customer design and sales end and fully cooperate with their market and product positioning to avoid over- and under-product specifications as well as successfully establishing a market segment using precise and appropriate product quality and cost prices.
   (3) Use production bases to cover international customers worldwide; actively establish a global services network; and provide instant and effective post-sales marketing, technology, and quality services in order to get a better grip on customers' demand and build a firm relationship with the customers.
   (4) Participating in major international events, to open up the specific strategic markets.
   (5) Providing all kinds of resources for the research and development of the potential products which developed by emerging enterprises to establish a partnership basis, and to become their long-term collaboration partner once product development has matured and obtained a certain market share.

4. Management Level:
   (1) Respect the value of employees. Successor training is the critical task of year 2017. Continue to promote personnel training programs and improve the quality of the basic-level supervisors so as to improve the quality of the entry-level personnel accordingly. Furthermore, to advance EICC and build an organization which possesses adaptability, maintain the momentum of an unstoppable growth of the Company. And to respond accordingly to the plan of new products development and the plant expansion, successor training is being carried out actively, to prevent the talent shortage during the implementation of the plan.
   (2) Continue to promote the performance management system. It is expected to influence each department and gradually to each individual in year 2017, making the company go toward the target of efficiency, thus costs will be reduced, quality will be improved.
   (3) Promote technology seminars and related learning credits plan. The company regularly collects international technology literature and IPC papers, and has the technical personnel study them. Then the technical personnel shall share the knowledge they gain and come up with related application proposals, in order to stay up to speed on advanced technology expertise.

(4) Introduce new ISO14001: 2015, ISO9001: 2015 and IATF16949: 2016 into the system, to run the ISO management system with the combination of top management and operation management. Actively require the staff to fully carry out energy conservation and waste reduction, and to enhance safety and quality awareness.

(5) Focuses on the use of automation + intelligence + networking to reduce manpower requirements and stabilize output and yield. To understand the factors that result in the change of cost and the profitability of each product through the analysis of new system. And then create a better profitability by providing the information to management to integrate to company's strategy.

(6) Actively promote the improvement in energy conservation. In addition to cooperate with relevant energy-saving companies, also carry out high-efficiency energy-saving activities internally, such as replacing diesel with gas for boilers combustion, improving air conditioning condition, replacing the traditional air compressor with centrifugal air compressor, using AA energy-saving nozzle to reduce fuel consumption etc.

(7) In terms of waste reduction, continue to improve scrap rate, reduce the generation of waste water, replace high-polluted chemical liquid, and strengthen self-processing ability to reduce the cost of outsourcing waste water treatment.

(8) Require suppliers to step-by-step promote the policies of health safety, environmental protection, integrity, honesty, and so on. As well as implementing corporate social responsibility.

(B) Anticipated Sales Volume and its Basis

The primary directions of growth in 2017 are as follows in accordance with the company's 2016 performance, estimates for 2017 and comprehensive assessment of the company's advantages and market trends:

1. Analysis based on technology types:
   (1) Overall orders are anticipated to grow by approximately 8% to 12%.
   (2) The areas of conventional boards are expected to grow by approximately 6% to 10%.
   (3) For HDI, Taoyuan plant will turn focus from 3 / 3 mil line products to 2.36 / 2.36 mil line wide range products, and transfer Anylayer technology to Kunshan plant.
   (4) Rigid-flex PCB and substrate are the main products to develop for Taoyuan plant. Continue to reduce the scrap rate and improve costs, making them the niche type products.
   (5) For high-frequency product development, it is expected to begin testing in the second half of 2017 and mass production in 2018.

2. Analysis based on product application categories:
   (1) Automotive boards

The demands for display systems, electronic surveillance and communication applications have increased owing to the continuous development of automotive networking and security technology, along with the fact that the global automotive industry goes into automation generations from electronic generations and further pushes up the demand for printed circuit board. Dynamic has stayed focused on developing automotive board. Security products such as engine control panels and parking assistance sensors are in mass production and have been shipped in year 2016; meanwhile, we actively strive for HDI, thick copper, semi-flex and other high-end products to respectively be used in camera head module / short-range radar, reversing radar, fuse box and other products. In addition, we are developing high-frequency car radar board by working with the Swiss company on the basis of technical cooperation. It helps the company get a share in the niche market. The proportion of automotive products has accounted for 25% of the revenue in year 2016, and a continual breakthrough is foreseen in year 2017.

(2) High-resolution LCD TV

In the recent years, high-resolution LCD TV shipments have been growing steadily, and China's domestic market demand continues to expand. It is anticipated that the LCD panel will have a steady growth in 2017.

(3) Server and storage devices

Due to the fact that Cloud applications become more popular, the growth of server is correspondingly stimulated in order to meet the great-scale demand for server in North America and China. In addition, the demands for storage memory in the server market and mobile device market remain, as a result, Dynamic still considers servers, hard disk (HDD), and solid state drives (SSD) the main products to develop in year 2017.

(4) Wearable devices

In the recent years, playing sports has been a very prevailing trend, and in consequence fitness bracelet and watch have sold well. In fact, Dynamic has been working with the world largest wearable device company by supplying them the printed circuit board for their sports wristbands since year 2014 and have always been their main supplier of printed circuit board. Besides the anylayer design, there is rigid-flex PCB mass production in year 2016, and they will continue to stay in full swing in year 2017.

(5) New energy products

In the trend of environmental protection requirements for green energy, such product has become one of the main products of Dynamic Taoyuan plant. Dynamic will keep on developing new customers to increase the revenue of this type of product.

(C) Critical Production Planning Policies

1. In response to the rapid changes in product demand, in year 2017, we will make automotive electronics, LCD panels and storage devices the key products and to tie in rigid-flex PCB, substrate, high-frequency board, high end multi-layer board and other niche-type product development to lessen the

impacts resulted from low season and market demand change. and to increase the company's revenue and profit.

2. In order to meet the growing order in year 2017, we draw up the following short / medium / long-term plan:
   (1) Short-term: By means of the improved process capability in Kunshan plant, both plants flexibly and efficiently allocate orders depends on the production load of each month, so as to meet order demand
   (2) Mid- and Long-term: To actively push the production capacity available from Huangshi plant to meet the order growth requirements.

C. Impact on future development strategy by the external competitive environment, regulatory environment, and overall business environment

International Monetary Fund (IMF) pointed out in World Economic Outlook report which was published in Jan. 2017 that it is anticipated that the large-scale tax cut and infrastructure investment by Trump government of the United States are going to drive economic growth. Also, China has a strong policy to stimulate the economy, and furthermore it’s projected that most of the country would have better economic growth rate in 2017 comparing with year 2016. Consequently, the global economy has gradually come out of adversity. The growth trend and strength are getting perceptible and strong. The estimated growth rate of the global economy of 2017 is 3.4%, which is slightly higher than the 3.1% of year 2016.

Global PCB output has been declining for two consecutive years, the growth rate of year 2016 was -1.90%. However, the shipping of major electronic products in year 2017 showed a growing trend; for instance, server is growing due to the US and China's demand continues to rise, smartphone shipments are active owing to Chinese brands, LCD TV shipments are growing, the automotive application market is still showing high growth rate. In addition, some small quantity niche products that come with a variety of types possess high growth potential, such as unmanned aerial vehicles, AR / VR, wearable devices, etc., are having chance of shipments growing over 20%. Although the quantity is not high, but the products tend to high-end models, the required PCB should also be products with high-end specifications. The business opportunity that derived from this trend should not be overlooked. The projected growth rate of the global PCB output in 2017 is 2.2%.

The output value of cross-strait Taiwanese PCB business in year 2016 has declined by 1.62%, yet it is expected to have a better growth momentum for electronic products in year 2017. The demand for printed circuit boards will also show a more clear state. It is estimated that the output value of cross-strait Taiwanese PCB business will grow by 3.2%.

In term of the regulatory environment of Taiwan, the new law enaction focuses on environmental protection and labor law in year 2016. The Executive Yuan Ministry of Labor declared that from January 1, 2017 the monthly base salary is twenty-one thousand and nine Taiwanese dollars, the minimum wage per hour is one hundred thirty-three Taiwanese dollars. The above laws and regulations are closely related to the company's long-term development and daily operation. We will be cautious about bringing them into the company's future development strategy.

In 2016 in the context of implementing government’s promotion of consolidating decentralization and supervision, along with service optimization, China has made modifications to the laws and regulations that affect the real economy. The new laws and regulations which are closely related to the industrial and commercial manufacturing are: Foreign-funded Enterprise Law, Energy Conservation Law, Foreign Trade Law and other 20 laws. On December 25, 2016, the Standing Committee of the National People's Congress passed the "Environmental Protection Tax Law", which will go into effect on January 1, 2018. The business sectors and other production sectors who discharged taxable pollutants directly to the environment are the taxpayer for the environmental protection tax. Taxable pollutants are the air pollutants, water pollutants, solid wastes and noise that specified in the Act. The State Council has also enacted a number of policies and regulations, such as the VAT Regulations, the Regulations on the Administration of Tax Collection and Administration, the Administration of Hazardous Waste Management License, and promoting innovation and development of improvement trade. From January 1, 2016, the monthly base salary in Suzhou was adjusted to RMB1,820; hourly minimum wage was adjusted to RMB15.5. So far there hasn’t been a latest adjustment being released. Kunshan City had held an activity called “Hundred days action” in year 2016. It was held for environmental protection, production safety and city management. The purpose of the activity is to solve the highlighted problem which people have strongly appealed. The city's environmental inspection was executed on fifteen thousand five hundred and fifty-two enterprises. Based on the above, we are pleased to see that the operating environment in China is becoming more and more legal on the premise that the company observes the laws and operates by the rules.

In the face of the turbulence and challenges of year 2017, regardless adversity or favorable circumstances, Dynamic is committed to learning continuously, having courage to innovate, showing momentum and moving people. We also know that only working together with our partners hand in hand, heart to heart is the way to break through all the obstacles and difficulties and moving towards the goal and mission of sustainable development with the environment and society.

Finally, I want to wish everyone health and safety for yourselves and your families.

Chairman: Ken Huang President: Stoney Chiu Accounting Supervisor: Lily Chiang

II. Company Introduction

A. Founding Date

August 18, 1988, with capital of NT$12,000,000.

B. Company History

Year-Month	Company Development
1988.08	The company was established in Taoyuan County for paid-in capital of NT$12,000,000.
1993.05	Passed the UL product safety specification verification
1996.11	Processed a cash capital increase of NT$16,000,000 for paid-in capital of NT$28,000,000.
1996.12	Passed the quality management system ISO 9002 verification.
1998.04	Processed a cash capital increase of NT$70,000,000 for paid-in capital of NT$98,000,000.
1997.12	Processed surplus transfer into a capital increase of NT$40,000,000 for paid-in capital of NT$138,000,000.
2001.12	Processed surplus transfer into a capital increase of NT$110,400,000 and employee bonuses transfer into a capital increase of NT$2,600,000 for paid-in capital of NT$251,000,000.
2001.12	Reinvested and established subsidiary WINTEK(MAURITIUS) Co., Ltd.
2002.04	Indirectly reinvested and established Dynamic Electronics (KS) Co., Ltd.
2002.04	Processed cash capital increase of NT$40,000,000; surplus transfer into capital increase of NT$125,500,000; and employee bonuses transfer into capital increase of NT$3,500,000 for paid-in capital of NT$420,000,000.
2002.05	Passed the Automotive Industry Quality Management System QS9000 verification.
2002.05	Initial public offering on May 27, 2002.
2002.10	Officially registered in the emerging stock market and traded over the GreTai Securities Market.
2003.01	Reinvested in Germany to establish subsidiary Dynamic Electronics Europe GmbH in Germany.
2003.06	Processed surplus transfer into capital increase of NT$126,000,000 and employee bonuses transfer into capital increase of NT$14,000,000 for paid-in capital of NT$560,000,000.
2003.10	Kunshan plant officially began mass production and delivering shipments.
2003.10	Purchased the factory land and other buildings located on Shanying Road.
2003.06	Ranked number 649 among the top 1000 largest plants in the manufacturing industry by CommonWealth Magazine in 2003.
2003.07	Passed Environmental Management System ISO14001 Verification.
2004.09	Passed the Quality Management System ISO9000 Rev.2000 Verification.
2004.09	Passed the Automotive Industry Quality Management System TS16949 Verification when the Kunshan plant began producing automotive panels.
2004.10	Processed surplus transfer into capital increase of NT$56,000,000 and employee bonuses transfer into capital increase of NT$4,000,000 for paid-in capital of NT$620,000,000.
2004.11	Transferred capital reserve into capital increase of NT$30,000,000 with the capital of

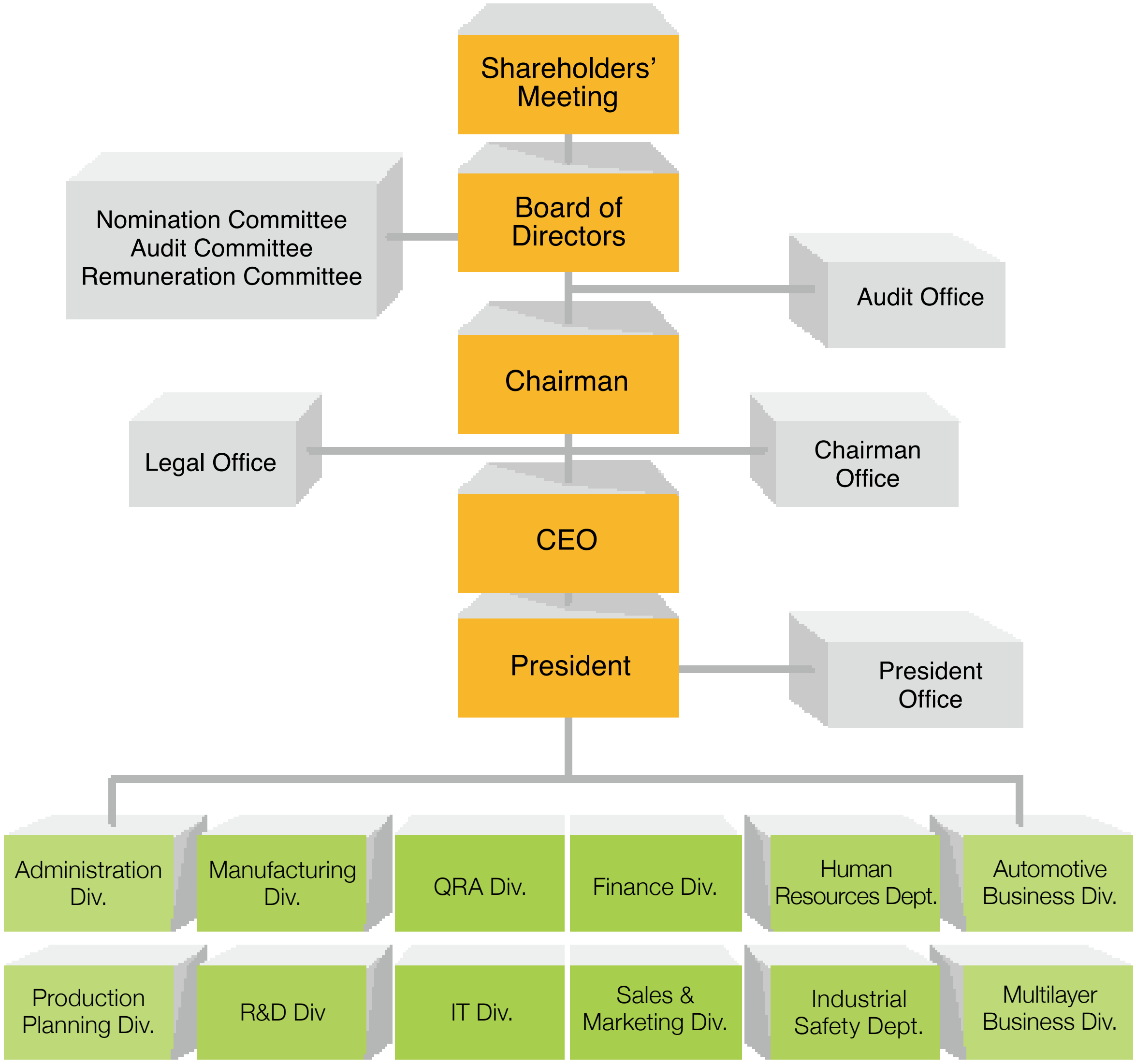
	NT$650,000,000.
2005.01	Processed the cash capital increase of NT$150,000,000 for paid-in capital of NT$800,000,000.
2005.05	Ranked number 392 among the top 10,000 largest plants in the manufacturing industry by CommonWealth Magazine in 2004; and considered as one of the 38 fastest growing companies in the manufacturing industry.
2005.06	Obtained ASUS Green Product GA Verification.
2005.08	Processed surplus transfer into capital increase of NT$224,000,000 and employee bonuses transfer into capital increase of NT$11,632,000 for paid-in capital of NT$1,035,632,000.
2005.09	Obtained the LG Love Green Certification.
2005.09	Reinvested in Japan and established subsidiary Dynamic Electronics Japan.
2006.11	Processed the cash capital increase of NT$176,000,000 with the paid-up capital of NT$1,211,632,000.
2006.09	Processed surplus transfer into capital increase of NT$363,490,000 and employee bonuses transfer into capital increase of NT$30,377,000 for paid-in capital of NT$1,605,499,000.
2006.10	Processed the cash capital increase of NT$168,750,000 with the paid-up capital of NT$1,774,249,000.
2006.12	Taoyuan plant began production for high density interconnect panels.
2007.02	Obtained SONY Green Partner Certification.
2007.06	Withdrew subsidiary Dynamic Electronics Japan.
2006.10	Passed the Hazardous Substance Process Management System QC080000 Certification.
2007.10	Processed surplus transfer into capital increase of NT$354,850,000 and employee bonuses transfer into capital increase of NT$22,841,000 for paid-in capital of NT$2,151,940,000.
2007.12	Indirectly reinvested and established Dynamic Electronics (Xiamen) Co., Ltd.
2008.04	Reinvested and established subsidiary Dynamic PCB Electronics Co., Ltd., in Seychelles.
2008.05	Ranked number 246 among the 1000 largest plants in the manufacturing industry by CommonWealth Magazine in 2007.
2008.10	Processed surplus transfer into capital increase of NT$215,194,000 and employee bonuses transfer into capital increase of NT$17,543,000 for paid-in capital of NT$2,384,678,000.
2008.10	Indirectly reinvested and established Kunshan Tybrake Industry Co., Ltd. and Kunshan BaoYing Electronics Technology Co., Ltd.
2009.03	Listed on the Taiwan Stock Exchange and processed the cash capital increase of NT$23,000,000 with the paid-up capital of NT$2,614,678,000.
2009.04	Reinvested in Abon Touchsystems Inc.
2009.06	Kunshan plant began production of high density interconnect panels.
2009.11	Passed work safety performance approval by the Council of Labor Affairs.
2009.12	Sold the indirectly reinvested Kunshan Tybrake Industry Co., Ltd. and Kunshan BaoYing Electronics Technology Co., Ltd.
2010.02	Passed ISO 14064-1 Greenhouse Gas Verification.

2010.03	Passed Occupational Health and Safety Management System OHSAS 18001 Verification.
2010.08	Issued the first domestic unsecured convertible bonds in the amount of NT$900,000,000.
2011.08	Processed surplus transfer into capital increase of NT$236,507,000 with the paid-up capital of NT$2,864,360,000.
2011.12	Taoyuan plant began producing rigid-flex board products.
2012.06	Taoyuan plant began production for 12L any-layer high density interconnect panels.
2012.11	Processed surplus transfer into capital increase of NT$71,234,000 with the paid-up capital of NT$2,935,594,000.
2013.02	Disposed of 100% equity of the indirectly reinvested company Tybrake Industry (Xiamen) Co., Ltd.
2013.07	Processed treasury shares capital reduction of NT$60,000,000 for paid-in capital of NT$2,875,594,000.
2013.12	Kunying Electron (Kunshan) Co., Ltd. is renamed as Dynamic Electronics (Kunshan) Co., Ltd.
2013.12	Processed treasury shares capital reduction of NT$15,000,000 for paid-in capital of NT$2,860,594,000.
2014.11	Passed Energy Management System ISO50001 Verification.
2014.12	Issued the first Corporate Social Responsibility Report that conformed to the GRI G4 and AA1000 first category moderate level assurance grade requirements.
2014.12	Change the company address from Taoyuan County Guishan Township to Taoyuan City Guishan district in response to the administrative zone changes.
2015.01	Reinvested and established subsidiary Dynamic Electronics Co., Ltd., in Seychelles.
2015.01	Reinvested and established subsidiary Dynamic Electronics Holding Pte. Ltd., in Singapore.
2015.03	Indirect investment in Sub-subsidiary company: Dynamic Electronics (Huangshi) Limited, which located in mainland China.
2015.06	Reinvested and established subsidiary Dynamic Electronics Trading Pte. Ltd., in Singapore.
2015.11	Processed treasury shares capital reduction of NT$50,000,000 for paid-in capital of NT$2,810,594,000.
2016.03	Disposal of Abon Touchsystems Inc.
2017.01	Liquidation with Dynamic Electronics Europe GmbH, the German subsidiary.

III. Corporate Governance

A. Organization System

(A) Organization structure



(B) Primary Operational Departments

Unit by Rank					Responsibility and in Charge of
Shareholders' Meeting					1. Highest decision-making unit in the company 2. Exercises authority according to corporate bylaws and related laws and regulations.
	Board of Directors				1. Exercises authority according to the decisions made by the board of shareholders and the charter. 2. Exercises authority according to the corporate bylaws and related laws and regulations. 3. Highest decision-making unit for daily operations within the company.
		Chairman			1. Chairman of the Board of Directors, represents the company. 2. Exercises authority within the scope and boundaries authorized by the Board of Directors. 3. Reviews and authorizes various investment and financing operations. 4. Authorizes bank payment and payment vouchers.
		Nomination committee			1. Develops nominating policy. 2. Reviews the structure, formation, and the number of individuals in the Board of Directors routinely, and offers suggestions to the Board of Directors. 3. Identifies suitable candidates who are qualified to serve as Directors, and offers opinions to the Board of Directors.
		Audit committee			1. Audits the accounting system, financial position, financial reporting procedures, and the procedures to handling major financial operations within the company accounts. 2. Audits the company financial report for truthfulness, completeness, and transparency. 3. Audits the acquisition or disposal of asset, transactions related to derivatives, loans to others, endorsement or the provision of guarantees for others, and merge, split, acquisitions, or transfer of shares, for compliance to the law, letters of administration, and internal company regulations.
		Remuneration committee			1. Reviews this report routinely and offers rectifications. 2. Develops and routinely assesses the company Directors and Managers' annual and long-term performance targets and remuneration policies, system, standards, and structure. 3. Assesses whether the company Directors and Managers have met their performance targets and their compensation packages.
		Auditing Office			1. Assist the Board of Directors and managers to check and review the internal control policy for faults and assess the effectiveness and efficiency in operations. 2. Assist managers to develop various internal control systems and management measures.

Unit by Rank					Responsibility and in Charge of
		Legal Office			1. Development or assessment of each contract. 2. Internal consultation for each law-related matters and the bridge of communications for external law-related matters. 3. Responsible for setting up business integrity policy and prevention programs. Supervising the implementation and reporting regularly to the Board.
			CEO		1. Sets the direction for the future of the company. 2. Sets the company's long, mid-range, and short-term management objectives, strategies, plans, targets, implementations, and reviews. 3. Decision-making for major operations in the company. 4. Participates in the decision-making of the Board of Directors, and carries out these decisions. 5. Reports operational situations to the Board of Directors routinely and submits the Annual Report.
			President		1. Supervises and manages company affairs, represents the company under the company charter or contractual agreement. 2. Design and implementation of the internal control system. 3. Authorizes personnel promotions. 4. Authorizes every budget, sales, or production planning. 5. Others – carries out approval rights for each task according to the rights given.
				Finance Dept.	1. Accounting and the drawing up and assessment of financial statements. 2. Monetary collections and payments, and the review of these forms. 3. Planning and execution of investment and financing.
				Sales & Marketing Div.	Execution of various marketing and sales activities.
				Manufacturing Div.	1. Execution and management of every production task. 2. Execution and management of every IT task.
				QRA Div.	1. Establish and continuously update various quality assurance and reliability system. 2. Carry out production QA, handle customer complaints, and conduct improvement. 3. Take charge of customer's certification, audit, and meet customer's quality standard request.
				R&D Div.	Various research and development projects and oversee production of samples.
				Admin. Div.	1. Add-on or fix various production equipment and purchasing administrative products. 2. Purchasing various raw materials and consumables.

Unit by Rank					Responsibility and in Charge of
					3. Bargaining for outsourcing semi-finished products according to production needs. 4. Management of all relevant general matters.
				HR Dept.	1. Research and analysis of company organizational system and division of tasks and responsibilities. 2. Maintaining and promoting the relationships between workforce and management. 3. Various enforcement of HR and remuneration tasks. 4. Promotion of staff appraisal, reward and punitive measures, educational and training etc.
				IT Div.	1. Overall planning of the development of the company's information system. 2. Build and maintain the company's computerized information systems. 3. Set the units responsible for building and maintaining various databases. 4. Support the planning and servicing of the information system of each department.
				Production Planning Div.	1. Arrange input of materials and production planning according to sales orders. 2. Production arrangement, utilization rate analysis, warehousing management of finished products. 3. Conduct performance evaluation of outsourcing suppliers according to production needs. 4. Warehousing management of raw materials.
				Industrial Safety Dept.	1. Planning and supervision of labor safety and health-related tasks. 2. Industrial safety management of contractors in plant area. 3. Planning and implementation of working environment inspection. 4. Planning and implementation of staff's health management. 5. Collection and discernment of safety and health laws and regulations. 6. Internal and external consulting and communications pertaining safety and health issues.
				Automotive Business Div.	Executing functions relative to automotive PCB: marketing, sales, quality control, quality assurance, etc.
				Multilayer Business Div.	Executing functions relative to high-end multilayer PCB: development, production, etc.

B. Information pertaining to the Directors, President, VP, AVP, and Supervisors in each department and branch office

(A) Directors

1. Information on the Directors

(1) Relevant Information and shares holding of the Directors

Mar. 28, 2017; Unit: Shares

Title	Nationality or Registered in	Name	Gender	Assumed office on	Duration of role	First elected on	Shares held when elected		Presently hold		Spouse, minor offspring presently hold		Shares held under others' names		Primary experience/ education	Other offices held in the Company or other companies	Supervisory or director roles held by spouse or other closely-relatives holding		
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship
Chairman	Taiwan, R.O.C.	Ken Huang	male	2015.05.28	3 years	2001.12.01	8,046,341	2.81%	8,746,341	3.11%	191,810	0.07%	0	0.00%	EMBA of National Chengchi University VP of Sales and Marketing Div. at Dynamic Electronics Co., Ltd.	CEO at Dynamic Electronics Co., Ltd. Chairman at Wintek (Mauritius) Co., Ltd. Chairman at Dynamic Electronics (Kunshan) Co., Ltd. Chairman at Dynamic PCB Electronics Co., Ltd. Chairman at Dynamic Electronics Co., Ltd. (Seychelles) Chairman at Dynamic Electronics Trading Pte. Ltd. Chairman at Dynamic Electronics Holding Pte. Ltd. Chairman at Dynamic Electronics (Huangshi) Co., Ltd.	None	None	None

Title	Nationality or Registered in	Name	Gender	Assumed office on	Duration of role	First elected on	Shares held when elected		Presently hold		Spouse, minor offspring presently hold		Shares held under others' names		Primary experience/ education	Other offices held in the Company or other companies	Supervisory or director roles held by spouse or other closely-relatives holding		
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship
Director	Taiwan, R.O.C.	Stoney Chiu	male	2015.05.28	3 years	2012.10.01	3,083,749	1.08%	3,083,749	1.10%	0	0.00%	0	0.00%	EMBA at CEIBS Chemical Engineering, Feng Chia University Assistant Manager at Manufacturing Dept., Texas Instruments President, Tripod Tech (Wuxi) Co., Ltd. COO, Tripod Tech Co., Ltd.	President at Dynamic Electronics Co., Ltd. Director of Dynamic Electronic (Kunshan) Co., Ltd. President at Dynamic Electronics (Kunshan) Co., Ltd. Director at Dynamic Electronics Trading Pte. Ltd. Director at Dynamic Electronics Holding Pte. Ltd. Director of Dynamic Electronic (Huangshi) Co., Ltd. President at Dynamic Electronics (Huangshi) Co., Ltd.	None	None	None
Corporate Director	Taiwan, R.O.C.	CDIB Venture Capital Corp.		2015.05.28	3 years	2009.06.19	3,285,131	1.15%	3,285,131	1.17%	0	0.00%	0	0.00%	-	-	None	None	None
Corporate Director Representative	Taiwan, R.O.C.	James Yin	male	-	-	-	0	0.00%	0	0.00%	0	0.00%	0	0.00%	MBA, University of California, Los Angeles Manager, Direct Investment Div., China Development Industrial Bank	Manager, Venture and Industry Investment Div., China Development Industrial Bank Corporate Director Representative of Macroblock Technology Co., Ltd. Corporate Director Representative at GPM Corp Co., Ltd.	None	None	None
Corporate Director	Taiwan, R.O.C.	Ming-Ji Investments Co. Ltd.		2015.05.28	3 years	2015.05.28	3,082,633	1.08%	3,082,633	1.10%	0	0.00%	0	0.00%	-	-	None	None	None

Title	Nationality or Registered in	Name	Gender	Assumed office on	Duration of role	First elected on	Shares held when elected		Presently hold		Spouse, minor offspring presently hold		Shares held under others' names		Primary experience/ education	Other offices held in the Company or other companies	Supervisory or director roles held by spouse or other closely-relatives holding		
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship
Corporate Director Representative	Taiwan, R.O.C.	Wen-You Chiang (Dismissal day: 2016 01.15)	male	-	-	-	0	0.00%	170,022	0.06%	Not applicable	0.00%	Not applicable	0.00%	International Trade at Tamkang University Chairman at Jian Hong Securities Co. Chief Secretary at the Board of Directors of Sino-Pac Financial Holdings Co., Ltd. Supervisor at Sino-Pac Securities Co, Ltd. CEO at Dynamic Electronics Co, Ltd.	Director at Tera-ASPer Digital Service Corp. Independent Director at TCM Biotech International Corp. Director at Yu Ji Venture Capital Co., Ltd.	None	None	None
Corporate Director Representative	Taiwan, R.O.C.	Yuan-chuan Sun	male	-	-	-	0	0.00%	573	0.00%	5,588	0.00%	0	0.00%	Department of Statistics, National Chengchi University Independent Director at APCB GROUP	Director and CFO of PAL WONN (TAIWAN) CO., LTD.			
Independent Director	Taiwan, R.O.C.	Po-sheng Lin	male	2015 05.28	3 years	2015 05.28	0	0.00%	0	0.00%	0	0.00%	0	0.00%	PhD in Economics, Johns Hopkins University Director of the Chung-Hua International Trade Association Director of Hua Lu Venture Capital Co., Ltd. (Executive Yuan National Development Fund)	Professor, National Chengchi University Department of International Business Independent Director at Taiwan Semiconductor Independent Director at Tatung System Technologies Inc.	None	None	None

Title	Nationality or Registered in	Name	Gender	Assumed office on	Duration of role	First elected on	Shares held when elected		Presently hold		Spouse, minor offspring presently hold		Shares held under others' names		Primary experience/ education	Other offices held in the Company or other companies	Supervisory or director roles held by spouse or other closely-relatives holding		
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship
Independent Director	Taiwan, R.O.C.	Heng-yih Liu	male	2015 05.28	3 years	2015 05.28	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Strategy PhD, National Taiwan University College of Management Independent Director at Gudeng Precision Co., Ltd. Executive Director at Zebo Beauty Care International Corporation	Full-time Assistant Professor, International Business Studies Group of College of Management, Yuan Ze University Independent Director at Leofoo Development Co., Ltd. Supervisor at Wha Yu Industrial Co., Ltd.	None	None	None
Independent Director	Taiwan, R.O.C.	Vincent Lin	male	2015 05.28	3 years	2015 05.28	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Computer Science PhD, National Chiao Tung University Host of the “Smart Home Robot” industry specialized plan (Ministry of Economic Affairs)	Associate director, Quanta Innovation Center, Quanta Computer	None	None	None

(2) Controlling Shareholders of Corporate Shareholders as Directors

March 28, 2017

Corporate Shareholder Name	Controlling shareholders of Corporate Shareholders	
	Shareholders	Shareholding ratio %
CDIB Venture Capital Corp.	CDIB Capital Group	100.00%
Ming-Ji Investment Co., Ltd.	Hsiu-Chin Chen	67.69%
	Ming-Yu Ko	23.07%
	Chien-Yu Ko	4.62%
	Hsiang-Ting Ko	4.62%

(3) Controlling Shareholders of Corporate Controlling Shareholders

March 28, 2017

Corporate Names	Controlling Shareholders of the Corporations	
	Shareholders	Shareholding ratio %
CDIB Capital Group	China Development Financial Holdings Co., Ltd.	100.00%

2. Qualifications of Directors

Criteria / Name	Hold 5 years or more of working experience and these professional qualifications listed below			Meet these independence qualifications										Number of other public-listed companies that the individual serves as independent director
	Lecturer or above in business, law, finance, accounting, or another discipline related to company businesses in a private or public university	Passed national examination and attained certification for professionalism and technical expertise as a judge, prosecutor, lawyer, accountant, or another field deemed necessary by the company business	Working experience in business, law, finance, accounting, or company operations	1	2	3	4	5	6	7	8	9	10	
Ken Huang			v				v	v	v	v	v	v	v	0
Stoney Chiu			v				v	v	v	v	v	v	v	0
James Yin			v	v	v	v	v		v	v	v	v		0
Yuan-chuan Sun			v	v	v	v	v	v		v	v	v		0
Po-sheng Lin	v			v	v	v	v	v	v	v	v	v	v	2
Heng-yih Liu	v		v	v	v	v	v	v	v	v	v	v	v	1
Vincent Lin			v	v	v	v	v	v	v	v	v	v	v	0

Note 1: Please tick the boxes below each criterion if a director has fulfilled these conditions two years prior to being elected and during his/her term of service.

1) Is not employed by the company or its affiliated corporations.
2) The independent directors who set to belong to the company, the parent company or the subsidiary conforming with this law or the local law are unrestricted.
3) Is not a shareholder that hold more than 1% of the company's total shares or rank among top-ten shareholders, this applies for the director him/herself, spouse, minor children, or shares held under others' names.
4) Is not a spouse, second-degree relative, or direct, blood-related five-degree relative of the personnel listed in the first three criterion.
5) Is not a director, supervisor, or employee of a corporate shareholder that holds more than 5% of the company's total shares, nor a director, supervisor, or employee of a top-five ranked corporate shareholder.
6) Is not a director, supervisor, manager, or a shareholder that holds more than 5% of shares at a company or institution that has financial or business exchanges with the company.
7) Is not a professional, a business owner, co-partner, director, supervisor, manager, or their spouse at a sole proprietor, partnership, company, or institution that offers services or consultancy for business, finance, or accounting etc. for the company or its affiliated firms. But remuneration committee members who enforce their obligations according to Article 7 of the Job Obligation Decree, in a listed company or a company that trades in the Securities and Stock Exchange, are not restrained.
8) Is not a spouse nor a second-degree relative with another director.
9) Is not involved in any of the sections in Section 30 of the corporate bylaws.
10) Is not elected as a government, corporation, or its representative under Section 27 of the corporate bylaws.

(B) President, VP, AVP, and departmental and branch office supervisors

Mar. 28, 2017

Title	Nationality	Name	Gender	Assumed office on	Shares held		Shares held by spouse or minor children		Shares held under others' names		Primary experiences/education	Offices presently held in other companies	Managers who are spouses or second-relation relatives		
					Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio			Title	Name	Relationship
CEO	Taiwan R.O.C.	Ken Huang	male	2012.09.01	8,746,341	3.11%	191,810	0.07%	0	0.00%	ditto	ditto	None	None	None
President	Taiwan R.O.C.	Stoney Chiu	male	2012.10.01	3,083,749	1.10%	0	0.00%	0	0.00%	ditto	ditto	None	None	None
VP	Taiwan R.O.C.	Allen Chou	male	2012.01.01	67,479	0.02%	0	0.00%	0	0.00%	Chemical Engineering, Yuan Ze University Senior Engineer at R&D Dept., Unitech Account Manager, System QA Dept., Telecommunications Business, Foxconn	VP at Dynamic Electronics (Kunshan) Co., Ltd.	None	None	None
VP	Taiwan R.O.C.	Jack Hsu	male	2007.02.01	259,240	0.09%	135,299	0.05%	0	0.00%	Chemical Engineering, Feng Chia University Processing Engineer and Section Chief of Wet Processes, Unitech. Plant Manager, HDI factory, Chin Poon (Suzhou) Electronics Co., Ltd	None	None	None	None
VP	Taiwan R.O.C.	Don Chen	male	2014.02.05	108,070	0.04%	0	0.00%	0	0.00%	Taoyuan Innovation Institute of Technology VP, Wuxi factory, Tripod Tech Co., Ltd.	VP at Dynamic Electronics (Kunshan) Co., Ltd.	None	None	None
VP	Taiwan R.O.C.	Hamlet Chiu (Dismissal day: 2016 11.24)	male	2014.08.12	609	0.00%	75,984	0.03%	0	0.00%	Ph.D. in Chemistry, National Sun Yat-sen University Plant Manager, Factory Five, Tripod Tech Co., Ltd. Executive Assistant to the President and Department Head of Purchasing, Gold Circuit Electronics Co., Ltd. VP at Dynamic Electronics (Kunshan) Co., Ltd.	None	None	None	None
VP	Taiwan R.O.C.	Johnson Yang	male	2014.08.15	15,143	0.01%	0	0.00%	0	0.00%	Masters in Dept. of Information Management, Chung Yuan University Department Head, IT Dept., Tripod Tech Co., Ltd.	None	None	None	None
Finance & Accounting Supervisor	Taiwan R.O.C.	Lily Chiang	female	2006.06.30	160,461	0.06%	0	0.00%	0	0.00%	National Taichung University of Science and Technology Finance Manager, Iteq Corporation AVP, Finance Dept., Uniplus Electronics Co., Ltd.	Director of Dynamic Electronic (Kunshan) Co., Ltd. Director at Dynamic Electronics Trading Pte. Ltd. Director at Dynamic Electronics Holding Pte. Ltd. Director of Dynamic Electronic (Huangshi) Co., Ltd.	None	None	None
Auditing Supervisor	Taiwan R.O.C.	Angel Tsai	female	2013.06.01	3,966	0.00%	0	0.00%	0	0.00%	Bachelors in International Corporate Management, Chien Hsin University of Science and Technology Auditor at Wang Chiu-Hui Accounting Firm	None	None	None	None

											Department Section Chief of Accounting, Overseas Investment and Project Manager at Albatron Technology Co., Ltd. Senior Accountant, MJ Life Enterprise, Ltd.					

C. Compensation for the Directors, President, and VPs for this fiscal year

(A) Compensation for Directors (including Independent Directors) (Disclosure of each director’s name and compensating method)

Unit: NTD thousands

Title	Name (note 1)	Directors' compensation								% of sum of A,B,C, and D in the total net income (note 10)		Related compensation for directors who also serve as employees								% of sum of A, B, C, D, E, F, and G in the total net income (note 10)		Received reinvestment remuneration from outside of subsidiaries (note 11)
		Compensation (A) (note 2)		Pension (B)		Remuneration (C) (note 3)		Business-associated expenditure (D) (note 4)				Salary, bonus, and special fees (E) (note 5)		Pension (F)		Staff Remuneration (G) (note 6)						
																The Company		All companies in the financial statement (note 7)				
		The Company	All companies in the financial statement (note 7)	The Company	All companies in the financial statement (note 7)	The Company	All companies in the financial statement (note 7)	The Company	All companies in the financial statement (note 7)	The Company	All companies in the financial statement (note 7)	The Company	All companies in the financial statement (note 7)	The Company	All companies in the financial statement (note 7)	Cash amount	Share amount	Cash amount	Share amount	The Company	All companies in the financial statement (note 7)	
Chairman	Ken Huang	-	-	-	-	-	-	-	-	-	-	4,272	5,974	108	108	-	-	-	-	0.409	0.568	-
Director	Stoney Chiu	-	-	-	-	-	-	-	-	-	-	6,005	7,406	108	108	-	-	-	-	0.571	0.702	-
Corporate Director	CDIB Venture Capital Corp. James Yin	-	-	-	-	-	-	50	50	0.005	0.005	-	-	-	-	-	-	-	-	0.005	0.005	-
Corporate Director	Ming-Ji Investments Co., Ltd. Wen-you Chiang (note 12) Yuan-chuan Sun (note 12)	-	-	-	-	-	-	40	40	0.004	0.004	-	-	-	-	-	-	-	-	0.004	0.004	-
Independent Director	Po-sheng Lin	540	540	-	-	-	-	50	50	0.055	0.055	-	-	-	-	-	-	-	-	0.055	0.055	-
Independent Director	Heng-yih Liu	540	540	-	-	-	-	50	50	0.055	0.055	-	-	-	-	-	-	-	-	0.055	0.055	-
Independent Director	Vincent Lin	540	540	-	-	-	-	50	50	0.055	0.055	-	-	-	-	-	-	-	-	0.055	0.055	-

Note 1: Directors' names and compensation are disclosed individually because our financial report has indicated after-tax losses for the last two fiscal years.
Note 2: This refers to directors' compensation (including director's salary, bonuses associated with paygrade, severance pay, various bonuses and incentives etc.) for the most recent fiscal year.
Note 3: This refers to the amount of remuneration for directors given, as agreed upon by the Board of Directors for the most recent fiscal year.
Note 4: This refers to the directors' business-associated expenditures for the most recent fiscal year (including material incentives such as transportation fees, special expenses, various allowances, boarding, and company cars etc.). If housing, cars and other methods of transportation, or customized individual spending are offered, the characteristics of the assets offered and costs, real or fair market value of rental expenses, gas, and other payments should be disclosed. If chauffer is offered to the directors, the associated fees paid to the chauffer by the company should be noted, but this should not be counted within the remunerations
Note 5: This refers to the material incentives including salaries, bonuses associated with paygrade, severance pay, various bonuses, incentives, transportation fees, special expenses, various allowances, boarding, and company cars etc. that have been endowed on the directors and those who also serve as employees (including serving as President, VP, other managers and staff) for the most recent fiscal year. If housing, cars, and other methods of transportation, or customized individual spending are offered, the characteristics of the assets offered and costs, real or fair market value of rental expenses, gas, and other payments should be disclosed. If chauffer is offered to the directors, the associated fees paid to the chauffer by the company should be noted, but this should not be counted within the remunerations. And the listed salary costs of IFRS2 "share-based payment", including the acquisition of employee stock option certificate, New Restricted Employee Shares and participation in subscription to an increase in capital stock, etc., should also be included in the remuneration.
Note 6: This refers to those directors who also serve as employees (including serving as President, VPs, other managers, and staff) and have received employee remuneration (including shares and cash), should disclose the remuneration amount to be paid to the employees that has been agreed upon by the Board of Directors for the most recent fiscal year. If unable to estimate, this year's intended amount should be calculated based on last year's actual paid amount, and fill out a separate form 1-3.
Note 7: The total amount paid to directors of The Company as various forms of incentives, from all companies (including The Company) included in this report should be disclosed in its entirety.
Note 8: The Company will disclose the names of directors according to their ranks for having paid each director the sum of various forms of incentives.
Note 9: The total amount of various forms of incentives paid by all companies in this report (including The Company) to each director of The Company should be disclosed in its entirety, and disclose the names of directors according to their ranks.
Note 10: Net income refers to the net income of the most recent fiscal year. The IFRS reporting method has been adapted, and net income means the net income of an individual or separate financial report in the most recent year.
Note 11: a. This column should clearly include the amount of remuneration given for reinvestment-related business that has been received by a director of The Company from outside of subsidiaries.
b. If a company director has received remuneration for reinvestment-related business from outside of subsidiaries, the amount received under this category should be included in the J column of the compensation table, and revise the column to show "All reinvestment businesses".
c. Remuneration refers to the compensation, incentives, staff dividends, and business-related expenses that have been incurred by the directors of The Company, when they have served as a director, supervisor, or manager for the reinvestment businesses outside the company's subsidiaries.
Note 12: Director Mr. Jiang wun-yo, a legal representative of Mingji Investment Co., Ltd., resigned on January 15, 2016, and Mr. Sun Yuanjun succeeded on January 15,
Note 13: The compensation that the company paid the chairman’s driver is $917,269.
* The content of the compensation as disclosed in this report is different from the concept f income tax. Hence, this table is solely for the purpose of information disclosure, and not for tax filing purposes.

(B) Supervisors' compensation: Not applicable

This Company has undergone total re-election on June 18, 2012, in which an audit committee has been established and supervisors have been abolished.

(C) Compensation for President and VP

1. Compensation for President and VP (A summarized disclosure of names by grade levels)

Unit: NTD thousands

Title	Name (note 1)	Salary (A) (note 2)		Pension (B)		Bonus and special expenses etc.(C) (note 3)		Staff remuneration (D) (note 4)				% of sum of A, B,C, and D on the net income (note 8)		Received reinvestment remuneration from outside of subsidiaries (note 9)
		The Company	All companies in the financial statement (note 5)	The Company	All companies in the financial statement (note 5)	The Company	All companies in the financial statement (note 5)	The Company		All companies in the financial statement (note 5)		The Company	All companies in the financial statement (note 5)	
								Cash amount	Share amount	Cash amount	Share amount			
CEO	Ken Huang	15,107	19,932	688	688	9,630	10,259	-	-	-	-	237.6%	288.6%	-
President	Stoney Chiu													
VP	Don Chen													
VP	Jack Hsu													
VP	Allen Chou													
VP	Hamlet Chiu													
VP	Johnson Yang													

*All positions equivalent to President or VP (for instance, Chairman, CEO, Director…etc.), should all be disclosed, regardless of titles.

2. Compensation Levels

Level of remuneration paid to each President and VP of The Company	Names of President and VPs	
	The Company (Note 6)	All companies included in the financial report E (note 7)
Less than 2,000,000 NTD	Hamlet Chiu	Hamlet Chiu
2,000,000 (inclusive) – 5,000,000 NTD	Ken Huang, Jack Hsu, Allen Chou, Johnson Yang	Jack Hsu, Allen Chou, Johnson Yang
5,000,000 (inclusive) – 10,000,000 NTD	Stoney Chiu, Don Chen	Stoney Chiu, Don Chen, Ken Huang,
Total	7 persons	7 persons

Note 1: The names of General and VPs should be shown separately, and each paid amount will be disclosed collectively.

Note 2: This refers to the General and VPs' salaries, bonuses associated with paygrade, and severance pay for the most recent fiscal year.

Note 3: This refers to the material incentives including salaries, bonuses associated with paygrade, severance pay, various bonuses, incentives, transportation fees, special expenses, various allowances, boarding, and company cars etc. that have been endowed on the General and VPs for the most recent fiscal year. If housing, cars, and other methods of transportation, or customized individual spending are offered, the characteristics of the assets offered and costs, real or fair market value of rental expenses, gas, and other payments should be disclosed. If chauffer is offered to the directors, the associated fees paid to the chauffer by the company should be noted, but this should not be counted within the remunerations. And the listed salary costs of IFRS2 "share-based payment", including the acquisition of employee stock option certificate, New Restricted Employee Shares and participation in subscription to an increase in capital stock, etc., should also be included in the remuneration.

Note 4: This refers to the amount of employee remuneration (including share and cash) that will be endowed on the General and VP, as agreed upon by the Board of Directors for the most recent fiscal year. If unable to estimate, this year's intended amount should be calculated based on last year's actual paid amount, and fill out a separate attachment form 1-3. Net income refers to the net income of the most recent fiscal year. The IFRS reporting method has been adapted, and net income means the net income of an individual or separate financial report in the most recent year.

Note 5: The total amount paid to General and VPs of The Company as various forms of incentives, from all companies (including The Company) included in this report should be disclosed in its entirety.

Note 6: The Company will disclose the names of each President and VP according to their ranks for having paid each director the sum of various forms of incentives.

Note 7: The total amount of various forms of incentives paid by all companies in this report (including The Company) to the President and each VP of The Company should be disclosed in its entirety, and disclose the names of directors according to their ranks.

Note 8: Net income refers to the net income of the most recent fiscal year. The IFRS reporting method has been adapted, and net income means the net income of an individual or separate financial report in the most recent year.

Note 9: a. This column should clearly include the amount of remuneration given for reinvestment-related business that has been received by the President and VPs of The Company from its subsidiary company.

b. If a President or VP of this company has received remuneration for reinvestment-related business from a subsidiary company, the amount received under this category should be included in the J column of the compensation table, and revise the column to show "All reinvestment businesses"

c. Remuneration refers to the compensation, incentives, staff dividends, and business-related expenses that have been incurred by the General and VPs of The Company, when they have served as a director, supervisor, or manager for the company's subsidiary for the purpose of reinvestment.

Note 10: Hamlet Chiu started taking unpaid leave on April 13th, 2016 until the resignation on November 24th, 2016 due to personal reason.

* The content of the compensation as disclosed in this report is different from the concept f income tax. Hence, this table is solely for the purpose of information disclosure, and not for tax filing purposes.

3. Names and status of managers who have been issued employee remuneration

Dec. 31, 2016; Unit: NTD thousands

	Title (note 1)	Name (note 1)	Amount of shares	Amount of cash	Total	% of total on the net income
Managers	CEO	Ken Huang	-	-	-	-
	President	Stoney Chiu				
	VP	Jack Hsu				
	VP	Allen Chou				
	VP	Don Chen				
	VP	Hamlet Chiu				
	VP	Johnson Yang				
	Finance Supervisor	Lily Chiang				
	Audit supervisor	Angel Tsai				

Note 1: Individual names and titles should be disclosed separately, but the remuneration distribution can be disclosed holistically.

Note 2: This refers to the amount of employee remuneration (including share and cash) that will be endowed on the managers, as agreed upon by the Board of Directors for the most recent fiscal year. If unable to estimate, this year's intended amount should be calculated based on last year's actual paid amount. Net income refers to the net income of the most recent fiscal year. The IFRS reporting method has been adapted, and net income means the net income of an individual or separate financial report in the most recent year.

Note 3: The scope of a manager, according to No. 0920001301 rule and regulation of the Taiwan Finance Certificate, contains the following: a) President and the equivalent; b) VP and the equivalent; c) AVP and the equivalent; d) Financial supervisor; e) Accounting supervisor; f) others who manage company affairs and have signature right.

(D) Compare and illustrate the analysis of the ratio on the total compensation paid to the Directors, President, and VPs from the Company and all companies in the consolidated financial statement to the after-tax net income of individual financial statement, and explain the reimbursement policy, standard and combinations, procedures to dictate these reimbursements, and the correlation to management performance and future risks

Unit: NTD thousands

Year / Project	2015		2016	
	The Company	All companies in the financial statement	The Company	All companies in the financial statement
Ratio of total directors' compensation on net income	(17.85)%	(21.23)%	115.4%	144.5%
Ratio of total President and VPs' compensation on net income	(30.92)%	(38.01)%	237.6%	288.6%
Net income	(93,866)	(93,866)	10,700	10,700

1. Directors' compensation: Set in accordance to Articles of Corporations, with rights given to the members of the Board of Directors depending on the level of contributions they have made on The Company's operations, and set with reference to industry standards. Directors' compensation hasn't been remunerated for two years due to the unredeemed losses of 2015 and 2016.
2. President and VPs: Compensation includes salaries, bonuses, and employee profit-sharing. The remuneration committee established by the Board will set up initial figures depending on their titles and responsibilities, and set with reference to industry standards. They are implemented after attaining approval from the Board.
3. With the exception to transportation fees, all directors' compensation will be distributed pending on the company's profitability; hence, they do not pose major risks to the company. In addition to fixed salaries, the President and VPs' bonuses are all distributed pending on the company's performance; hence, they do not pose major risks to the company.

D. Operations of Corporate Governance

(A) Information of Operations of Board of Directors

In the most recent fiscal year, the Board of Directors have held 6 meetings (A), and the attendance of the Directors are as follows:

Title	Name	Number of actual attendance (B)	Number of by proxy	Ratio of attendance [B/A]	Remarks
Director	Ken Huang	6	0	100.00	-
Director	Stoney Chiu	6	0	100.00	-
Corporate Director	CDIB Venture Capital Corp. Representative: James Yin	6	0	100.00	-
Corporate Director	Ming-Ji Investment Co., Ltd. Representative: Yuan-chuan Sun	5	1	83.33	2016/01/15 New entrant
Independent Director	Po-sheng Lin	6	0	100.00	
Independent Director	Heng-yih Liu	6	0	100.00	
Independent Director	Vincent Lin	6	0	100.00	

Other items to be mentioned:

1. If any of the following circumstances occurs while functioning the board of directors, the Board meeting date, the Board meeting term, the contents of the motion, the opinions of all independent directors and the follow-up to the opinions of the independent directors should be elaborated:
   (1) The matters listed in Article 14-3 of the Securities Exchange Act: Not applicable as we have set up Audit Committee.
   (2) Besides the above-mentioned matters, the resolutions by the board of directors that have been objected to or reserved with record or written statement by other independent director: In year 2016, the independent directors had no objection or reservations to the major proposals in the board meetings.
2. The way that directors have abstained from motions that pose a conflict of interest, should elaborate on the director's name, the content of the motion, cause of the conflict of interest, and the status of the vote: none.
3. Goals (e.g. establishing audit committee, enhancing information transparency) primed to enhance the board of directors' professionalism and assessment on their effectiveness for that year and the most recent year:
   (1) Full re-election of three independent directors and officially established an audit committee on June 18, 2012.
   (2) The Board passed a revision and implemented the "Organizational Structure of the Remuneration Committee" on Dec. 17, 2012.
   (3) Establishing Corporate Social Responsibility Committee on May 10, 2014.
   (4) The Board passed a revision and implemented the "Code of Ethical Business Conduct" on Dec. 26, 2014.
   (5) The Board passed a revision and implemented the "Corporate Governance Code of Practice "on Mar. 3, 2015.
   (6) Establishing Risk Management Committee on Jun. 30, 2015.
   (7) Taoyuan and Kunshan plant established "Environmental Protection & Energy Saving Committee" on Jul. 31, 2015.
   (8) The Board approved of setting "Method and Procedures of Board Performance Assessment" on Aug. 10, 2015.
   (9) The Board approved of setting “Operating Procedure for Application to Trading Suspension and Resumption” on Oct. 30, 2015.
   (10)The Board approved of setting "Operating Procedure for Whistleblower’s Channel and Protection System” on Oct. 30, 2015.
   (11)To respond accordingly to the electronic voting which being adopted by the Board in year 2016,

amended the "Articles of Incorporation" and "Rules and Procedures of Shareholders' meeting" on Dec. 28, 2105. (12)The Board deliberated on "successor plan" on Feb. 25, 2016. (13)Amended the "Pending and Resuming Trading Operations Procedures" and "Code of Corporate Governance Practice" on Dec. 28, 2016. The above are for the establishment of a sound and effective corporate governance system and structure, implementing the policy and commitment to integrity management, and create a sustainable development of the business environment.

(B) Information of Operations of the Audit Committee

For the most recent year, the audit committee has held 6 meetings (A), below demonstrates the attendance of independent directors:

Title	Name	Number of actual attendance (B)	Number of by proxy	Ratio of attendance [B/A]	Remarks
Chairman	Po-sheng Lin	6	0	100.00	
Member	Heng-yih Liu	6	0	100.00	
Member	Vincent Lin	6	0	100.00	

Other items to be mentioned:

1. If any of the following circumstances occurs while functioning Audit Committee; the Board meeting date, the Board meeting term, the contents of the motion, the resolutions of Audit Committee, and the follow-up to the opinions of the Audit Committee should be elaborated: In year 2016, all the members of Audit Committee had passed the major proposals. No resolutions of Audit Committee were not passed but agreed by two-thirds of the Board. Please refer to the table below.
   (1) The matters listed in Article 14-5 of the Securities Exchange Act.
   (2) Besides the above-mentioned matters, the resolutions of Audit Committee are not passed but agreed by two-thirds of the Board.

Board of Directors	Proposals & Follow-up	Article 14-5 of the Securities Exchange Act	Resolutions of Audit Committee are not passed but agreed by two-thirds of the Board.
First BoD meeting in year 2016 2016/02/25	1. Annual financial statements and consolidated financial statements of year 2015.	v	
	2. The deficit compensation of year 2015.	v	
	3. Notional amount of derivative financial product transaction with the bank.	v	
	4. The endorsement of conglomerate financing amount.	v	
	5. The construction application for reinvested business Dynamic (Huangshi) Electronics Co., Ltd.	v	
	6. To increase the investment in Mainland China.	v	
	7. The authorization of the disposition of subsidiary Abon Touchsystems Inc.	v	
	8. Issuing the Statement of Internal Control System.	v	
	Audit Committee Resolution (2016.02.25): All members of the Audit Committee agreed to adopt.		
	The Company's handling of the opinions of the Audit Committee: All the attended directors at the meeting agreed to pass.		
Second BoD	1. The consolidated financial statement of first quarter of year 2016.	v	

meeting in year 2016 2016/04/28	2. Notional amount of derivative financial product transactions with the bank.	v	
	3. The endorsement of conglomerate financing amount.	v	
	Audit Committee Resolution (2016.04.28): All members of the Audit Committee agreed to adopt.		
	The Company's handling of the opinions of the Audit Committee: All the attended directors at the meeting agreed to pass.		
Third BoD meeting of the year 2016 2016/05/04	1. The loan of RMB10,000,000 that the Company's 100% invested business Dynamic (Kunshan) Electronics Co., Ltd made to the Company's 100% invested business Dynamic (Huangshi) Electronics Co., Ltd.	v	
	Audit Committee Resolution (2016.05.04): All members of the Audit Committee agreed to adopt.		
	The Company's handling of the opinions of the Audit Committee: All the attended directors at the meeting agreed to pass.		
Fourth BoD meeting of year 2016 2016/07/29	1. The consolidated financial statement of the second quarter of year 2016.	v	
	Audit Committee Resolution (2016.07.29): All members of the Audit Committee agreed to adopt.		
	The Company's handling of the opinions of the Audit Committee: All the attended directors at the meeting agreed to pass.		
Fifth BoD meeting of year 2016 2016/10/27	1. The consolidated financial statement of the third quarter of year 2016.	v	
	2. The endorsement of conglomerate financing amount.	v	
	Audit Committee Resolution (2016.10.27): All members of the Audit Committee agreed to adopt.		
	The Company's handling of the opinions of the Audit Committee: All the attended directors at the meeting agreed to pass.		
Sixth BoD meeting of year 2016 2016/12/28	1. The audit plan of 2017.	v	
	2. The independence assessment of the Company's accountants.	v	
	3. The annual business plan of year 2017.	v	
	4. The endorsement of conglomerate financing amount.	v	
	Audit Committee Resolution (2016.12.28): All members of the Audit Committee agreed to adopt.		
	The Company's handling of the opinions of the Audit Committee: All the attended directors at the meeting agreed to pass.		

2. The way that independent directors have abstained from motions that pose a conflict of interest, should elaborate on the independent director's name, the content of the motion, cause of the conflict of interest, and the status of the vote: none.
3. Communications between the independent directors and the internal audit supervisors and accountants (should include communications over the significant matters of company financials, business operations, and ways to approach these topics and their results)

(1) The communication between independent directors and internal audit executives:

(a) The Auditing Office follows the "Process guideline article 15 of Public Company's establishment of Internal Control system" and exercises internal audit of nine cycles and management practices, and prepares the following documents "Internal Audit Report", "Summarized Monthly Report on internal audit" and "Contact form of advices on irregularities" every month. All the audit related documents would be delivered to each audit committee

for review after the chairman's approval before the end of the second month upon the completion of the audit. If any doubts or instructions occur, the audit committee will inquire or instruct the auditing executives to deal with the relevant matters via phone call or e-mail. (b) The internal audit executives would attend every audit committee to report the audit progress, and communicate with the independent directors face to face. (c) When the internal auditors found significant violations or any major potential damages to the Company, a report would be made and submitted immediately. Each Audit Committee member would be notified at the same time. (d) The communication between the independent directors and the internal auditing executives of the Company is good and smooth. (2) The communication between independent directors and the accountants: (a) Accountants report the results of financial statement verification and audit in the Audit Committee quarterly, as well as other communication subjects that required by the relevant laws and regulations. Any suggestions or advices that occur to the independent directors would be addressed for discussion, followed by further explanation by the accountants. (b) In case of significant special situation, accountants would report to the Audit Committee instantly. (c) The accountants would be invited to participate in providing professional advices to any important issues related to the board so as to increase the opportunity of interaction among the accountants, directors and independent directors. (d) The communication between the independent directors and the accountants of the Company is good and smooth.

(C) Information on the operations of the Remuneration Committee

1. Information on the members of the remuneration committee

Status (note 1)	Criteria / Name	Hold five years or more of work experience and the following professional qualifications			Meet these Independence qualifications (note 2)								Number of other listed companies the person is also serving on the remuneration committee
		Lecturer or above in business, law, finance, accounting, or another discipline related to company businesses in a private or public university	Passed national examination and attained certification for professionalism and technical expertise as a judge, prosecutor, lawyer, accountant, or another field deemed necessary by the company business	Working experience in business, law, finance, accounting, or company operations	1	2	3	4	5	6	7	8	
Independent Director	Po-sheng Lin	V			V	V	V	V	V	V	V	V	2
Independent Director	Heng-yih Liu	V		V	V	V	V	V	V	V	V	V	1
Independent Director	Vincent Lin			V	V	V	V	V	V	V	V	V	0

Note 1: For Status, please identify whether the person is a director, independent director, or other.

Note 2: Please tick the boxes below each criterion if a member has fulfilled these conditions two years prior to being elected and during his/her term of service.

(1) Is not employed by the company or its affiliated corporations.
(2) Is not a director or supervisor at the company or its affiliated corporations. But the independent directors who set to belong to the company, the parent company or the subsidiary conforming with this law or the local law are unrestricted.
(3) Is not a shareholder that hold more than 1% of the company's total shares or rank among top-ten shareholders, this applies for the director him/herself, spouse, minor children, or shares held under others' names.
(4) Is not a spouse, second-degree relative, or direct, blood-related five-degree relative of the personnel listed in the first three criterion.
(5) Is not a director, supervisor, or employee of a corporate shareholder that holds more than 5% of the company's total shares, nor a director, supervisor, or employee of a top-five ranked corporate shareholder.
(6) Is not a director, supervisor, manager, or a shareholder that holds more than 5% of shares at a company or institution that has financial or business exchanges with the company.
(7) Is not a professional, a business owner, co-partner, director, supervisor, manager, or their spouse at a sole proprietor, partnership, company, or institution that offers services or consultancy for business, finance, or accounting etc. for the company or its affiliated firms.
(8) There is no circumstance of Article 30 of the Company Law's Article 30.

2. Information on the operations of the remuneration committee
   (1) The Company has three members in the remuneration committee.
   (2) Duration of role: 2015/05/28 – 2018/05/27. The remuneration committee has held 3 meetings (A) for the most recent fiscal year (2016). The attendance records of committee members are as followings:

Title	Name	Number of actual attendance (B)	Number of by proxy	Ratio of attendance [B/A]	Remarks
Chairman	Po-sheng Lin	3	0	100.00	
Member	Heng-yih Liu	3	0	100.00	
Member	Vincent Lin	3	0	100.00	
Other items to be mentioned: 1. In case the board of directors did not take in or make necessary rectifications according to the remuneration committee's suggestion, the date, number, content of the motion, the results passed by the board of directions and the ways the company handled the remuneration committee's opinions should be elaborated (for instance, if the compensation package passed by the board of directors is higher than the suggestion of the remuneration committee, the difference and its causes should be explained): none. 2. For the decisions made by the remuneration committee, if there are members who vetoed or withheld from the decision and there are documented records, the date, number, content of the motion, all members' opinions, and ways in handling these opinions should be elaborated: none.					

(D) The differences and causes between the company's operations and the corporate governance code of practice of listed companies

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	Y	N	Abstract	
1. Has the company established a corporate governance code of practice according to the corporate governance code of practice required by all listed companies?	V		On Dec. 28, 2016, The Company has passed the amendment of “Corporate Governance Code of Practice”. This code can be either downloaded from the Company website or the MOPS.	None
2. Company share structure and shareholders' interest a. Has the company established internal procedures to handle shareholder's opinions, questions, problems, and litigation issue, and implemented these measures accordingly? b. Is the company aware of the controlling shareholders and maintain the list of the final controllers of the main shareholders? c. Has the company established and carried out risk control and firewall measures to affiliated corporations?	V		a. According to article 13 of Code of Corporate Governance Practice, the Company has instructed the 【Legal Office】(under direct supervision of the Board) and the 【Chairman Office】(under direct supervision of the Chairman) to handle phone calls, emails and letters regarding opinions, questions, problems, and litigation issues from the shareholders. They directly handle these issues and report to the Chairman and the Board. b. The 【Chairman office】, under immediate supervision of the Chairman, is in charge of maintaining the lists of the controlling shareholders and the final controllers of the main shareholders. c. The Company has established systems to manage over these problems according to the law pertaining to "operational procedures in dealing with affiliated corporations, group enterprises, specific company, and affiliated individuals "as well	None

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	Y	N	Abstract	
d. Has the company established internal regulations to ban company personnel from selling and buying securities with undisclosed information?			as our internal control system. d. Regulated in the Company's " Material Insider Information Non-Disclosure Procedure".	
3. Organization and responsibility of the Board of Directors a. Has the Board established and implemented diversification measures in its member setup?	V		a. The Company's Code of Corporate Governance Practices article 20 indicates that the composition of the board of directors shall be diversified and the appropriate diversification policy shall be formulated for its own function, operation and development needs. Currently the three independent directors possess background and expertise covering finance, strategy and technology, two of which have the experience required by the company's business.	None

<table>
<tr><th rowspan="2">Item to be assessed</th><th colspan="3">Operational status (note 1)</th><th rowspan="2">Deviations from the corporate governance code of practice of listed companies and causes</th></tr>
<tr><th>Y</th><th>N</th><th>Abstract</th></tr>
<tr><td></td><td></td><td></td><td>
<table>
<tr><th>Diversification / Name</th><th>Operation Management</th><th>Leadership & Decision-making</th><th>Finance & Accounting</th><th>Strategy & Risk Planning</th><th>Trend analysis of the industry</th><th>Technology Development of the industry</th></tr>
<tr><td>Ken Huang</td><td>v</td><td>v</td><td></td><td></td><td>v</td><td></td></tr>
<tr><td>Stoney Chiu</td><td>v</td><td>v</td><td></td><td>v</td><td></td><td></td></tr>
<tr><td>James Yin</td><td></td><td></td><td>v</td><td></td><td>v</td><td>v</td></tr>
<tr><td>Yuan-chuan Sun</td><td>v</td><td></td><td>v</td><td></td><td>v</td><td></td></tr>
<tr><td>Po-sheng Lin</td><td></td><td></td><td>v</td><td>v</td><td></td><td></td></tr>
<tr><td>Heng-yih Liu</td><td>v</td><td></td><td></td><td>v</td><td>v</td><td></td></tr>
<tr><td>Vincent Lin</td><td></td><td>v</td><td></td><td></td><td>v</td><td>v</td></tr>
</table>

In year 2016, Board of Directors proposed to set the objective with the composition of necessity in order to quantify and qualify the Board:
1. The composition of quantification objective:
1) Representative composition ratio (1/3 shareholder thinking direction, 1/3 business thinking point of view, 1/3 corporate governance
</td><td></td></tr>
</table>

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	Y	N	Abstract	
			and social responsibility thinking point of view) 2) Composition ratio of capacity (1/4 operation management, 1/4 financial audit, 1/4 law and corporate governance, 1/4 technology profession) 2. The composition of the qualification considerations: 1) Quality-oriented (complementarity of decision-making style, richness of discussion and interaction, foresight of subject setting) 2) Assessment tools (decision-making style testing tools, the depth and breadth of measurement of face-to-face interactive content, foresight of mutual evaluation point setting	
b. In addition to setting up a remuneration committee and audit committee in accordance with the law, has the company voluntarily established other functional committees?			b. The company has already established a Nomination Committee in 2007. All three members are independent directors. Under the authority of the Board of Directors, the Nominating Committee shall assist the Board in seeking, reviewing, and nominating the candidates for directors, and to establish and develop the Organizational Structure of the Board to ensure that the Board is properly constituted. For details of the post function, please refer to the Organizational Regulations for the Supervisor Nomination Committee of the Directors,	

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	Y	N	Abstract	
c. Has the company established a performance rating method for the board of directors, and conduct performance rating accordingly on an annual basis?			which is disclosed on the Company website. The company has also established CSR Committee in year 2013, and set up Risk Management Committee and Environmental Protection and Energy Saving Committee in 2015. c. On Aug. 10, 2015, the board approved of setting the "Method and Practices of the Board Performance Assessment". The Company sets up at least the following five items for the assessment of the performance appraisal of the board of directors and the functional committees: 1. The degree of participation in the Company's operation. 2. To enhance decision-making quality of the Board. 3. The composition and structure of the board. 4. Selection and further education of directors. 5. Internal control. The assessment of the performance evaluation of the directors' members shall at least include the following six aspects: 1. The mastery of the Company's goal and mission.	

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	Y	N	Abstract	
			2. The recognition of directors' responsibilities. 3. The degree of participation in the Company's operation. 4. The effort and communication of internal relationship. 5. Directors' profession and further education. 6. Internal control. The Company has implemented performance evaluation of the Board of Directors and its members in year 2015 and year 2016; Self-assessment method was used in these two years and the evaluation results were excellent. The procedures, evaluation conclusions and improvement programs are disclosed on the company's website. On the other hand, the procedure indicates that the performance evaluation should be implemented externally at least once every three years, which will be implemented in year 2017.	
d. Has the company assessed the independence of its certified public accountant routinely?			d. The Finance Div. of the company has started to conduct yearly assessment of the independence of company's designated certified accountants since year 2015, the assessment includes 15 items	

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	Y	N	Abstract	
			below: 1. Up to the latest certification practice, there's no such circumstance with working for the company for seven years in a row. 2. No major financial interested relationship with the client. 3. Avoiding any improper relationship with the client. 4. The accountant should supervise their assistants to strictly comply with honesty, justice and independence. 5. The accountant is prohibited from auditing certification for the company's financial report where he/she has served in within the previous two years. 6. The accountant's identification is forbidden to be infringed by another individual. 7. The accountant does not hold any shares in the company or in its subsidiaries. 8. The accountant does not owe any debt to the company or its subsidiaries. 9. The accountant is not in any joint investment or benefit-sharing relationship with the company or its subsidiaries. 10. The accountant is not employed and paid	

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	Y	N	Abstract	
			regularly by the company or its subsidiaries. 11. The accountant does not interfere with any management function towards decision-making in the company or its subsidiaries. 12. The accountant does not run any business which will probably deprive him/her of audit independence. 13. The accountant is not related to any of the company's management personnel in the following relations: Spouse, blood-related relatives, direct relatives by affinity, second-degree of blood-related relatives, collateral blood-related relatives. 14. The accountant does not receive any commission which is occupational-related. 15. Up to now, the accountant hasn't been punished for violating any audit independence principle. In the most recent assessment of certified accountants' independence and adaptability on Dec. 20, 2016, the company found no certified accountant with any inadaptability or violations of independence. In addition, accounting firm Ernst & Young has also issued a "declaration of	

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	Y	N	Abstract	
			independence." This case was approved by the Audit Committee and the board on Dec. 28, 2016. The assessment result is also disclosed on the company website.	
4. Has the company set a specialized or part-time corporate governance unit or personnel, responsible for corporate governance related matters (including but not limited to providing directors or supervisors with all required information to perform their jobs, handling the board and shareholders meetings, handling the alteration of company registration, making meeting minutes for the board and shareholders meetings etc.)?	V		The Company has set 【Chairman Office】as the corporate governance unit, responsible for corporate governance related matters, including the relevant matters of the Board of Directors and the shareholders meetings, to provide directors with all required business information, making record and meeting minutes for the board and shareholders meetings, handling all the alteration of company registration, responsible for the implementation of corporate social responsibility, information disclosure, website maintenance and other related work.	None
5. Has the company established a communication channel with its stakeholders, and setup a stakeholder section on the company website, in addition to properly addressing key corporate social responsibility issues that are important to the stakeholders?	V		(1) Currently, all stakeholders have appropriate communication channels. For instance, Shareholders vs shareholders' manager and spokesperson; Employees vs HR; Customers vs sales, quality assurance, R&D; Suppliers vs purchasing, QA, R&D; Mortgagors vs finance personnel; Government vs departments of management, industrial safety, environmental safety; finally, Community and NGO vs management dept. and CSR office etc. (2) The Company website is set with a specific zone	None

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	Y	N	Abstract	
			for the stakeholders and the contact person's phone and email. It is also available to leave a message at "Contact Us" page, the message will be sent to the responsible unit automatically. Furthermore, contact information of each exterior unit, phone number, email, can also be found on the website.	
6. Has the company assigned professional common shares agency to take care of affairs related to the shareholders meetings?	V		We have assigned Taishin International Bank to take care of the share-related status.	None
7. Information disclosure a. Has the company setup a website to disclose information pertaining finance and corporate governance? b. Has the company utilized other methods of information disclosure (such as setting up a website in English, assigning someone to be responsible for the collection and disclosure of company information, implementing spokesperson system, demonstrating company website during corporate seminar)?	V		a. The Company website is www.dynamicpcb.com. The website has been equipped with pages designated to financial information and corporate governance for information disclosure on these aspects. b. The company has an English website, and has designated Chairman Office to be responsible for the collection and disclosure of company information. We have assigned a spokesperson and a deputy spokesperson, and our contact information is on the company website, which serves as channels of communication for investors and shareholders and caters to their inquiries and needs. The company will start holding investor conference from year 2017. The relevant	None

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	Y	N	Abstract	
			information will be disclosed on the website.	

8. Does the company have other important information pertaining to understanding the operations of the company's corporate governance (including but not limited to employee benefits, employee welfare, investor relations, supplier relations, stakeholders' interests, advanced studies of the director and supervisors, risk management policy and levels of implementation of risk assessment standards, levels of implementation of customer policies, and whether the company has purchased liability insurance for its directors and supervisors)?

a. Employee benefits: For the year of 2016, in addition to extending various employee benefit and welfare programs, the Company specifically improve production safety and pay attention to the physical and mental health of employees

b. Employee welfare:

Taoyuan Plant in 2016

1. Employ full-time professional English teacher teaching at the plant.
2. Provide employees with free influenza vaccination to protect the health of employees.
3. Having lifesaving bag equipped at factory's main accesses, to escape from thick smoke during fire, to ensure staff's work safety.
4. Promoting health and leisure, team up to participate in marathon activities.
5. Actively developing PCB industry talent, and obtaining PCB professional license.
6. Encouraging employees to participate in health talks, so that employees value their physical health.
7. Encouraging colleagues to spend on fair trade coffee, so that colleagues enjoy safe, healthy, low-cost drinks.
8. Organized scientific amusement park camp activities, to encourage parent-child travel, to enhance family interaction.
9. Organizing staff weight loss competition, help staff reduce the risk from high blood sugar, high blood cholesterol, and high blood pressure.

Kunshan Plant in 2016

1. Overseas trips bonus-points accumulation and lucky draw activity for staff stay behind.

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	Y	N	Abstract	

2. Overseas travels.
3. Company and departmental forum.
4. Send the filial Fund and birthday card to the employee's mother on the eve of the employee's birthday.
5. Women's Health Care Lecture.
6. Expansion training activities for managers and Section Chiefs.
7. Training and evaluation of internal lecturer.
8. The 4th Company sports competition event.
9. The 4th autumn gala.
10. The 2nd corporate culture model, inviting parents to Kunshan to participate in the autumn gala.

c. Social Care of both plants in 2016

1. To fund the low income family students of the archery team and arts class of Taoyuan Municipal JieShou Junior High School for their tuition fees.
2. Making the year 2017 table calendar with the artworks by the students and teacher Milu of Taoyuan Municipal JieShou Junior High School, to encourage children to continue to create.
3. To fund the needy students of Kunshan Development Zone for their tuition fees and living expenses.
4. Choosing the handmade soap by Star craft workshop of Taoyuan City Autism Association for the souvenir of shareholder’s meeting.
5. Providing staff with the moon festival gift boxes which were in collaboration with Eden Social Welfare Foundation and the Taoyuan Shihsuei Care Service Association.
6. Establishing fair trade tea break room and purchasing fair trade coffee beans to take part in the international poverty alleviation, not only to improve the livelihood of farmers, but also create a friendly environment of the production mechanism.
7. Hubei Huangshi area suffered from the floods, Dynamic sent relief supplies (oil, rice, drinking water and large rolls of toilet paper) to the disaster area.
8. On Jan. 8th 2017 and Jan. 14th 2017 Kunshan factory and Taoyuan factory simultaneously held "love connects us to each other" public welfare fete. Taoyuan plant raised a total of NT$950,000, and NT$680,000 of it was donated to Liver Disease Prevention & Treatment Research Foundation, the balance is kept for 2018 donations. At the same time, six charities were invited to set stands with us. Kunshan plant raised a total of RMB 460,000. RMB 200,000 was used to

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	Y	N	Abstract	

fund the nutritional lunch by Dynamic welfare foundation. RMB 50,000 was donated to Kunshan love public welfare club, which is committed to helping elderly, orphan, handicap and the poor. RMB 70,000 was donated to Liver Disease Prevention & Treatment Research Foundation, the balance is kept for 2018 donations.

d. Investor relations: assigned spokesperson, deputy spokesperson, and personnel dedicated to handling matters pertaining shares to assist investors to understand the company's status and to communicate with them. Set up investor relations section on the company website to offer important information and contact information.

e. Supplier relations: While enhancing sustainable business and competitiveness, it is essential to have vendor’s support and cooperation. Besides satisfying our customers by working closely to meet outstanding quality, competitive price, ideal lead time, high efficiency and green energy policies, we also invited our suppliers to join us to promote the implementation of social corporate responsibility, and pursue a sustainable business growth

f. Stakeholders' interest: identify stakeholders and major issues, establish communication channels, include topics that various stakeholders care about, such as economics, environment, and social issues, into the company's operations strategy and management, and to sufficiently disclose information.

g. Advanced studies for the directors and managers

Status	Name	Date	Hosted by	Class	Hours of study
Director	Ken Huang	2016/09/23	Securities and Futures Market Development Foundation of China	Seminar of advanced practice for Directors and Supervisors: Discussion on the Function of the Board of Directors from the perspective of Corporate Fraud Prevention	3.0
Director	Ken Huang	2016/11/28	Chinese Corporate Governance Association	Discussion on the legal liability of Independent Directors by the judgment of Court	3.0
Director	Stoney Chiu	2016/10/20	Financial Supervision and Management Commission	The 11th Taipei Corporate Governance Forum	6.0
Director	James Yin	2016/03/04	Chinese Corporate Governance Association	Major controversy cases of Directors of the supervisors’ liability for financial report	3.0

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	Y	N	Abstract	

Director	James Yin	2016/09/02	Chinese Corporate Governance Association	The operation of the board of directors and the effect of the resolution	3.0
Director	Yuan-chuan Sun	2016/10/06	Chinese Corporate Governance Association	The 12th International Forum on Corporate Governance	6.0
Independent Director	Po-sheng Lin	2016/05/13	Chinese Corporate Governance Association	Code of legal education for corporate mergers and acquisitions	3.0
Independent Director	Po-sheng Lin	2016/05/13	Chinese Corporate Governance Association	Discussion on Enterprise M & A from the perspective of Directors and Supervisors	3.0
Independent Director	Heng-yih Liu	2016/03/29	Chinese Corporate Governance Association	Insider trading and short-term trading	3.0
Independent Director	Heng-yih Liu	2016/04/20	Securities and Futures Market Development Foundation of China	Seminar of advanced practice for Directors - Discussion on Employee' s Reward Strategy and Tool Application	3.0
Independent Director	Vincent Lin	2016/10/06	Chinese Corporate Governance Association	The 12th International Forum on Corporate Governance	3.0
Independent Director	Vincent Lin	2016/10/07	Chinese Corporate Governance Association	The 12th International Forum on Corporate Governance	3.0
Accounting Supervisor	Lily Chiang	2016/11/21 -22	Accounting Research and Development Foundation	Continuous advanced education of principal accounting officers of Issuers, Securities firms, and Securities Exchanges	12.0
Internal Audit Supervisor	Hsin-Yi Tsai	2016/04/14	The Institute of Internal Auditors-Chinese Taiwan	Information security management system (ISMS, ISO27001) audit practice	6.0
Internal Audit Supervisor	Hsin-Yi Tsai	2016/04/19	The Institute of Internal Auditors-Chinese Taiwan	The latest amendments to the preparation of financial reporting guidelines and related laws and regulations on the internal control, and the impact of internal audit	6.0

h. Risk management policy and levels of implementation of risk assessment standards: The Company set up a "Risk Management Committee" on Jun. 30, 2015 which reports directly to the Audit Committee and reports in the board meeting every quarter. The risk is divided into three levels to develop a response plan or an immediate action plan by the comprehensive risk figure (Severity x Occurrence frequency x Uncontrollable degree). Risk management issues are divided into four major categories: strategy, operation, finance and hazard. The head leader of relevant division/department is responsible for being executive committee of each category.

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	Y	N	Abstract	

The operation of the Risk Management Committee is as follows:

Chairman	1. Identify and approve priorities for each risk
	2. Supervise the improvement of risk management operations
General Director	1. Coordinate and promote risk management activities
	2. Conduct cross-departmental risk communication sessions
	3. Ensure adequate communication and coordination between the Chair and the Executive Committee
	4. Arrange the Executive Committee to report regularly to the Chair
	5. Report to the Audit Committee and the Board of Directors
Executive Committee	1. Identify and assess risk
	2. Develop a risk response program
	3. Perform a risk control plan
	4. Identify the effectiveness of the risk control program
	5. Report to the Chairman of the Risk Management Committee

i. Levels of implementation of customer policies: the company designates sales and customer service to be in charge, maintain close contact on a daily basis, construe a fair communication channel with customers and satisfy their needs. Senior management will visit routinely to understand the customer's long-term needs, which will serve as the basis for the company's long-term strategy. The company will conduct customer satisfaction survey on an annual basis to understand levels of implementation and ways to improve.

j. The Company has already purchased liability insurance for its directors. The most recent insured period is from 00:00 March 1, 2017 to 00:00 March 1, 2018. The insured amount is USD $ 3,000,000. The insurance rate and coverage were reported in the board meeting on Apr. 25th, 2017.

9. Give explanation of the improvement results according to the corporate governance assessment that issued by the Corporate Governance Center of the Taiwan Stock Exchange Co., Ltd in the most recent year. Put forward the priority issues and measures for those who have not yet improved. (Companies who are not included in the assessment do not need to fill up)

In the third corporate governance evaluation of year 2016, the company scored 99.14, ranking the top 5%. This corporate governance

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	Y	N	Abstract	
assessment came with 103 questions, Dynamic scoring 86 questions, 2 questions were not applicable to the Company, no extra point on 5 questions, no minus point on 5 questions, 5 questions lost points. About question 4.18: Was the company invited to convene (or voluntarily convene) at least two times of investors' conference? We have been invited to investors' conference on Aug. 15 and Nov. 14, 2017. The rest four questions are still in the development of the plan.				

(E) Implementation of Corporate Social Responsibility

Item to be assessed	Operational status (note 1)			Deviations from the code of practice of CSR for listed companies
	Y	N	Abstract (note 2)	
1. Implementation of corporate governance a. Has the company established a corporate social responsibility policy or system, and assessed the effectiveness of implementations? b. Has the company organized regular education and training for corporate social responsibility?	V		a. The Company set the following corporate social responsibility policies in year 2013. The effectiveness of implementation is periodically reported and reviewed in the board meeting. (1) In terms of corporate governance: follow business ethics, international standards, and laws and regulations; (2) In terms of value creation: focus on employee enhancement and development, encourage innovation, create value; (3) In terms of balanced profit: strive to attain a balance between employee, shareholders, stakeholders, and company's long-term development; (4) In terms of environmental protection: less CO_2 emission, protect the natural environment, value Earth's resources, and enhance sustainability of resources; (5) In terms of social welfare: offer a safe and healthy working environment for employees, participate in volunteer service in the community, and undertake charity events for the society. Dynamic Electronics encourages employees to participate in community service. Through integrating employee's strengths, we will serve the people and give back to the community! b. The company sent many employees to participate in the external CSR education training, then the training course to be passed on to the internal staff afterwards. In addition, all new employees are receiving education and training of corporate social responsibility.	None

Item to be assessed	Operational status (note 1)			Deviations from the code of practice of CSR for listed companies
	Y	N	Abstract (note 2)	
c. Has the Company set up a specialized or part-time unit to promote the affairs of CSR? Does the Board of Directors authorize higher-level management to handle it and have pertinent reports been made to the Board?			c. The Corporate Social Responsibility Committee has been established with approval from the company's board of directors, with the Chairman and President presiding as the committee's chairmen. 【CSR office】 is established under the chairmen with the responsibility for implementing CSR related matters. Committee members include the chief supervisors of the 8 divisions and 2 departments, subsuming the five major issues of corporate social responsibility - economy, environment, society, supply chain management, integrity and law and regulation compliance, and confirming the relevant responsibilities of various departments. At the end of every year, the committee will examine the year's performance and take into consideration those topics of concern from stakeholders. The committee will also project the coming year's strategic orientation. The implementation progress and tracked performance will be reported to the board of directors afterwards.	
d. Has the Company set a reasonable salary compensation policies and staff performance appraisal system and corporate social responsibility policy measures, and has it established a clear and effective system of rewards and discipline?			d. The Company has set up a fair remuneration policy proposed by Remuneration Committee, and key performance indicators and incentive systems united with corporate social responsibility policy.	

Item to be assessed	Operational status (note 1)			Deviations from the code of practice of CSR for listed companies
	Y	N	Abstract (note 2)	
2. Developing a sustainable environment a. Does the company strive to enhance the utility rate of every resource, and use renewable materials that pose less impact on the environment? b. Has the company established a suitable environmental management system by referencing its industry's characteristics?	Y		a. The Company has completed the re-issuing of QC080000 toxic material management system certificate. Through the operations of the system, it can be ensured that the products are harm-free, lower the impacts on the environment; in addition, the company is devoted to enhancing the utility rate of each resource. All personnel from R&D, Purchasing, Manufacturing, QRA are devoted to continuously improve the manufacturing process, introduce green materials to the manufacturing process and products. In addition, the Company carefully classifies the remnants of scraps in order to improve the recycling rate of scraps, and responds to Taoyuan municipal government’s green procurement plan by purchasing business supplies with environmental labeling of low pollution products with priority. b. The Company has established ISO14001 environmental management system by referencing its industry characteristic. With the system's operations primed for continuous improvement, the positive environmental performance continues to be enhanced. We will carry out a simultaneous revision that	None

<table>
<tr><th rowspan="2">Item to be assessed</th><th colspan="3">Operational status (note 1)</th><th rowspan="2">Deviations from the code of practice of CSR for listed companies</th></tr>
<tr><th>Y</th><th>N</th><th>Abstract (note 2)</th></tr>
<tr><td>c. Has the company paid attention to the impacts of weather changes on its operational activities, in addition, has it carried out checks on greenhouse gases, implemented strategies to lower of CO2 emissions and greenhouse gases?</td><td></td><td></td><td>conforming ISO9000, ISO14001 in 2017.
c. The Company promotes greenhouse emission checkup under ISO14064-1 international standard, and is using results from this checkup as the evidence in lowering greenhouse emissions in the future.

<u>Taoyuan plant</u>
In year 2015, the total greenhouse gas emissions in Taoyuan plant was 28,569 tons of CO_2e, Comparing to the 26,201 metric tons of CO_2e in year 2014, it has increased by 9.0%. The main reasons were product structure change and new equipment for new products, which cause the total electricity consumption rose 7.5%. To reduce energy consumption, energy monitoring and high energy consuming equipment replacement will be carried out.
<table>
<tr><th>Year</th><th>Direct emissions in tons CO_2e</th><th>Indirect emissions in tons CO_2e</th><th>Total</th><th>Changes in comparison with the previous year %</th></tr>
<tr><td>2012</td><td>607</td><td>28,167</td><td>28,774</td><td>-4.4%</td></tr>
<tr><td>2013</td><td>922</td><td>26,570</td><td>27,492</td><td>-4.5%</td></tr>
<tr><td>2014</td><td>725</td><td>25,476</td><td>26,201</td><td>-4.7%</td></tr>
<tr><td>2015</td><td>808</td><td>27,761</td><td>28,569</td><td>9.0%</td></tr>
</table>

<u>Kunshan plant</u>
The total greenhouse gas emissions of Kunshan plant in year 2016 was 205,772 metric tons of CO_2e, increased by 0.35% comparing to year 2015. It was also due to product structure adjustment.</td><td></td></tr>
</table>

Item to be assessed	Operational status (note 1)			Deviations from the code of practice of CSR for listed companies
	Y	N	Abstract (note 2)	
			(see below)	

Year	Direct emissions in tons CO_2e	Indirect emissions in tons CO_2e	Total	Changes in comparison with the previous year %
2014	6,102	190,784	196,886	-
2015	6,527	198,525	205,052	4.1%
2016	6,307	199,465	205,772	0.35%

Taoyuan plant has attained ISO50001 certification in Dec. 2014 and continuously carrying out energy conservation plan. The target set is to lower at least 1% of energy wastage annually. The use rate of electricity has decreased by 3.4% in year 2016. Energy conservation items in 2016 as below:

Project	Rectification period	Content to be rectified
1	2016	Installed inverter to water pump, the annual energy saving 25,000 kWh.
2	2016	Air conditioning power off at the first hole-filling line operating area in winter, the annual energy saving 18,000 kWh.

Kunshan plant has attained ISO50001 certification in Dec. 2015 and continuously carrying out energy conservation plan. The target set is to lower at least 1% of energy wastage annually. The use rate of electricity has decreased by 1.3% in year 2016. Energy conservation items in 2016 as below:

Project	Rectification period	Content to be rectified
1	2016	Air conditioning system energy conservation - improving the cooling tower cooling efficiency, using frequency converter to adjust the cooling pump, so

<table>
<tr><th rowspan="2">Item to be assessed</th><th colspan="3">Operational status (note 1)</th><th rowspan="2">Deviations from the code of practice of CSR for listed companies</th></tr>
<tr><th>Y</th><th>N</th><th>Abstract (note 2)</th></tr>
<tr><td></td><td></td><td></td><td><table>
<tr><td></td><td></td><td>the ice machine can attain energy saving effect, 2,418,514 kWh of electricity was saved from September to December in year 2016.</td></tr>
<tr><td>2</td><td>2016</td><td>Inverter was installed on the 10th air compressor of plant 2, real-time control pressure, installation was complete in July 2016, up to December a total of 187,920 kWh of electricity was saved.</td></tr>
</table></td><td></td></tr>
<tr><td>3. Maintaining societal well-being
a. Has the company set up management policy and procedures according to related laws and regulation and the International Human Rights Treaty?
b. Has the company established employee grievance mechanism and channels, and handled these grievances appropriately?
c. Has the company offered a safe and healthy work environment for its staff, and routinely implement safety and health education for its staff?</td><td>V</td><td></td><td>a. The Company has implemented management policy and procedures according to managerial procedures that comply with the law and the EICC.
b. In order to establish a fair and friendly work environment, in year 2013, The Company has set up a suggestion box for unfair treatment to facilitate staff to deal with personal rights, sexual harassment, or unfair treatment etc. at the workplace. Whenever a staff complaint is received, an HR supervisor will personally see the matter and maintain strict confidentiality on the individual's identity.
c. The Company’s safe and healthy work environment is conducted by two plants as follows:
1. Taoyuan Plant: The company implemented operation environment monitoring twice a year, implementation result and inspection plans are disclosed to the public. Improvement actions</td><td>None</td></tr>
</table>

Item to be assessed	Operational status (note 1)			Deviations from the code of practice of CSR for listed companies
	Y	N	Abstract (note 2)	
			are taken according to the monitoring results; implementing equipment auto-check to ensure the safe operation of each equipment; the filter of drinking fountains is replaced monthly, water is sent to examine once every three months; cafeteria is sanitized periodically, sample meal sample is reserved for 48 hours; industrial safety unit would give safety and health education lessons, and regularly have Taoyuan Veterans hospital's occupational disease specialized doctor station the plant and assist staff in returning to work, fitting them in a more appropriate duty under proper health condition, and carrying out health management plan; health education magazine is dispatched by the factory nurse every month; hold quarterly safety and health lectures. In addition, employee health examination is done once a year and the result is analyzed and tracked by plant nurse. 2. Kunshan Plant: (1) Conduct a workplace occupational hazard factor test every year and post the test results to the bulletin board. Employees working at the posts that involve occupational hazards are informed by written notice of hazard. Post occupational hazards notice card on the site. These employee take occupational health examination annually (Senior staff take in-post	

Item to be assessed	Operational status (note 1)			Deviations from the code of practice of CSR for listed companies
	Y	N	Abstract (note 2)	
			physical examination, and the new staff take pre-job examination). Physical examination results are informed in written notice. (2) To develop an inspection system for the hidden risks, make the inspection system impeccable through daily check, quarterly inspection, specific item check, checking on holidays, cross-check, etc. Having the contracted safety evaluation company come to conduct a safety assessment every three years; make timely improvement in the discovered troubles, thus to reduce the risks. (3) Set safety education standards and provide training for new employees with plant level, unit level, team level safety education and make assessment before they assume the post. Safety education propaganda is carried out in morning meeting and evening meeting once a month; each unit would be trained with safety education and be evaluated once a year.	
d. Has the company installed a communications system for routine communication with employees, and alerts operational changes that may pose significant impacts on its employees in a fair manner?			d. The Company hosts management meeting on a monthly basis. Through bilateral communications, The Company understands employee's needs and allows employees to understand operational changes that may pose significant changes to The Company. At the same time, The Company hosts labor-capital meeting in each quarter, and the Industrial	

Item to be assessed	Operational status (note 1)			Deviations from the code of practice of CSR for listed companies
	Y	N	Abstract (note 2)	
e. Has the company established an effective career developmental plan for its employees?			Safety Health Committee has imposed routine communications channel. e. Current employees are able to achieve enhancement in professional knowledge and skills through internal or external training. For new employees and those that have just transferred to different roles, The Company offers expertise training or internship according to the nature of their work and needs. Through career-oriented learning development structure, all employees in each rank at The Company are able to attain appropriate development training. The Company provides aids for extended studies to assist employees to accumulate professional knowledge and enhance their managerial capacity.	
f. Has the company established consumer rights protection policy and complaint-filing procedures in terms of R&D, Purchasing, Production, Operations, and Consumer Support?			f. Throughout the product life cycle, customers' health and safety, and their consumer rights, are all our major concerns. In addition, the company has a specific department for customer service and develops an SOP for customer issues handling. The Company provides a transparent and effective mechanism of customer complaints, and give customers the most efficient service.	
g. For the marketing and labels on products and services, does the company comply with related laws, regulations, and international standards?			g. After we turn customers' design and specifications into a printed circuit board, we will proactively offer the raw material code, ingredients of the content, safety code,	

Item to be assessed	Operational status (note 1)			Deviations from the code of practice of CSR for listed companies
	Y	N	Abstract (note 2)	
h. Prior to conducting business with suppliers, has the company evaluated whether these suppliers hold any past records of impacts on the environment and the society? i. Does the company's contract with its primary supplier contain any immediate termination			subsequent handling for the printed circuit boards and their impacts on the environment and society when the product is ready to be delivered, according to The Company's finished product quality control procedures. The Company will provide labels on the shipment boxes for customers to easily identify, and will customize according to client needs. All 100% of The Company's products are labeled according to finished products control procedures or according to client needs. h. The Company promotes "green purchasing" and requires the production of raw materials to provide a third-party, objective assessment report and MSDS and sign a warranty that certifies products do not contain ingredients hazardous to the environment, starting from when the raw materials are being assessed by our R&D department. The warranty will promise strict compliance with environmental protection and laws pertaining to non-toxic materials, standards and laws both locally and internationally such as RoHS and REACH, and effectively control raw material and production, guarantee that the products it provides does not contain hazardous or materials that do not comply with standards. i. As for the supply chain partners who are unable to provide third-party objective assessment	

Item to be assessed	Operational status (note 1)			Deviations from the code of practice of CSR for listed companies
	Y	N	Abstract (note 2)	
clause for when the supplier violates corporate social responsibility and poses significant impacts to the environment and the society?			report and promise that its products do not contain internationally-banned materials that are toxic to the environment, and have not signed the "products do not contain materials detrimental to the environment" warranty, The Company will consider the adjustment to purchasing method. For instance, the termination of partnership, and to look for alternative vendors that can comply with these needs. If the material from this vendor is difficult to replace, we will facilitate and guide to prevent and decrease the possible negative impacts on the environment, in order to maintain the effective operations of our supply chain.	
4. Strengthen information disclosure a. On the company's website and MOPS, has the company disclosed information pertaining to corporate social responsibility, which is related to the company's relevance and reliability?	V		a. All related and reliable information of corporate social responsibility is uploaded to the Public Information Observatory and the CSR section of the Company's website.	None
5. If the company has established its corporate social responsibility policy according to the listed company socially responsible code of practice, please elaborate on deviations of its operations from the established policy: none.				
6. Other important information to understand the operations of corporate social responsibility: The Company has set 【Corporate Social Responsibility Committee】and【CSR Office】to promote the activities of corporate social responsibility. Bringing issues of economy, environment and society into the company's business strategy and running them on the system, in the meantime to report the information in the Board of Directors. In addition, an annual CSR Report is published every year, which can be a review on the effectiveness of CSR execution and a communication bridge with the stakeholders. The company has set "public welfare donations measures", every month a certain amount of funds would be drawn and used for caring for education, charity, environmental protection, and academic research etc. social affairs.				

<table>
<tr><th rowspan="2">Item to be assessed</th><th colspan="3">Operational status (note 1)</th><th rowspan="2">Deviations from the code of practice of CSR for listed companies</th></tr>
<tr><th>Y</th><th>N</th><th>Abstract (note 2)</th></tr>
<tr><td colspan="5">7. It should be stated if Corporate CSR Report is subject to verification standards by the relevant certification body:

Dynamic's 2016 Corporate Social Responsibility Report was our third publication and the first, by introducing integrated reporting framework to provide a more comprehensive, more integrated, more coherent, and more efficient communication platform for all the stakeholders who are concerned about Dynamic.

For this CSR report prepared based on International IR Framework and GRI G4 Core, we entrusted Ernst & Young, an independent and reliable certification body, to conduct limited assurance as required by the Assurance Cases of Non-Historical Financial Data Inspection or Review of Statement of Assurance No.1. After that, it conducted full communication with the governance unit for the related results. As for the assurance scope and conclusion, please refer to the Assurance Report of Independent Auditors in the Appendices Section.</td></tr>
</table>

Note 1: whether "yes" or "no" is ticked in Operational Status, The Company should elaborate on its answers in Abstract.

Note 2: For companies that have already prepared a corporate social responsibility report, they are able to replace explanations in abstract with "please see the corporate social responsibility report" and provide page numbers.

(F) Implementation of Ethical Business Operations

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	(Y)	(N)	Abstract	
1. Establish ethical operational policy and program a. Has the company clearly shown its ethical operational policy and methods in its regulations and external documents, in addition, have the board of directors and management level proactively implemented the promise of ethical business operations? b. Has the company established preventative programs for unethical behavior, and clearly shown	V		a. The company's corporate culture: integrity, responsibility and learning are well shown in the primary documents that the company issues internally and externally. The company has set "Ethical Code of Practice," both the Board of Directors and all management personnel have actively implemented the operational policies. b. To encourage employees and vendors and suppliers to voluntarily provide information pertaining to corruption, The company has set a “Reward Operating Measures of Reporting”, and set up CEO email (ceo@dynamicpcb.com) which is devoted to handling reporting on The Company's staff or vendors/suppliers' illegal activities from all sources. Every email will be personally read by the Chairman, and if the suspected crime is significant, it will be verified by the Legal Office. If proven to be true, the suspect will be handed over to police and prosecutors. The whistleblower will receive definite rewards. To increase reporting access in year 2016, new exclusive mobile lines were added	None

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	(Y)	(N)	Abstract	
c. Has the Company adhered to Article 7, Paragraph 2 of the "Code of Integrity Management for Publicly Traded Companies," and other pertinent sections, adopting preventative measures applying to acts of bad faith and higher risk business activities?			in both Taoyuan plant and Kunshan plant, and all the suppliers were informed. Manager of Legal Office is responsible to receive calls and messages. All reported information will be reported to the chairman for further investigation. The investigation results will be handled according to the above measures. c. Prior to conducting business, The Company always takes the licensors, suppliers, clients, or other business partners' legality and whether they have committed any unethical conducts into consideration, to avoid trading with unethical individuals. Moreover, The Company signs contracts with trading partners, in which compliance to ethical business policy is included. Should a trading partner exhibit unethical behavior, The Company can terminate the contract immediately.	
2. Implementation of ethical business operations a. Has the company assessed the integrity records of its business partners, and specified ethical business policy in contracts with its trading partners?	V		a. The Company always assesses the integrity records of its trading partners and clearly specifies ethical business policy in contracts signed. The Company always signs quality assurance contract, purchasing commitment, honesty commitment, and warranty for prohibiting the usage of toxic matters etc.	None

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	(Y)	(N)	Abstract	
b. Has the company established a unit devoted (or partly devoted) to promoting corporate ethical business that is directly under the board of directors, and routinely reports its implementations to the board? c. Has the company set up policies to prevent conflict of interest, offer and implement appropriate reporting channels? d. To implement ethical business policy, has the company established an effective accounting system and internal control system, and routinely asks the internal auditing unit to verify or entrusts accountant to verify? e. Does the company host routine internal and external ethical business operations training?			with its trading partners. b. To strengthen the management of ethical business operations, the 【Legal Office】, directly under the Board of Directors, is responsible for setting up and supervising the execution of the ethical business policy and preventative measures. Additionally, it reports to the Board quarterly. c. The Company has set up policies to prevent conflict of interest, and offers appropriate channels for the directors, managers, and other stakeholders, or stakeholders within the board of directors, to proactively explain whether or not he/she poses potential conflict of interest with The Company and avoid getting involved in it. d. The Company has established an effective accounting system, internal control system, and they are routinely reviewed by our internal auditing unit. e. The Company hosts internal ethical business management trainings for all new hires.	
3. Operations of the company's reporting system a. Has the company established a material reporting and rewarding system, set up a convenient reporting channel, and designates appropriate personnel to	V		a. The Company amended the "Whistleblower Reward operating method" on May 12th 2016 and was issued to the Kunshan factory,	None

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	(Y)	(N)	Abstract	
be in charge of investigating the case, depending on the identity of the person being reported?			which specifies material reporting channel, reward system, and personnel in charge of accepting the case, as follows: (1) Reporting channel (a) CEO mailbox (ceo@dynamicpcb.com) (b) Send email to unfair treatment mailbox or mailbox of other supervisors (2) Reward system (a) Reward will be given out after the case has been closed and the amount has been quantified. (b) Real-name whistleblower reports with evidence will be rewarded 50% of the restored amount, but no more than NT$ 10 million. (c) Real-name whistleblower reports without evidence will be rewarded 25% of the restored amount, but no more than NT$ 5 million. (d) With permission from the Chairman, the monetary reward for reporting personnel who offer extra significant service can exceed the above limit. (3) Personnel in charge of accepting the case After confirmation from the Chairman, the Legal office will set up a project team to investigate.	

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	(Y)	(N)	Abstract	
b. Has the company set up SOP for accepting and investigating reporting cases and confidentiality structure?			b. Handling procedures and relevant confidentiality structure (1) Handling procedures (a) Relevant plant, division and department, will collaborate with the Legal office in investigations. (b) After investigations, Legal office will remit a signed report to the Chairman to handle subsequent results, and hand out rewards accordingly. If the results pose violations to the law, the case will be handed over to the law enforcement. (c) Time constraint: normal cases should take two weeks, and complex cases will take four weeks. Whether the case is complex is up to the Chairman's discretion when the project team is formed in Legal office. (2) Relevant confidentiality structure Maintain strict confidentiality to the case and the reporter (whistleblower) while handling the case.	
c. Has the company set up protection for the reporting individual to prevent the person being subjected to inappropriate measures from reporting on the case?			c. According to Article 21 of Integrity Management Code and Article 28-2 of Corporate Governance Code of Practice, the Company has set the “Whistleblower Channel and Protection Regulation Operating Procedure”, conforming to the	

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	(Y)	(N)	Abstract	
			approval of the board on Oct. 30, 2015, to set the whistleblower channel, encourage the whistleblower to report on crimes, and protect the whistleblower from being treated inimically by reporting on violations.	
4. Enhance information disclosure a. Has the company disclosed the contents and effectiveness of implementing its ethical corporate policy on its website and MOPS?	V		a. Both The Company's website and the MOPS contain information disclosure pertaining to the content of The Company's “Integrity Management Code”. The effectiveness of implementation is on the CSR report, under corporate governance, section "Corporate Ethics and Vision". Since year 2016, the CEO mailbox and the new access haven’t received any report up to now, apparently the dishonest behavior has decreased.	None
5. If the company has set Code of Ethical Business Conduct according to the Code of Practice for Listed Companies, please elaborate on the deviations of its operations from the policy: none.				
6. Other important information to understanding the operations of the company's ethical business operations (for instance, if the company has made revisions to its previously established ethical business policy etc.): none.				

Note 1: Whether "Yes" or "No" is ticked in the Operational status, the company should elaborate on its answer in Abstract.

(G) For details on The Company's Corporate Governance Code of Practice and other relevant policies, please see:

1. MOPS/Company Code of Practice section (http://mops.twse.com.tw/mops/web/t100sb04_1)
2. Dynamic website/Corporate Governance Special Zone (http://www.dynamicpcb.com/en/investment/rule.html)

(H) Other important information that can strengthen the understanding of the operations of the company's corporate governance: In the past two years, Dynamic had actively enhanced corporate governance performance to connect with international trends by the full support and guidance of the Board of Directors. The result of the third corporate governance assessment has given the company the final assessment score of 99.14, ranking the top 5%. The unreached items will be continuously improved, hoping to strengthen the ability of sustainable development while reducing operational risk, and earn the credit from the investors.

(I) The follows should be disclosed concerning the conditions of carrying out the internal control system:

1. Internal control statement: please see page 132 of this manual.
2. Those who entrust accountants to verify internal control system, should disclose the accountants' evaluation report: none.

(J) From the most recent year up until the date stated on this report, explain the conditions in which the company and its personnel have been punished by law, the company has punished its personnel for breaching internal control system, and primary failures and revisions: none.

(K) Important decisions from the shareholder's meeting and the Board of Directors, from the most recent year to the date on the Annual Report

Board of Directors / Shareholder's meeting	Date of Board of Directors / Shareholder's meeting	Important Resolutions
Board of Directors	First BoD meeting in year 2016 2016/02/25	1. Passed annual financial statements and consolidated financial statements of year 2015.
		2. Passed the deficit compensation of year 2015.
		3. Passed notional amount of derivative financial product transaction with the bank.
		4. Passed the application for conglomerate financing amount of bank.
		5. Passed the endorsement of conglomerate financing amount.
		6. Passed the construction application for reinvested business Dynamic (Huangshi) Electronics Co., Ltd.
		7. Passed to increase the investment in Mainland China.
		8. Passed the authorization of the disposition of subsidiary Abon Touchsystems Inc.

Board of Directors / Shareholder's meeting	Date of Board of Directors / Shareholder's meeting	Important Resolutions
		9. Passed the re-assignation of the directors and supervisors of Dynamic (Kunshan) Electronics Co., Ltd.
		10. Passed issuing the Statement of Internal Control System.
		11. Passed the annual business report of year 2015.
		12. Passed the year 2015 annual performance evaluation result of the Board and its members.
		13. Passed the amendment to the Rules of Procedure of the shareholders' meeting.
		14. Passed the lifting of Non-competition limitation for the directors and their representatives.
		15. Passed the convening of year 2016 shareholders’ meeting and accepting the shareholders’ proposal.
		16. Passed the actual remuneration situation of directors and supervisors’ compensation and managers’ remuneration of year 2015.
		17. Passed executive managers actual performance appraisal of year 2015 and executive managers performance appraisal indicators of year 2016.
		18. Passed the successor plan.
		19. Passed the amendment to the retirement policies and measures of designated manager.
Board of Directors	Second BoD meeting in year 2016 2016/04/28	1. Passed the consolidated financial statement of first quarter of year 2016.
		2. Passed notional amount of derivative financial product transactions with the bank.
		3. Passed the application for conglomerate financing amount of bank.
		4. Passed the endorsement of conglomerate financing amount.
		5. Passed conglomerate personnel project.
Board of Directors	Third BoD meeting of the year 2016 2016/05/04	1. Passed the loan of RMB10,000,000 that the Company’s 100% invested business Dynamic (Kunshan) Electronics Co., Ltd made to the Company’s 100% invested business Dynamic (Huangshi) Electronics Co., Ltd.
Board of Directors	Fourth BoD meeting of year 2016 2016/07/29	1. Passed the consolidated financial statement of the second quarter of year 2016.
		2. Passed the application for conglomerate financing amount of bank.
		3. Passed the Group successor plan.
Board of Directors	Fifth BoD meeting of year 2016 2016/10/27	1. Passed the consolidated financial statement of the third quarter of year 2016.
		2. Passed the application for conglomerate financing amount of bank.
		3. Passed the endorsement of conglomerate financing amount.
Board of Directors	Sixth BoD meeting of year 2016 2016/12/28	1. Passed the audit plan.
		2. Passed the independence assessment of the Company’s accountants.
		3. Passed the amendment to the budget plan of year 2016.

Board of Directors / Shareholder's meeting	Date of Board of Directors / Shareholder's meeting	Important Resolutions
		4. Passed the annual business plan of year 2017.
		5. Passed the application for conglomerate financing amount of bank.
		6. Passed the endorsement of conglomerate financing amount.
		7. Passed the amendment to the "Pending and Resuming Trading Operations Procedures".
		8. Passed the amendment to the "Code of Corporate Governance Practice".
		9. Passed the implementation plan of payroll and compensation auditing.
		10. Passed the auditing of executive managers performance appraisal indicators of year 2017.
		11. Passed the remuneration committee work plan of year 2017.
Board of Directors	First BoD meeting of year 2017 2017/02/23	1. Passed annual financial statements and consolidated financial statements of year 2016.
		2. Passed the deficit compensation of year 2016.
		3. Passed the budget plan of year 2017.
		4. Passed the application for conglomerate financing amount of bank.
		5. Passed the endorsement of conglomerate financing amount.
		6. Passed the joint credit case that organized by the commissioned bank, E. Sun Commercial Bank, to respond accordingly to the Group's mid-term fund use.
		7. Passed adding "Operating Procedures of Loaning Others" to the subsidiary WINTEK (MAURITIUS) CO., LTD.
		8. Passed the application for the subsidiary WINTEK (MAURITIUS) CO., LTD making loans to the mainland business Dynamic Electronics (Huangshi) Co. Ltd. considering a more flexible use of Group's long-term fund.
		9. Passed issuing the Statement of Internal Control System.
		10. Passed the revision of the Company's Acquisition or Disposal of Asset Processing Procedures.
		11. Passed the annual business report of year 2016.
		12. Passed the year 2016 annual performance evaluation result of the Board and its members.
		13. Passed convening year 2017 shareholders meeting and accepting the shareholders proposal.
		14. Passed the actual remuneration situation of directors and managers' remuneration of year 2016.
		15. Passed the year 2016 annual Directors' compensation plan and employee compensation plan.
		16. Passed executive managers' actual performance appraisal of year 2016.

Board of Directors / Shareholder's meeting	Date of Board of Directors / Shareholder's meeting	Important Resolutions
Shareholder's meeting	Annual 2016/05/26	1. Passed the amendment to Articles of Incorporation. Implementation review: Approved by the Ministry of Economic Affairs on June 6, 2016 and posted on the company's website.
		2. Recognizing annual business report, the individual financial statements and consolidated financial statements of year 2015. Implementation review: Confirm this business report and financial statements were recognized and approved by the shareholders meeting.
		3. Recognizing deficit compensation of year 2015. Implementation review: Deficit compensation was recognized, thus dividends of year 2015 was not granted.
		4. Passed the amendment to the Rules of Procedure of the shareholders' meeting. Implementation review: Proceeded according to the amendment content.
		5. Passed the lifting of Non-competition limitation for the directors and their representatives. Implementation review: Proceeded according to the resolution.

(L) From the most recent year to the date on the annual report, the director that holds different opinions from the Board's decision and has documented this opinion, the main content of this opinion is: none.

(M) From the most recent year to the date on the annual report, a summary of the resignation and dismissal of company personnel:

Title	Name	Assumed office on	Date of resignation	Cause of resignation or dismissal
Representative of Corporate Director	Wen-you Chiang	2015/05/28	2016/01/15	Re-assignation of the Representative of Corporate Director

Note: The Company personnel refer to Chairman, Directors, President, Accounting Supervisor, Finance Supervisor, Internal Audit Supervisor, and R&D Supervisor etc.

E. Information Regarding the Company's Audit Fee and Independence

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
Ernst & Young Taiwan	Ching-Piao Cheng	Mao-Yi Hung	2016/1/1~2016/12/31	-

Unit: NTD thousands

Fee range \ Fee items		Audit Fee	Non-audit Fee	Total
1	Less than 2,000 thousand NTD		v	480
2	2,000 thousands (inclusive) ~ 4,000 thousand			
3	4,000 thousand (inclusive) ~ 6,000 thousand	v		5,225
4	6,000 thousand (inclusive) ~ 8,000 thousand			
5	8,000 thousand (inclusive) ~ 10,000 thousand			
6	Over 10,000 thousand (inclusive)			

Accounting firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System design	Industrial/commercial registration	Human resources	Others	Sum		
Ernst & Young Taiwan	Ching-Piao Cheng Mao-Yi Hung	5,225	0	80	0	400*	480	2016/1/1 ~ 2016/12/31	*Provide consulting services on integrated reporting framework introduction

(A) For companies whose non-audit shared expenses account for 1/4 or more of the audit shared expenses paid to CPA, audit firms of the CPA, or its affiliated firms, should disclose the amount of audit and non-audit shared expenses, and the service details of non-audit expenses: none.

(B) Companies that have switched accounting firms and whose annual audit shared expenses are less than that of the previous year prior to the switch: none.

(C) For companies whose audit shared expenses have decreased by 15% or more, the ratio of the decrease in audit shared expense and the reason should be disclosed: none.

F. Replacement of CPA

The change in the accountant of The Company had been a change in the accounting firm, thus it is not applicable. The names of CPA accounting firms and CPA for The Company over the years have been:

Year	Name of Accounting Firm	Name of CPA
2012	Ernst & Young Taiwan	Chi-Ming Chang, Hsin-Min Hsu
2013	Ernst & Young Taiwan	Mao-Yi Hung, Hsin-Min Hsu
2014	Ernst & Young Taiwan	Ching-Piao Cheng, Mao-Yi Hung
2015	Ernst & Young Taiwan	Ching-Piao Cheng, Mao-Yi Hung
2016	Ernst & Young Taiwan	Ching-Piao Cheng, Mao-Yi Hung

G. Have any of the company's Chairman, President, or manager responsible for finance or accounting duties served in a CPA accounting firm or its affiliated company in the last year: none.

H. Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

(A) Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Unit: Shares

Title	Name	2016		As of Mar. 28, 2017	
		Increase/decrease in shares held	Increase/decrease in equity pledges	Increase/decrease in shares held	Increase/decrease in equity pledges
Chairman	Ken Huang	0	0	0	0
Director	Stoney Chiu	0	0	0	0
Corporate Director	CDIB Venture Capital Corp.	0	0	0	0
Representative of Corporate Director	James Yin	0	0	0	0
Corporate Director	Ming-Ji Investments Co., Ltd.	0	0	0	0
Representative of Corporate Director	Wen-you Chiang (Dismissal day: 2016/01/15)	0	0	Not applicable	Not applicable
Representative of Corporate Director	Yuan-chuan Sun	0	0	0	0
Independent Director	Po-sheng Lin	0	0	0	0
Independent Director	Heng-yih Liu	0	0	0	0
Independent Director	Vincent Lin	0	0	0	0

CEO	Ken Huang	0	0	0	0
President	Stoney Chiu	0	0	0	0
VP	Don Chen	74,557	0	0	0
VP	Jack Hsu	21,972	0	0	0
VP	Allen Chou	26,457	0	0	0
VP	Hamlet Chiu (Dismissal day: 2016/11/24)	(27,163)	0	Not applicable	Not applicable
VP	Johnson Yang	15,143	0	0	0
Finance Supervisor	Lily Chiang	35,290	0	0	0
Accounting Supervisor	Lily Chiang	35,290	0	0	0
Internal Audit Supervisor	Hsin-Yi Tsai	3,966	0	0	0

(B) Shares Trading with Related Parties: none.

(C) Shares Pledge with Related Parties: none.

I. Relationship among the Top Ten Shareholders who are in No. 6 relationship according to the IFRS

As of Mar. 28, 2017

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remark
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Hsiu-Ching Chen	17,543,476	6.24%	0	0.00%	0	0.00%	Chan-Hsin Electronics Co., Ltd.	Company Chairman is the spouse of this individual	
CDIB Capital Group	9,449,006	3.36%	0	0.00%	0	0.00%	CDIB Venture Capital Corp.	Is its investment company	
Representative: Chia-Chu Chang	0	0.00%	0	0.00%	0	0.00%	-	-	
Ken Huang	8,746,341	3.11%	191,810	0.07%	0	0.00%	Hong-Li Investment Co., Ltd.	Chairperson of this firm is the sister of the spouse of this individual	
Investment account of Bo Lu Ning emerging market fund entrusted to Deutsche Bank, Taipei branch	5,870,900	2.09%	0	0.00%	0	0.00%	-	-	
Investment account of Credit Suisse Singapore branch, entrusted to Standard Chartered Bank, Dunbei branch	5,355,000	1.91%	0	0.00%	0	0.00%	-	-	
Hong-Li Investment Co., Ltd.	5,100,964	1.81%	0	0.00%	0	0.00%	Ken Huang	Spouse is the sister of company chairperson	
Representative: Li-Rou Chan	2,719	0.00%	0	0.00%	0	0.00%	Ken Huang	Is her brother-in-law	
Taipei Fubon Bank Fiduciary Account of Dynamic Trust Property	4,543,344	1.62%	0	0.00%	0	0.00%	-	-	
Chan-Hsin Electronics Co., Ltd.	3,468,102	1.23%	0	0.00%	0	0.00%	Hsiu-Ching Chen	Spouse is the chairperson of that company	
Representative: Ming-Yu Ke	0	0.00%	17,543,476	6.24%	0	0.00%	Hsiu-Ching Chen	Is his spouse	

CDIB Venture Capital Corp.	3,285,131	1.17%	0	0.00%	0	0.00%	CDIB Capital Group	Is its parent company	
Representative: Shao-liang Liu	0	0.00%	0	0.00%	0	0.00%	-	-	
Stoney Chiu	3,083,749	1.10%	0	0.00%	0	0.00%	-	-	

J. Ownership of Shares in Affiliated Enterprises

Unit: shares; %

Affiliated Enterprises (Note)	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
WINTEK (MAURITIUS) CO., LTD.	7,850,000	100.00%	-	-	7,850,000	100.00%
Dynamic Electronics Europe GmbH	-	100.00%	-	-	-	100.00%
Dynamic PCB Electronics Co., Ltd.	50,000	100.00%	-	-	50,000	100.00%
Dynamic Electronics Co., Ltd. (Seychelles)	7,200,000	100.00%	-	-	7,200,000	100.00%
Dynamic Electronics Trading Pte. Ltd.	50,000	100.00%	-	-	50,000	100.00%
Dynamic Electronics Holding Pte. Ltd.	25,000,002	100.00%	-	-	25,000,002	100.00%
Dynamic Electronics (Kunshan) Co., Ltd.	-	100.00%	-	-	-	100.00%
Dynamic Electronics (Huangshi) Co., Ltd.	-	100.00%	-	-	-	100.00%

Note: The above refers to long-term investment made by The Company through utilizing the equity method.

IV. Capital Overview

A. Capital and Shares

(A) Source of equity

1. Issued Shares

As of Mar. 29, 2016

Unit: NTD thousands; 1,000 shares

Month/ Year	Par Value (NT$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash	Other
1988/08	1,000	12	12,000	12	12,000	Setup capital	-	
1996/11	1,000	28	28,000	28	28,000	Cash capital increase 16,000 thousand NTD	-	Note 1
1998/04	10	9,800	98,000	9,800	98,000	Cash capital increase 70,000 thousand NTD	-	Note 2
1998/12	10	13,800	138,000	13,800	138,000	Reinvested profit 40,000 thousand NTD	-	Note 3
2001/12	10	25,100	251,000	25,100	251,000	Reinvested profit 113,000 thousand NTD	-	Note 4
2002/04	10	42,000	420,000	42,000	420,000	Cash capital increase 40,000 thousand; reinvested profit 129,000 thousand NTD	-	Note 5
2003/09	10	80,000	800,000	56,000	560,000	Reinvested profit 126,000 thousand; reinvested employee dividend 14,000 thousand NTD	-	Note 6
2004/11	10	80,000	800,000	62,000	620,000	Reinvested profit 56,000 thousand; reinvested employee dividend 4,000 thousand NTD	-	Note 7
2004/12	10	80,000	800,000	65,000	650,000	Reinvested capital reserve 30,000 thousand NTD	-	Note 8
2005/02	10	80,000	800,000	80,000	800,000	Cash capital increase 150,000 thousand NTD	-	Note 9
2005/08	10	170,000	1,700,000	103,563	1,035,632	Reinvested profit 235,632 thousand NTD	-	Note 10
2005/11	10	170,000	1,700,000	121,163	1,211,632	Cash capital increase 176,000 thousand NTD	-	Note 11
2006/09	10	300,000	3,000,000	160,550	1,605,499	Reinvested profit 363,490 thousand; reinvested employee dividend 30,377 thousand NTD	-	Note 12
2006/10	10	300,000	3,000,000	177,425	1,774,249	Cash capital increase 168,750 thousand NTD	-	Note 13
2007/09	10	300,000	3,000,000	215,194	2,151,940	Reinvested profit 354,850 thousand; reinvested employee dividend 22,841 thousand NTD	-	Note 14
2008/10	10	300,000	3,000,000	238,468	2,384,678	Reinvested profit 215,194 thousand; reinvested employee dividend 17,543 thousand NTD	-	Note15
2009/03	10	300,000	3,000,000	261,468	2,614,678	Cash capital increase 230,000 thousand NTD	-	Note 16
2010/02	10	300,000	3,000,000	262,402	2,624,023	Employee stock option certificate 9,345 thousand NTD	-	Note 17
2010/05	10	300,000	3,000,000	262,760	2,627,603	Employee stock option certificate 3,580 thousand NTD	-	Note 18

2010/08	10	300,000	3,000,000	262,775	2,627,753	Employee stock option certificate 150 thousand NTD	-	Note 19
2010/11	10	400,000	4,000,000	262,785	2,627,853	Employee stock option certificate 100 thousand NTD	-	Note 20
2011/8	10	400,000	4,000,000	286,436	2,864,360	Reinvested profit 236,507 thousand NTD	-	Note 21
2012/10	10	400,000	4,000,000	293,559	2,935,594	Reinvested profit 71,234 thousand NTD	-	Note 22
2013/07	10	400,000	4,000,000	287,559	2,875,594	Treasury shares decrease by 60,000 thousand NTD	-	Note 23
2013/12	10	400,000	4,000,000	286,059	2,860,594	Treasury shares decrease by 15,000 thousand NTD	-	Note 24
2015/11	10	400,000	4,000,000	281,059	2,810,594	Treasury shares decrease by 50,000 thousand NTD	-	Note 25

Note 1: 1996/11/13; approval document no. 85 Chien San Keng Tzu 710053.
Note 2: 1998/04/04; approval document no. 87 Chien San Yi Tzu 143958.
Note 3: 2001/12/02; approval document no. Ching 87 Shang 142895.
Note 4: 2001/12/14; approval document no. Ching (090) Shang 09001487720.
Note 5: 2002/04/29; approval document no. Ching Shou Shang Tzu 09101147450.
Note 6: 2003/09/04; approval document no. Ching Shou Shang Tzu 09201259500;
2003/07/09; approval document no. Tai Tsai Cheng Yi Tzu 0920130533.
Note 7: 2004/11/02; approval document no. Ching Shou Shang Tzu 09301206230；
2004/10/20; approval document no. Chin Kuan Cheng Yi Tzu 0930147189.
Note 8: 2004/12/08; approval document no. Ching Shou Shang Tzu 09301232510；
2004/10/20; approval document no. Chin Kuan Cheng Yi Tzu 0930147189.
Note 9: 2005/02/17; approval document no. Ching Shou Shang Tzu 09401024410；
2004/12/24; approval document no. Chin Kuan Cheng Yi Tzu 0930146065.
Note 10: 2005/08/24; approval document no. Ching Shou Shang Tzu 09401164480；
2005/06/28; approval document no. Chin Kuan Cheng Yi Tzu 0940125941.
Note 11: 2005/11/21; approval document no. Ching Shou Shang Tzu 09401233030；
2005/08/25; approval document no. Chin Kuan Cheng Yi Tzu 0940135458.
Note 12: 2006/09/25; approval document no. Ching Shou Shang Tzu 09501215550；
2006/07/21; approval document no. Chin Kuan Cheng Yi Tzu 0950131965.
Note 13: 2006/10/13; approval document no. Ching Shou Shang Tzu 09501231670；
2006/08/07; approval document no. Chin Kuan Cheng Yi Tzu 0950135357.
Note 14: 2007/09/26; approval document no. Ching Shou Shang Tzu 09601233900；
2007/07/30; approval document no. Chin Kuan Cheng Yi Tzu 0960040075.
Note 15: 2008/10/15; approval document no. Ching Shou Shang Tzu 09701262170；
2007/07/29; approval document no. Chin Kuan Cheng Yi Tzu 0970038054.
Note 16: 2009/03/30; approval document no. Ching Shou Shang Tzu 09801059010；
2008/11/18; approval document no. Chin Kuan Cheng Yi Tzu 0970059731.
Note 17: 2010/02/09; approval document no. Ching Shou Shang Tzu 09901029760.
Note 18: 2010/05/04; approval document no. Ching Shou Shang Tzu 09901089700.
Note 19: 2010/08/02; approval document no. Ching Shou Shang Tzu 09901174390.
Note 20: 2010/11/02; approval document no. Ching Shou Shang Tzu 09901245330.
Note 21: 2011/08/29; approval document no. Ching Shou Shang Tzu 10001199020.
Note 22: 2012/10/16; approval document no. Ching Shou Shang Tzu 10101211780.
Note 23: 2013/07/18; approval document no. Ching Shou Shang Tzu 10201122700.
Note 24: 2013/12/17; approval document no. Ching Shou Shang Tzu 10201255080.
Note 25: 2015/11/25; approval document no. Ching Shou Shang Tzu 10401247230.

2. Type of Stock

Type of Share	Authorized capital			Remarks
	Issued Shares	Un-issued shares	Total	
Common stock	281,059,335	118,940,665	400,000,000	-

3. Information for Shelf Registration: not applicable.

(B) Shareholder Structure

As of Mar. 28, 2017

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	4	63	21,156	69	21,292
Shareholding (shares)	0	14,482,085	17,891,895	206,305,231	42,380,124	281,059,335
Percentage	0.00%	5.15%	6.37%	73.40%	15.08%	100.00%

(C) Shareholding Distribution Status

As of Mar. 28, 2017

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	10,368	776,206	0.28%
1,000 ~ 5,000	6,194	14,659,533	5.22%
5,001 ~ 10,000	1,942	14,452,317	5.14%
10,001 ~ 15,000	833	9,978,936	3.55%
15,001 ~ 20,000	444	8,088,286	2.88%
20,001 ~ 30,000	483	12,063,344	4.29%
30,001 ~ 40,000	208	7,306,465	2.60%
40,001 ~ 50,000	149	6,934,164	2.47%
50,001 ~ 100,000	351	24,648,614	8.77%
100,001 ~ 200,000	171	23,992,578	8.54%
200,001 ~ 400,000	72	20,437,332	7.27%
400,001 ~ 600,000	24	11,846,144	4.21%
600,001 ~ 800,000	12	8,469,609	3.01%
800,001 ~ 1,000,000	4	3,795,738	1.35%
1,000,001 or above	37	113,610,069	40.42%
Total	21,292	281,059,335	100.00%

(D) List of Major Shareholders (Top 10 in shareholding ratio)

Shareholding / Name	Shares	Percentage
Hsiu-Ching Chen	17,543,476	6.24%
CDIB Capital Group	9,449,006	3.36%
Ken Huang	8,746,341	3.11%
Investment account of Bo Lu Ning emerging market fund entrusted to Deutsche Bank, Taipei branch	5,870,900	2.09%
Investment account of Credit Suisse Singapore branch, entrusted to Standard Chartered Bank, Dunbei branch	5,355,000	1.91%
Hong-Li Investment Co., Ltd.	5,100,964	1.81%
Taipei Fubon Bank Fiduciary Account of Dynamic Trust Property	4,543,344	1.62%
Chan-Hsin Electronics Co., Ltd. Representative: Ming-Yu Ke	3,468,102	1.23%
CDIB Venture Capital Corp.	3,285,131	1.17%
Stoney Chiu	3,083,749	1.10%

(E) Fair market value, net worth, profit, dividend per share for the most recent two years and other relevant information

<table>
<tr><th colspan="3">Year / Item</th><th>2015</th><th>2016</th><th>2017/1/1~2017/3/31 (note 8)</th></tr>
<tr><td rowspan="3">Market price per share (note 1)</td><td colspan="2">Highest</td><td>15.25</td><td>11.35</td><td>9.84</td></tr>
<tr><td colspan="2">Lowest</td><td>7.28</td><td>8.13</td><td>8.68</td></tr>
<tr><td colspan="2">Average</td><td>11.09</td><td>9.21</td><td>9.18</td></tr>
<tr><td rowspan="2">Net worth per share (note 2)</td><td colspan="2">Before allocation</td><td>16.20</td><td>15.21</td><td>Not applicable</td></tr>
<tr><td colspan="2">After allocation</td><td>16.20</td><td>(note 9)</td><td>Not applicable</td></tr>
<tr><td rowspan="3">Earnings per share</td><td colspan="2">Weighted average shares (thousand shares)</td><td>281,059</td><td>281,059</td><td>281,059</td></tr>
<tr><td rowspan="2">Earnings per share (note 3)</td><td>Diluted Earnings Per Share</td><td>(0.33)</td><td>0.04</td><td>Not applicable</td></tr>
<tr><td>Adjusted Diluted Earnings Per Share</td><td>(0.33)</td><td>(Note 9)</td><td>Not applicable</td></tr>
<tr><td rowspan="4">Dividend per share</td><td colspan="2">Cash dividend</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td rowspan="2">Stock dividend</td><td>From retained earnings</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>From paid-in capital</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td colspan="2">Accumulated undistributed dividends (note 4)</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td rowspan="3">Return on investment analysis</td><td colspan="2">Price-earnings ratio (note 5)</td><td>(33.61)</td><td>230.25</td><td>Not applicable</td></tr>
<tr><td colspan="2">Price-dividend ratio (note 6)</td><td>NA</td><td>NA</td><td>Not applicable</td></tr>
<tr><td colspan="2">Yield on cash dividend (note 7)</td><td>NA</td><td>NA</td><td>Not applicable</td></tr>
</table>

Note 1: Shows the highest and lowest market value of common stock in each year, and calculates the average market value for each year based on transaction value and quantity.

Note 2: Please fill this by using the shares already issued by year-end as a basis, and also by referencing the allocation that the shareholders meeting has decided on for the subsequent year.

Note 3: If there are any retroactive adjustment needed due to stock grants, Earnings per share before and after the adjustment should be listed.

Note 4: If there are any conditions in issuing equity securities that allow for unpaid out dividend for the year to be accumulated to subsequent years in which there is profit, the company should separately disclose the accumulated unpaid out dividend up to that year.

Note 5: Price-earnings ratio = average price per share for that year/Earnings per share.

Note 6: Price-dividend ratio = average price per share for that year/cash dividend per share.

Note 7: Yield on cash dividend = cash dividend per share/average price per share for that year.

Note 8: For net worth per share and net Earnings per share, data from the latest quarter that has been verified by an accountant up until the date on the annual report should be filled. For all other columns, a company should fill that year's data up until the date on the annual report.

Note 9: Compensation for losses in 2016 have not yet been approved by the 2017 shareholders meeting, hence they have not been entered in the table.

(F) Dividend Policy and Implementation Status

1. Dividend policy

To counter fluctuations in the economy and to strengthen the company's financial structure, the Company utilizes balanced dividend policy, and the policy of dividend payout is the following:

(1) Because the Company is in a growth phase, dividend policy is primarily concerned about the Company's various investment funding needs in the future, financial structure, and profit etc., in each year, the Board of Directors will draw up an allocation plan based on that year's profit, and carry out the plan after the shareholders have reached a decision.

(2) In consideration of a balanced dividend policy, the Company will use investment needs and the level of dilution of profit in each share as basis, and pay out dividends in shares or cash accordingly, in which the pay out of cash dividend will use a limit of no less than 10% of the total dividend amount in that year. The dividend of divisible surplus ratio is zero to seventy-five percent.

2. Implementation Status

The Company's Board of Directors on Feb. 23, 2017 has decided to forward Deficit Compensation as follows to the shareholder's meeting in 2016:

Dynamic Electronics Co., Ltd.
Statement of Deficit Compensated in 2016

Unit: NTD

Item	Amount
Opening Undistributed Profit	$(275,942,531)
Plus: Confirmed Benefit Plan Actuarial Profit/Loss (2016)	(442,405)
Plus: Net Profit After Tax of Current Year	10,699,574
Close Loss Pending Compensation	$(265,685,362)

3. Anticipated changes in dividend policy: none

(G) The impacts of issuing stock grants in this shareholder's meeting on the company's operational performance and dividend per share: we do not plan to issue stock grants in this shareholder's meeting.

(H) Remuneration for Employees and Directors

1. Company regulation specified in the Article of Corporation on the number or range of remuneration for employees and directors:

If the Company has annual profit, 10 percent to 18 percent should be drawn for employees as the remuneration. The board will decide whether to grant the employees with stock or cash. The personnel who receive the remuneration include the employees of subsidiaries who meet certain qualifications. According to the above mentioned annual profit, the board will make a resolution of granting the directors no higher than 3 percent of the profit as the director remuneration. This distribution among the employees and directors should be reported in the shareholders' meeting.

But when there are accumulated losses, it should be reserved in advance to make up the amount, and then draw the mentioned proportion as the remuneration for the employees and directors.

2. In this period, when there is a difference between estimated column of employee and director’s remuneration, basis for calculating shares for the purpose of paying out share dividends and actual payout figure, and the estimated column are different, what is the accounting procedure to handle this: This Company will not pay out director's remuneration for the year of 2016, hence, there is no estimated columns.

3. Information on the Board of Directors passing the proposal to pay out employee remuneration: The Board of Directors has passed that there will be no employee remuneration payout for the year of 2016.

4. Actual allocations of employee and directors' remuneration in previous year: Did not pay out.

(I) Buyback of Treasury Stock: none.

B. Corporate bonds handling: none.
C. Preferred stock handling: none.
D. Global depository receipts handling: none.
E. Employee stock option and new restricted employee share rights handling: none.
F. Mergers or transferee to other companies and issuance of new shares: none.
G. Implementation on fund utilization planning: none.

V. Operations Overview

A. Business Content

(A) Scope of Business

1. Primary business focus and its ratio to the overall business

Unit: NTD thousands

Major Products	Consolidated for 2016	
	Sales Amount	Sales Ratio
Double-layer PCB	2,096,504	17.78%
Multi-layer PCB	9,623,727	81.61%
Touch Panel	71,410	0.61%
Others	197	0.00%
Total	11,791,838	100.00%

2. After the disposal with Abon Touchsystems Inc. in year 2016, Dynamic had been concentrating on printed circuit board including conventional hard boards, HDI, Rigid-Flex boards, substrate, high-end multilayer board and high-frequency microwave board, and the Company plans to continue to work toward this area in the future. But in terms of product applications, we plan to develop printed circuit board that required by IoT 5G communication network and high-end high-speed storage device, automotive safe driving detection and engine control module, wearable devices, high-end mobile phones, double-lens module and ultra-high resolution screen modules, medical equipment, and LED cooling requirement etc.

(B) Industry Overview

1. The industry's current situation and development

PCB (Printed Circuit Board, abbreviated PCB) is the base board before electronic components are assembled, and through the PCB, electrical routes are formed, and various electronic components can be connected to exert its overall capacity and to reach the objective of relay transmission. Its application is widespread, almost everything that uses electronic components would need to use a PCB. Therefore, PCB is known as “Mother of electronic products” Within Taiwan, the PCB industry has been developing for over 40 years, and not only does the industry structure include a comprehensive vertically integrated production chain, its affiliated industry system is also healthy. However, because of the factors of manpower supply and labor costs, the proportion of Taiwan's domestic production continued to decrease. Below is an explanation on the global and local PCB industry current situation and future trends:

(1) Global current situation and development

Trend of Global PCB Output Value Scale

Unit: USD100,000,000 Growth rate

Source: IEK (01/2017)

The global PCB output value has been declining for two consecutive years, according to IEK survey, the size of the global PCB output value of year 2016 was about 58.2 billion US dollars, which has declined by 1.9% comparing with year 2015. In year 2016, the world's major PCB production countries including Taiwan, Japan, South Korea, had a dropping output value at the same time. Especially Japan and South Korea respectively showed a decline over 3%. Although the mainland China PCB output value remained growing, it was unable to save the global decline in the output value of PCB.

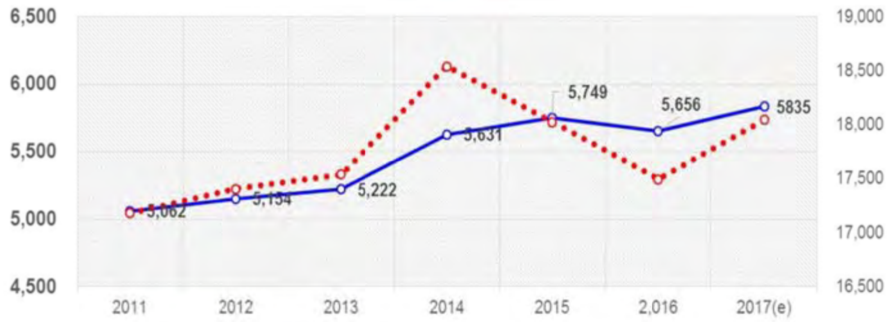
The largest decline in the global PCB production of year 2016 was in Japan, not only the local production base continued to move overseas which has resulted in a 4.4% of production decline and a 20.8% of output value, but also overseas production base capacity utilization has dropped significantly. The overall PCB output value recession rate of the year was about 10%. According to the world's largest PCB maker Mektron's parent group NOK’s financial statement, the revenue of the period from April to December of year 2016 of its PCB business unit fell more than 15% comparing with the same period last year. In the case of Japan's main IC substrate manufacturers Ibiden, the revenue of the period from April to December of year 2016 of its PCB business unit dropped nearly 30% comparing with the same period last year. It was evident that Japan’s PCB industry had indeed faced a considerable recession crisis in year 2016.

China's PCB industry still maintains a double-digit growth rate in year 2016. In addition to product applications of mobile phones, computers, communications, consumer electronics (3C) products, China also shows a strong ambition in automotive and Industrial control market, which is a strong competitor of Taiwan.

(2) Current situation and development in Taiwan

Trend of Taiwan PCB Output Value Scale

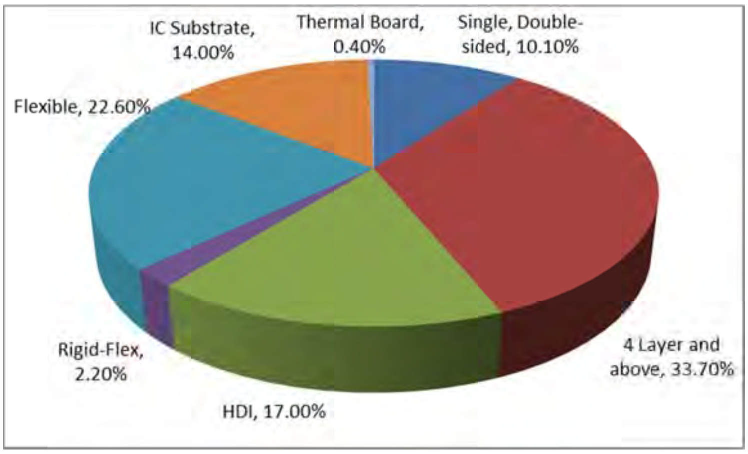
Unit: NTD100,000,000 Unit: USD 1,000,000



Source: TPCA, IEK (02/2017)

In year 2016, Taiwan's PCB industry output totaled 565.6 billion Taiwan dollars, the recession rate was about 1.62% comparing to year 2015, which was the first recession of output value scale counting by Taiwan dollars in the past five years. To calculate separately by the production sites of both sides of the Strait, the ratio of Taiwanese production in China was about 57.5%, declined by 0.2%. The ratio of production in Taiwan was about 42.5%, declined by 3.5%.

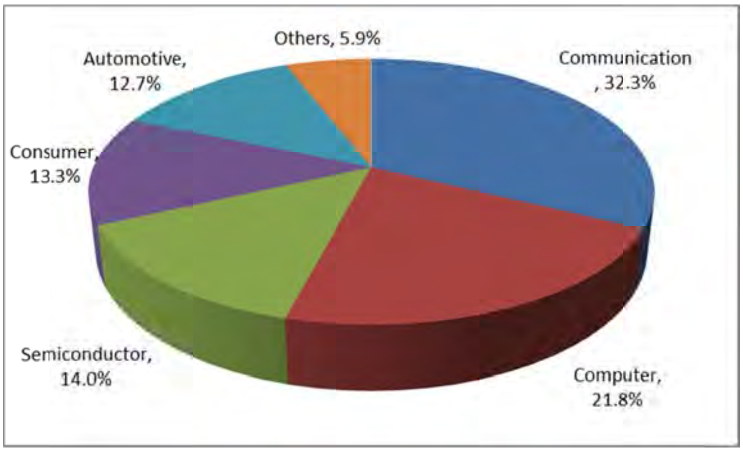
Cross - strait PCB Product Structure 2016



Source: TPCA, IEK (02/2017)

Among the cross-strait PCB products in year 2016, multi-layer board grew by 1.4%, single and double panel grew by 0.6%, mainly because more and more Taiwan manufacturers threw themselves into the automotive PCB field. IC substrate output value declined 5.2% in a year, making it the highest among all product types. The decline can be ascribed to the following three situations, 1) the continuous shrinking markets of PC and peripheral, 2) The market demand for mobile phone didn't meet the expectation, 3) Ongoing chips integration of electronic products, etc. Therefore, manufacturers from Taiwan and Japan are looking for opportunities to develop product restructure, case like the transition from PCB Substrate into Substrate-Like PCB production is the most obvious example. Moreover, the output value of flex board and HDI also fell by 4.3% and 1.7% respectively due to the decline in mobile phone market.

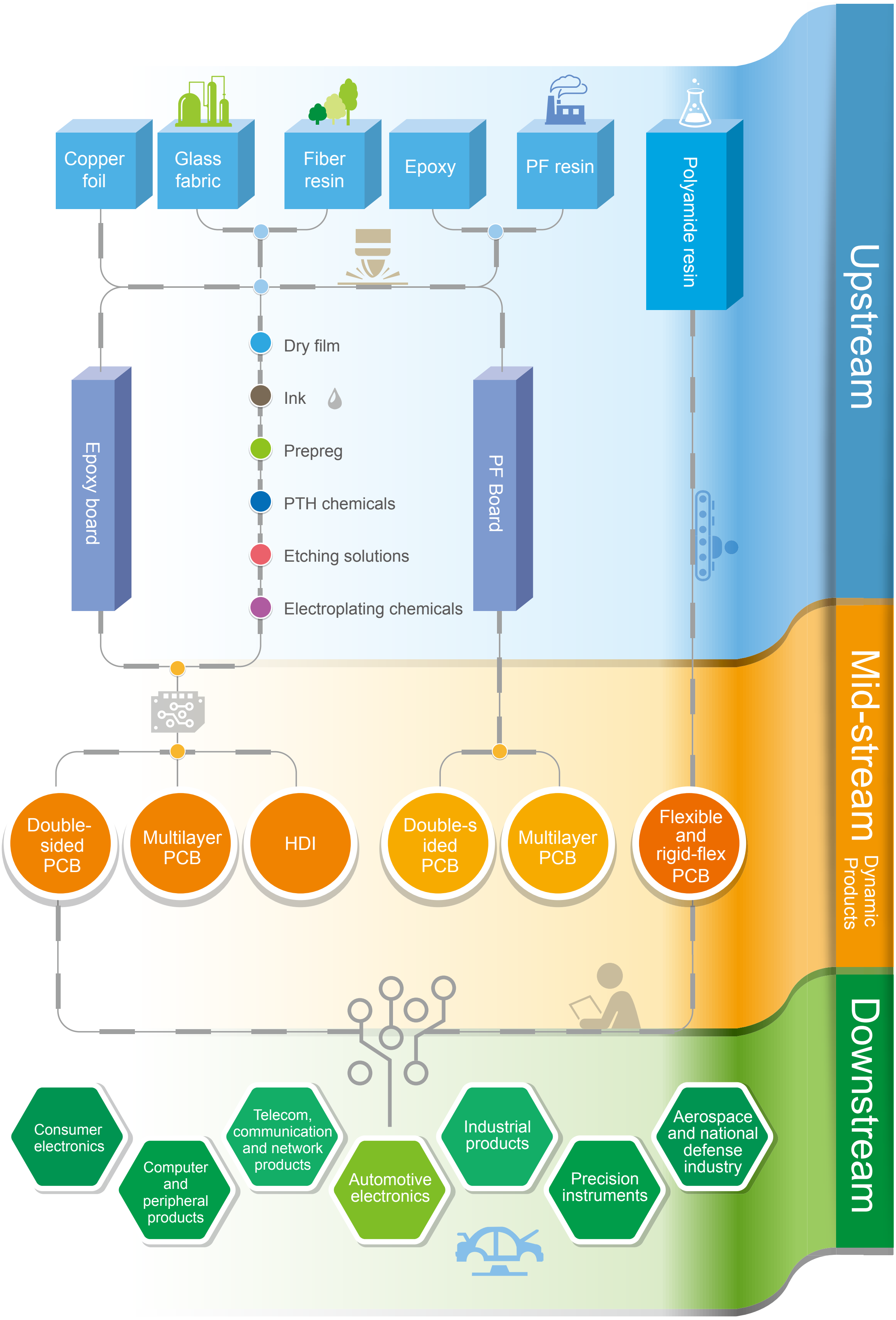
Cross - strait PCB Application Market 2016



Source: TPCA, IEK (02/2017)

In the application market, communications sector declined slightly, but still is the largest application market, the mobile phone therein accounted for the largest part. On the other hand, base stations cannot be overlooked since the next few years will gradually enter the era of 5G, which will for sure trigger a tremendous demand. Automotive PCB grew by 17%, which was the highest growth among all sectors. However, due to the keen competition among all suppliers of different countries, it is bound to lead to fierce price war. Taiwan companies should take an early action to cope with it.

2. Relevance of upstream, middle, and downstream businesses in the industry
The PCB that produced by the Company include the following upstream main raw materials: copper foil, substrate, resin, dry film, ink, etching fluid and other chemical materials. Industry covers petrochemical and metal ; downstream clients include consumer electronics, computer and peripheral products, telecommunications and Internet, automotive electronics, industrial products, precision instruments and air defense etc. Hereby listed the company's associated chart with up-and-down stream industrial structure as below:


Copper foil
Glass fabric
Fiber resin
Epoxy
PF resin
Polyamide resin
Upstream
Dry film
Ink
Prepreg
PTH chemicals
Etching solutions
Electroplating chemicals
Epoxy board
PF Board
Mid-stream
Dynamic Products
Double-sided PCB
Multilayer PCB
HDI
Double-s ided PCB
Multilayer PCB
Flexible and rigid-flex PCB
Downstream
Consumer electronics
Computer and peripheral products
Telecom, communication and network products
Automotive electronics
Industrial products
Precision instruments
Aerospace and national defense industry

3. Product development trends and competitive situation

(1) Product development trends

In recent years, there are two major trends in the development of electronic products. First, all products are gradually becoming lighter and easy to carry. Second, the speed of information relay is becoming faster and the amount of electrical current is increasing. At the same time, high frequency millimeter wave technology is being developed, so that in addition to stronger heat dissipation, when the current passes, it should not be subjected to too much interference. Hence, PCB with micro via, thread, small pore, thin and multilayer structure, micro via lining and high electrical characteristics are the necessary trends to current product development. Additionally, to cater to the development of 5G generation and the request from system vendors, boards using low DK, low DF, Ultra Low Loss, Ceramic substrates and flexible materials LCP (Liquid Crystal Polymer) are also gradually increasing.

(2) Competitive situation

Since PCB has been in a position of oversupply for a long time, the development of global economy has entered a slow-growing phase, price competition has always been fierce, especially for customers who require large quantities, who tend to dominate over the extent of lowering price and time. But to grasp business opportunities, satisfy customer needs, and to achieve even better economies of scale to lower cost, each firm is competing to set up new sites and opening new production capacity. Because of China market's strong domestic demand and complete industrial chain, most companies have still considered China to be the optimal production location. However, various environmental regulations in China are becoming more stringent, minimal wages have risen, the State Council has cleared various tax incentives etc., have severely impacted the operational cost of foreign investments in China. How to lower production cost has become the toughest challenge to the PCB industry. Owing to China government's vigor promotion of the autonomy of electronics supply chain in the recent years, red supply chain has risen as a result. They obtain big amount of fund by going public or by government's subsidies to seize the market with low prices, consequently the price of low-end technology products has plummeted. Taiwanese business is bound to tend to the high-tech, high-quality, high-reliability product segment.

(C) Technology and R&D Overview

1. R&D expenses from the most recent year to the date on the annual report

Unit: NTD thousands

Year	Amount	% of the year's sales
2015 consolidated	409,578	3.67%
2016 consolidated	116,114	0.98%

The decrease in R & D expenses in 2016 was due to the purpose of having clear distinction between the functions of "R&D" and "process improvement or product upgrade" from the beginning of year 2016, the latter was re-recognized as manufacturing costs.

2. Technology or products that have been successfully developed from the most recent year to the date of the annual report:
   Here we summarized our major R & D projects and results in the following five points:
   (1) For high-speed high-frequency low signal loss products, we have successfully obtained certification of Insertion Loss -0.48dB/in, and succeeded in mass production. We also participated the testing of insertion loss -0.4db/in certification which required by 5G Communication era, the relevant materials and technology requirements of which are under active development.
   (2) For fine lines and thin products, 2 mil fine lines have been successfully produced massively, 12 any layer high density interconnect products have been produced massively, manufacturing process capability for 10 layer thin board with 24 mil thickness has also been developed and the sample is being certified. The improvement of 1.6 mil extremely fine line producing process is being developed.
   (3) Rigid-flex board and rotatable products has been successfully produced massively. The material and technology of flex board for high-frequency and ultra-high-resolution screen has successfully passed the sample certification. The process improving testing of the dual lens module product with Ultra flatness requirements is complete. The product is now under sample certification.
   (4) For automotive and microwave products, passive security products has been under mass production. We have mastered the relevant technology of 24GHz products and 77GHz millimeter wave products for ADAS radar, and the process is set in the development. The sample certification of Satellite Receiver Downstream Products LNB is also completed.
   (5) For heat sink material, BT material products that used in LED products have been successfully produced massively. We have mastered the process technology of thick copper and buried copper technologies that used in twin-lens module of high-end phone and automotive engine control modules, and are developing the samples proactively.

(D) Short and Long-term Business Development Plan
1. Short-term business plan
   (1) Marketing plan
      - Develop high margin products such as HDI, Rigid-Flex, and green products.
      - Expand niche products such as electronic products for automobiles, SSD, cloud server.
      - Strengthen the ties with overseas locations and agents, grasp business opportunities, and cultivate customers.

- Strengthen the customer support for timely delivery, quality, technicality, and service.

(2) Production plan

- To respond to the plan of new products development and the plant expansion, successor training is being carried out actively, to prevent the talent shortage during the implementation of the plan.
- Continue to promote the performance management system. It is expected to influence each department and gradually to each individual in year 2017, making the company go toward the target of efficiency, thus costs will be reduced, quality will be improved.
- Introduce new ISO14001: 2015, ISO9001: 2015 and IATF16949: 2016 into the system, to run the ISO management system with the combination of top management and operation management. Actively require the staff to fully carry out energy conservation and waste reduction, and to enhance safety and quality awareness.
- Focusing on the use of automation + intelligence + networking to reduce manpower demand and stabilize output and yield. By means of the new system's capacity for collecting and analyzing data in large numbers, these data can be easily provided for the top management to combine with corporate strategy, thus to create better operations performance
- Actively promote the improvement in energy conservation. In addition to cooperate with relevant energy-saving companies, also carry out high-efficiency energy-saving activities internally, such as replacing diesel with gas for boilers combustion, improving air conditioning condition, replacing the traditional air compressor with centrifugal air compressor, using AA energy-saving nozzle to reduce fuel consumption etc.
- In terms of waste reduction, continue to improve scrap rate, reduce the generation of waste water, replace high-polluted chemical liquid, and strengthen self-processing ability to reduce the cost of outsourcing waste water treatment.

(3) R&D plan

- Semi flex technology
- 2 mil / 1.6 mil fine lines
- High end 16 and more layer board registration technology
- 4~6 Oz thick copper and buried embedded copper technology
- Back-drilling and cavity technology
- Mix material for high speed high frequency product
- 24Ghz, 28GHz, 60GHz, 77Ghz microwave millimeter wave high frequency technology
- 10 layer and above Rigid-Flex Board

2. Long-term business plan

(1) Marketing plan

- Searching for highly niche products
- Establishing long-term relationship with customers
- Participating in major international events, to open up the specific strategic markets.
- Cooperating and exchanging professional resources with foreign PCB companies who possess technical competence and patent, in order to obtain recognition from the end customer.

(2) Production plan

- Actively plan to set up Huangshi plant to solve the problem of production capacity, and make Huangshi plant the specialized line in producing automotive board, in order to achieve the Company's 10-year planning - 60% automotive sales revenue.

(3) R&D plan

- <1.6 mil fine line process development
- Multiple net via technology process development
- Low warpage laminate technology process development
- Embedded passive component process development
- LCP flexible high-frequency materials and millimeter wave high frequency alternative new material process development
- Metal substrate and ceramic substrate with good heat dissipation material process development
- New products and new processes of environmental protection, waste reduction and energy-saving

B. Market and Production/Sales Conditions

(A) Market Analysis

1. Sales Locations for Major Products

Unit: NTD thousands

Sales Location \ Year		2016 Consolidated	
		Sales Amount	Ratio %
Domestic		975,764	8.27%
Export	China	5,699,301	48.34%
	Germany	1,016,721	8.62%
	Thailand	923,368	7.83%
	South Korea	782,175	6.63%
	Other countries	2,394,509	20.31%
Total		11,791,838	100.00%

Note: Revenue is categorized based on the location of the client who placed sales order.

2. Market Share

Unit: Billion NTD

Item \ Year	2015	2016
Value of cross-strait Taiwanese businesses in PCB industry	574.9	565.6
Dynamic Electronics' consolidated revenue	10.7	11.7
Dynamic Electronics' consolidated revenue/value of cross-strait Taiwanese businesses in PCB industry (%)	1.86%	2.07%

Source: IEK of ITRI

3. Future Market Supply and Demand Conditions and Possibility of Growth

   In the foreseeable future, PCB will still be in a situation of oversupply.

   In terms of products, computer and tablet continue to shrink; smartphone grows slowly; the following are the fast-growing products in the coming 5 years: IoT, auto-driving car, unmanned flying vehicle, intelligent home, wearable devices, virtual reality (VR), medical care, robot, etc.

4. Niche Competitiveness

   Niche competitiveness of the Company includes:

   (1) Quality products that have received widespread recognition both locally and internationally, allowing for market expansion and in developing clients.
   (2) Having attained various certifications such as ISO-9001, ISO-14001, ISO-14064-1, OHSAS18001, QC080000, TS-16949, and ISO50001 etc., which enhances the competitiveness of the Company's products in the global market, and allowing for the Company to successfully expand business scope.
   (3) Possessing excellent production skills and R&D capability.
   (4) Having established the model of dividing production tasks between both sides of the Strait to provide customers with quick delivery and services.
   (5) Continues to expand high-end production competency and establish automation and industry 4.0.

5. Favorable and Unfavorable Factors for Future Development and Their Countermeasures

   (1) Favorable factors

   a. With the widespread popularity of the Internet and the development of wireless communication market and products, the personal mobile devices and their peripheral industries have developed throughout the world. Moreover, with products such as cloud computing, Big Data, the Internet, wearable products continuing to innovate, the demand for PCB will continue to rise.
   b. The increase in electronic products for automobiles, and the development of electric vehicles and auto-driving technologies are bringing forth new market and opportunities for the PCB.
   c. Conforming to industry development trends, the Company has continuously devoted itself into purchasing new machinery, strives toward new product development and the enhancement of production

technology. Moreover, through the production procedure management accumulated over the years and catering to client needs, maintaining excellent quality and stability, the Company has enhanced the added-values of products and market competitiveness, and received widespread recognition from customers.

d. Most of the Company's clients are world-renowned large-scale firms. To offer comprehensive service for clients and to avoid impacts from price wars from competing firms, the Company actively expands and builds global marketing channels to gradually enhance the ratio of external sales. In addition to providing instant, on-the-spot customer technical support and after-sales service, strengthen business relationships, the Company will be able to collect local market information and grasp market and product development trends faster, continue to develop potential new products and new clients, so that future business can experience long-term steady growth.

e. With advances in medical technology and the retirement of baby boomers, Medicare needs of elderly is gradually enlarged, the medical equipment products that the company has been planning on developing since long ago will continue to grow.

(2) Unfavorable factors and countermeasures

a. Oversupply, many competitors, and competitors wage price wars
Countermeasure: develop potentially niche products, avoid price wars in existing products, and actively attain various certifications, enter different fields and expand new business opportunities.

b. Clients demand routine price reduction, hurting profit
Countermeasure: exert labor efficiency, strengthen production management, enhance production yield, and lower production cost.

c. Labor shortage and labor cost is steadily rising over the years
Countermeasure: improve work environment, optimize welfare measures, enhance staff solidarity and recognition. Enhance staff training, reward system for raising proposals, and encourage innovation and improvement. Additionally, to accelerate the transitioning to the automation of manufacturing process and reduce the burden on manpower.

d. Environmental cost is steadily rising
Countermeasure: Enhancing the management mechanism of energy saving and waste reduction, reduce waste water discharge; Increase plant’s disposal equipment and capacity to reduce producing hazardous wastes and reduce disposal costs.

e. Fluctuations in exchange rates affect the Company's operations and profitability
Countermeasures: maintain close contact with the foreign exchange units of banks, attain information pertaining to fluctuations in exchange rates and suggestions on ways to hedge these risks at any given time.

Reasonably adjust the accounts that consist of solely foreign currency to lower the risk of fluctuations in exchange rates.

f. Raw materials shortage and price increases

Countermeasure: Maintain long-term business relationship with strategic suppliers, remain high interaction between two sides to avoid the crisis of material cutoff, continue to develop new suppliers to increase the supplier selection; strengthen the internal cost management system to reduce idle material and avoid wasting, to maintain the positive inventory. Maintain stable and close cooperative relations with key vendors to grasp the upstream and downstream raw materials price trends and capacity changes, in order to adjust the factory inventory level in advance and to reduce the impact of price increases

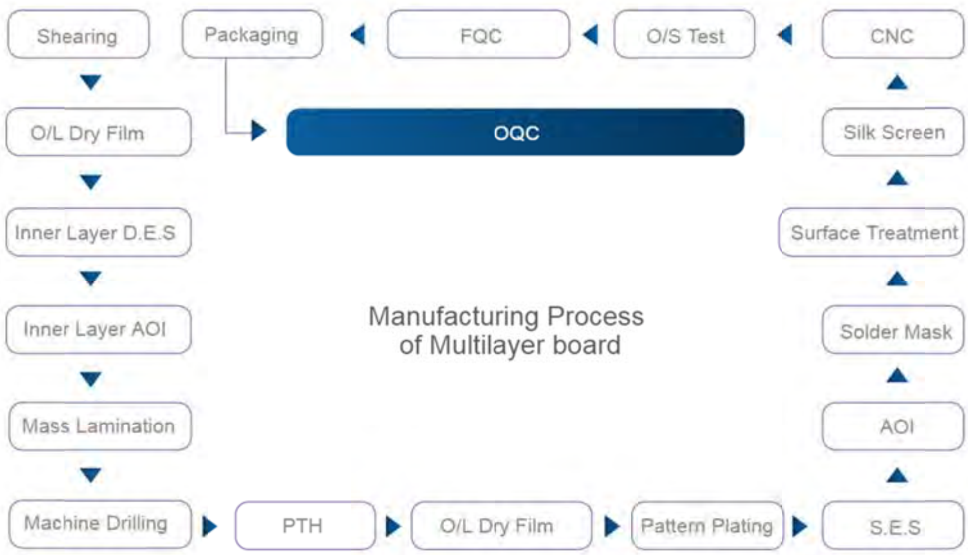
(B) Important Applications and Production Processes of Major Products

1. Important Applications of Major Products

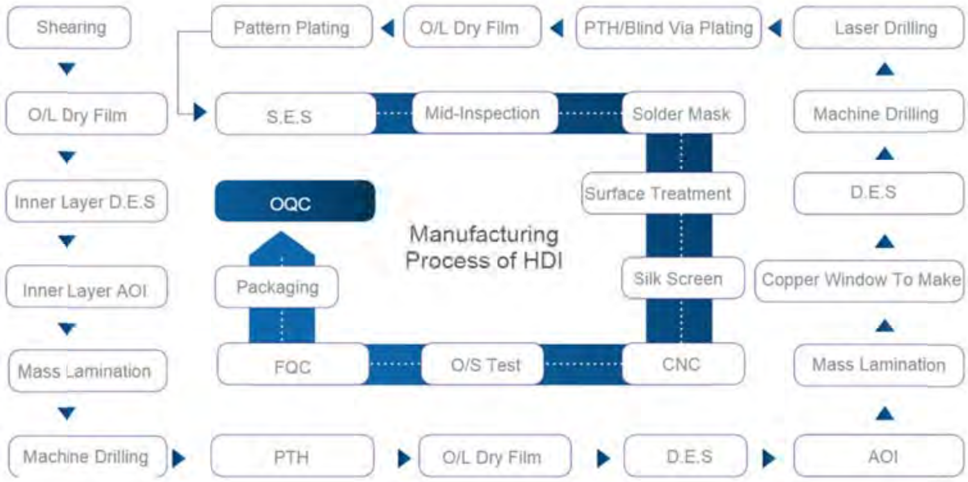
Product Type	Major Applications
Double-sided PCB	LED substrate, Automotive, TV controller etc.
Multilayer PCB	Storage devices, TFT-LCD, Set-top box, Communication board, Automotive, Notebook, Server, Industrial computers etc.
HDI	Smart phone, Car GPS, TFT-LCD, Tablet, Communication board, Medical products etc.
Rigid-Flex	Camera modules, TFT-LCD, Wearable devices, Cell phone etc.
High-frequency PCB	Car Radar

2. Manufacturing Process

(1) Conventional



(2) HDI



(3) Rigid-Flex

(C) Supply Status of Major Raw Materials

The Company's primary raw materials include laminate, copper foil, and prepreg etc. Primary purchasing sources are domestic vendors that have all established long-term, stable relationships with the Company to assure quality, price, delivery date, service, and stable availability. The primary vendors of each of the primary raw material are listed below:

Major Raw Material	Major Supplier
Core	Iteq, Nanya, Elite, Sheng-yi, Grace, TUC
PP	Iteq, Nanya, Elite, Sheng-yi, Grace, TUC
Dry Film	Eternal Materials, Chang Chun, Hitachi, DuPont, Asahi Kasei
Copper Foil	Nanya, Chang Chun, Co-Tech

(D) For the recent two years, please list all vendors/ customers who have exceeded 10% of the Company's total purchasing/ selling for any given year, including the amount of its purchase/ sales amount and ratio, and explain the reasons of the changes in decreases/ increases.

1. Major vendors for the most recent two years:

Unit: NTD thousands

	2015 Consolidated				2016 Consolidated			
Item	Name	Amount	% of that year's net purchasing	Relationship with the issuer	Name	Amount	% of that year's net purchasing	Relationship with the issuer
1	A	709,469	12.28%	None	A	845,097	13.13%	None
2	B	484,402	8.38%	None	B	690,097	10.72%	None
3	Others	4,585,235	79.34%	None	Others	4,901,514	76.15%	None
	Net purchasing	5,779,106	100.00%		Net purchasing	6,436,708	100.00%	

Analysis: In the recent two years, only one to two suppliers made net purchasing amount over 10% from the Company's annual purchase. The highest ratio was 13.13%, which posed no significant influence over the overall Company.

2. Major customers for the most recent two years:

Unit: NTD thousands

	2015 Consolidated				2016 Consolidated			
Item	Name	Amount	% of that year's net sales	Relationship with the issuer	Name	Amount	% of that year's net sales	Relationship with the issuer
1	A	961,853	8.63%	None	A	1,136,990	9.64%	None
2	B	549,827	4.93%	None	B	787,440	6.68%	None
3	Others	9,638,534	86.44%	None	Others	9,867,408	83.68%	None
	Net sales	11,150,214	100.00%		Net sales	11,791,838	100%	

Analysis: In the recent two years, no customer accounts for more than 10% of annual net sales, which posed no significant influence over the overall Company.

(E) Production output quantity and value for the past two years

Unit: thousands square feet; thousands piece; thousands NTD

Year / qty/value / Major products	2015			2016		
	Capacity	Quantity	Value	Capacity	Quantity	Value
Double-sided PCB	9,000	8,055	1,727,605	9,000	7,457	1,450,946
Multilayer PCB	23, 400	20,634	6,723,553	23,400	21,617	7,119,920
Touch panel	480	471	545,965	80	67	52,750
Others	0	0	0	0	0	0
Total	32,880	29,160	8,997,123	32,480	29,141	8,623,616

Note 1: Production capacity means after factoring necessary halts and holidays, the quantity that the Company is capable of producing under normal operations with present production equipment.

Note 2: Since production of each layer of product can replace and support each other, hence the overall production capacity is disclosed.

(F) Sales volume for the past two years

Unit: thousands piece; thousands NTD

Year / qty/value / Major products	2015				2016			
	Domestic sales		Export		Domestic sales		Export	
	Q'ty	Value	Q'ty	Value	Q'ty	Value	Q'ty	Value
Double-sided PCB	2,129	525,395	6,213	1,665,570	204	43,267	7,931	2,053,237
Multilayer PCB	1,424	616,170	19,398	7,938,252	1,424	870,750	21,951	8,752,977
Touch panel	365	355,794	58	48,957	56	61,550	11	9,860
Others	0	0	0	76	0	197	0	0
Total	3,918	1,497,359	25,669	9,652,855	1,684	975,764	29,893	10,816,074

C. From the most recent two years to the date on the annual report, the number of workers, average years of service, average age, and distribution ratios of education

Year - consolidated		2015	2016	2017/3/31
Number of workers	Direct workers	4,958	4,248	4,504
	Indirect workers	1,669	1,501	1,494
	Total	6,627	5,749	5,998
Average age		29.02	29.02	30.03
Average years of service		2.26	2.26	2.47
Distribution of education	Ph.D.	1	0	3
	Master	29	18	20
	University	791	782	720
	High school	1,615	1,437	1,516
	Below high school	4,191	3,512	3,739
	Total	6,627	5,749	5,998

The reason of staff reduction in 2016 was the equity transferring of Abon Touchsystems Inc. took effect on Mar. 1st, 2016; as a result, Dynamic lost authority and did not include Abon's staff number any more.

D. Environmental Expenditure Information

(A) Taoyuan plant: Total environmental expenditure of year 2016 was NTD 31.25 mil.

(B) Kunshan plant: Total environmental expenditure of year 2016 was RMB 68.39 mil.

E. Employer and Employee Relations

(A) List out various employee welfare measures, advanced studies, training, retirement plan and its implementation, as well as negotiations between the employers and employees and steps taken to maintain various employee benefits

1. Employee welfare measures

Employees are important Company assets. To provide adequate care to the employees, in addition to full compliance to the Labor Law, the Company has various other measures to take care of its employees.

(1) Offers free meals.
(2) Refined kitchenette with fair trade coffee.
(3) Free uniform.
(4) First-rate dormitories for foreign employees, offering satellite TV, newspapers in their native language, hot water for 24 hours, entertainment facilities, and gym etc.
(5) Free parking lot.
(6) The Company sponsors and encourages students to participate in healthy activities such as marathon.
(7) Routinely hosts carnivals and sports days.
(8) Set up suggestion box for unfair treatment and ensures that suggestions are answered.
(9) Employee group insurance.
(10) Implement year-end bonus, holiday bonuses, performance bonus, and dividend structure.
(11) Whenever an employee of the Company gets married, gives birth, dies or becomes amputated, there is always aid or pension etc.
(12) Employee health check-up on a routine basis every year.
(13) Set up medical grade blood pressure and sphygmic-meters to help employees monitor their health.
(14) Set up library and employees can borrow books for free.
(15) On-site and external skills training program for employees.
(16) Foreign language classes for employees.
(17) Aid for continuing education training for employees, and professional class for senior management.
(18) Chinese training courses for Thai staff.
(19) Various employee activities such as traveling and group lunch/dinner.

2. Continuing studies and training system

Our primary training plan includes educational training for new recruits, managerial capacity training, professional skills training, quality enhancement training, liberal arts class training etc. And the Company also conducts transferred personnel job training and employee job rotation, so that employees can be familiar with different kinds of work and learn different techniques. The objective hours of education training of year 2017 is at least 12 hours per person.

3. Retirement Structure

(1) Since Jul. 1, 2005, The Company has implemented labor retirement policy, and utilizes a defined contribution system. Upon implementation, an employee is able to choose from between retirement policies in the Labor Standards Act, or to use this policy and to keep the working years prior to its implementation. For the employees who choose this new policy, the Company has entrusted actuaries to calculate, and the Company will be

responsible of allocating 2% - 15% of the employee's salary into retirement reserved funds, which is saved in the accounts for retirement funds in the Central Trust under the name of "Committee for Supervising the Employee Retirement Fund." The Company has also attained permission from the Taoyuan City government to host meetings for the Committee for Supervising the Employee Retirement Fund every three months. The Committee is responsible for supervising and verifying tasks such as setting aside the labor retirement reserved funds, savings and expenditures etc. After July 2005, complying with the government policy of using individual retirement reserved fund accounts, the Company sets 6% of labor salary as labor retirement reserved funds, and saves this amount in the individual labor retirement reserved fund account.

(2) In order to offer employees more flexibility in planning their career and life, the Company has successfully established the management policy for the golden handshake, and reported this to the authorities for approval.

(3) Under the planning of the remuneration committee in year 2010, the Company will entrust the manager retirement management policy, in order to establish a more comprehensive personnel retaining system.

4. Other important agreements and various measures to protect employee benefit

(1) The employers and employees of the Company mostly utilize communications to solve various problems and maintain positive communication channels, in order to build mutual understanding and effectively enhance the coherence of all employees.

(2) The Company routinely hosts employer-employee meetings, including various departmental meetings, employee benefit committee meetings, employer-employee meetings, retirement fund supervisory committee, and labor safety meetings etc., with the objective of understanding employee needs and attaining mutual understanding. Additionally, the Company has set up suggestion box for unfair treatment to facilitate employees to solve matters such as personal rights or unjust treatment in the workforce, to establish a fair and friendly work environment.

(B) Clearly list out losses sustained from employee-related disputes from the most recent year to the date on the annual report, and disclose estimates (in dollar amount) of what could happen currently and in the future and their countermeasures. If unable to provide a reasonable estimate, a company should explain the facts that it is unable to rationally estimate.

1. From the most recent year to the date on the annual report, the Company has not experienced any employee-related disputes.
2. In the future, the Company will continue to maintain positive employer-employee relationship through emphasizing employee benefit measures and providing smooth communication channels. The Company does not anticipate that any significant employee-related disputes will occur, nor will it lead to any significant losses in the future.

F. Important Contracts: none.

VI. Financial Overview

A. Concise Balanced Sheet and Income Statement for the past 5 years, noting the names of the Accountant and their Qualified Opinions

(A) Concise Balance Sheet

1. Consolidated IFRS Concise Balance Sheet

Unit: NTD thousands

Item \ Year		Consolidated Financial Information for the past five years (note 1)				
		2012	2013	2014	2015	2016
Current assets		6,918,279	5,759,676	5,799,053	6,073,389	6,267,294
Real estate, factories and equipment		4,852,592	4,726,884	5,042,156	4,505,619	3,425,029
Intangible assets		3,264	7,209	8,887	10,183	17,967
Other assets		71,720	112,917	167,485	178,429	467,895
Total assets		11,845,855	10,606,686	11,017,581	10,767,620	10,178,185
Current liabilities	Prior to allocation	6,256,169	4,697,664	4,968,770	5,418,099	5,430,727
	After distribution (note 2)	6,256,169	4,697,664	4,968,770	5,418,099	(note 3)
Non-current liabilities		992,009	1,479,610	1,224,224	749,963	472,865
Total liabilities	Prior to allocation	7,248,178	6,177,274	6,192,994	6,168,062	5,903,592
	After distribution (note 2)	7,248,178	6,177,274	6,192,994	6,168,062	(note 3)
Equity from parent company		4,545,273	4,378,912	4,778,544	4,554,287	4,274,593
Capital stock		2,935,594	2,860,594	2,860,594	2,810,594	2,810,594
Paid-in capital		1,073,644	1,060,950	1,060,950	1,061,873	1,061,873
Retained earnings	Before distribution	645,727	405,499	654,167	555,108	565,366
	After distribution (note 2)	645,727	405,499	654,167	555,108	(note 3)
Other equity		(80,780)	51,869	202,833	126,712	-163,240
Treasury stock		(28,912)	-	-	-	-
Non-controlling interest		52,404	50,500	46,043	45,271	--
Total equity	Before distribution	4,597,677	4,429,412	4,824,587	4,599,558	4,274,593
	After distribution (note 2)	4,597,677	4,429,412	4,824,587	4,599,558	(note 3)

Note 1: Above annual financial information has been checked and verified by CPA

Note 2: Aforementioned after distribution figures have been filled according to the shareholders meeting in the subsequent year.

Note 3: Profit, losses and subsidies for year 2016 have not yet been approved by the shareholder's meeting.

2. Individual IFRS Concise Balance Sheet

Unit: NTD thousands

Item \ Year		Individual financial information for the past five years (note 1)				
		2012	2013	2014	2015	2016
Current assets		4,974,749	3,437,929	3,587,235	2,589,507	2,172,653
Investment using the Equity Method		2,531,557	3,198,407	4,014,866	4,195,000	4,246,831
Real estate, plants and equipment		866,280	747,571	832,192	793,098	650,262
Intangible assets		1,592	1,519	4,382	6,312	13,012
Other assets		30,317	61,504	119,232	130,697	157,258
Total assets		8,404,495	7,446,930	8,557,907	7,714,614	7,240,016
Current liabilities	Prior to distribution	3,357,361	2,411,795	3,022,194	2,578,138	2,597,306
	After distribution (note 2)	3,357,361	2,411,795	3,022,194	2,578,138	(note 3)
Non-current liabilities		501,861	656,223	757,169	582,189	368,117
Total liabilities	Prior to distribution	3,859,222	3,068,018	3,779,363	3,160,327	2,965,423
	After distribution (note 2)	3,859,222	3,068,018	3,779,363	3,160,327	(note 3)
Equity from parent company		4,545,273	4,378,912	4,778,544	4,554,287	4,274,593
Capital stock		2,935,594	2,860,594	2,860,594	2,810,594	2,810,594
Paid-in capital		1,073,644	1,060,950	1,060,950	1,061,873	1,061,873
Retained earnings	Before distribution	645,727	405,499	654,167	555,108	565,366
	After distribution (note 2)	645,727	405,499	654,167	555,108	(note 3)
Other equity		(80,780)	51,869	202,833	126,712	-163,240
Treasury stock		(28,912)	-	-	-	-
Total equity	Before distribution	4,545,273	4,378,912	4,778,544	4,554,287	4,274,593
	After distribution (note2)	4,545,273	4,378,912	4,778,544	4,554,287	(note 3)

Note 1: Above annual financial information has been checked and verified by CPA

Note 2: Aforementioned after distribution figures have been filled according to the shareholders meeting in the subsequent year.

Note 3: Profit, losses and subsidies for year 2016 have not yet been approved by the shareholder's meeting.

3. Consolidated Concise Balance Sheet under ROC GAAP

Unit: NTD thousands

Item \ Year		Consolidated financial information for the past five years (note 1)				
		2008	2009	2010	2011	2012
Current assets		5,470,008	7,092,752	6,959,227	7,178,673	7,031,690
Funds and investment		-	-	-	-	-
Fixed assets		6,079,374	5,831,712	5,870,599	6,174,922	4,852,592
Intangible assets		297,552	255,126	225,713	221,993	45,209
Other assets		174,596	156,669	48,020	5,807	5,032
Total assets		12,021,530	13,336,259	13,103,559	13,581,395	11,934,523
Current liabilities	Before distribution	5,540,934	5,924,529	5,796,158	5,860,842	6,273,985
	After distribution	6,063,870	6,449,334	5,822,436	5,932,076	6,273,985
Long-term liabilities		1,066,130	1,469,514	2,140,826	2,014,629	887,501
Other liabilities		301,594	343,291	244,124	227,693	79,876
Total liabilities	Before distribution	6,908,658	7,737,334	8,181,108	8,103,164	7,241,362
	After distribution	7,431,594	8,262,139	8,207,386	8,174,398	7,241,362
Capital stock		2,384,678	2,639,273	2,627,853	2,864,360	2,935,594
Paid-in capital		990,705	1,012,022	1,056,168	1,056,320	1,072,341
Retained earnings	Before distribution	1,269,906	1,591,245	1,136,405	1,169,263	348,813
	After distribution	773,970	1,066,440	873,620	1,026,795	348,813
Cumulative transaction adjustment		464,289	356,106	120,922	393,993	239,713
Direct interest from unsold, non-Current assets		-	-	-	-	73,500
Non-retirement capital net losses		-	(23,831)	(27,074)	-	-
Treasury stock		-	-	(28,912)	(28,912)	(28,912)
Minority interest		3,294	24,110	37,089	23,207	52,112
Total Shareholder's equity	Before distribution	5,112,872	5,598,925	4,922,451	5,478,231	4,693,161
	After distribution	4,589,936	5,074,120	4,896,176	5,406,997	4,693,161

Note 1: Above annual financial information has been checked and verified by CPA.

4. Individual Concise Balance Sheet under ROC GAAP

Unit: NTD thousands

Item \ Year		Individual financial information for the past 5 years (note 1)				
		2008	2009	2010	2011	2012
Current assets		3,564,611	4,623,590	4,187,041	4,606,866	5,089,227
Funds and investment		3,646,426	4,093,808	4,427,344	4,173,126	2,550,396
Fixed assets		1,059,221	960,930	903,929	897,693	866,280
Intangible assets		23,900	17,944	10,653	1,588	1,592
Other assets		38,788	29,164	3,656	4,310	4,767
Total assets		8,332,946	9,725,436	9,532,623	9,683,583	8,512,262
Current liabilities	Before distribution	2,478,339	3,484,011	3,148,340	2,824,317	3,348,041
	After distribution	3,001,275	4,008,816	3,174,618	2,895,551	3,348,041
Long-term liabilities		392,500	291,500	1,229,463	1,152,209	426,019
Other liabilities		352,529	375,110	269,458	252,033	97,153
Total liabilities	Before distribution	3,223,368	4,150,621	4,647,261	4,228,559	3,871,213
	After distribution	3,746,304	4,675,426	4,673,539	4,299,793	3,871,213
Capital stock		2,384,678	2,639,273	2,627,853	2,864,360	2,935,594
Paid-in capital		990,705	1,012,022	1,056,168	1,056,320	1,032,999
Retained earnings	Before distribution	1,269,906	1,591,245	1,136,405	1,169,263	348,813
	After distribution	746,970	1,066,440	873,620	1,026,795	348,813
Cumulative transaction adjustment		464,289	356,106	120,922	393,993	239,713
Direct interest from unsold, non-current assets		-	-	-	-	73,500
Non-retirement capital net losses		-	(23,831)	(27,074)	-	-
Treasury stock		-	-	(28,912)	(28,912)	(28,912)
Total Shareholder's equity	Before distribution	5,109,578	5,574,815	4,885,362	5,455,024	4,641,049
	After distribution	4,586,642	5,050,010	4,859,084	5,383,790	4,641,049

Note 1: Above annual financial information has been checked and verified by CPA.

(B) Concise Income Statement

1. Consolidated IFRS Concise Income Statement

Unit: NTD thousands

Year / Item	Consolidated financial information for the past five years (note 1)				
	2012	2013	2014	2015	2016
Revenue	10,719,015	10,140,523	10,755,314	11,150,214	11,791,838
Operating Margin	800,619	957,651	1,716,604	1,444,855	1,224,561
Operating Income	(264,628)	(312,519)	286,222	(160,129)	1,662
Non-operating income/expenses	(578,895)	54,379	8,408	67,159	40,784
Pre-tax net profit	(843,523)	(258,140)	294,630	(92,970)	42,446
Net profit for this period for continuing operating units	(750,107)	(258,140)	239,200	(92,971)	12,828
Loss from termination of business unit	0	0	0	0	0
Net profit (loss) for this period	(750,107)	(258,140)	239,200	(92,971)	12,828
Other accumulated profit/loss for this period (after-tax net value)	(79,068)	147,804	155,705	(81,314)	(290,394)
Total comprehensive profit (loss) for this period	(829,175)	(110,336)	394,905	(174,285)	(277,566)
Net profit for parent company	(732,090)	(255,383)	243,927	(93,866)	10,700
Net profit for non-controlling interest	(18,017)	(2,757)	(4,727)	895	2,128
Comprehensive profit/loss for parent company	(811,158)	(107,579)	399,632	(175,180)	(279,694)
Comprehensive profit/loss for non-controlling interest	(18,017)	(2,757)	(4,727)	895	2,128
Earnings per share	(2.51)	(0.90)	0.85	(0.33)	0.04

Note 1: Above annual financial information has been checked and verified by CPA.

2. Individual IFRS Concise Income Statement

Unit: NTD thousands

Year / Item	Individual financial information for the past 5 years (note 1)				
	2012	2013	2014	2015	2016
Revenue	9,375,903	8,325,196	8,886,457	7,010,679	5,575,299
Operating Margin	625,628	180,223	428,366	413,154	275,720
Operating Income	86,003	(498,653)	(391,332)	(197,033)	(173,979)
Non-operating income/expenses	(912,175)	243,270	690,689	103,167	184,679
Pre-tax net profit	(826,172)	(255,383)	299,357	(93,866)	10,700
Net profit for this period for continuing operating units	(732,090)	(255,383)	243,927	(93,866)	10,700
Losses for terminated business unit	0	0	0	0	0
Net profit (loss) for this period	(732,090)	(255,383)	243,927	(93,866)	10,700
Other accumulated profit/loss for this period (after-tax net value)	(79,068)	147,804	155,705	(81,314)	(290,394)
Total comprehensive profit (loss) for this period	(811,158)	(107,579)	399,632	(175,180)	(279,694)
Earnings per share	(2.51)	(0.90)	0.85	(0.33)	0.04

Note 1: Above annual financial information has been checked and verified by CPA.

3. Consolidated Concise Income Statement under ROC GAAP

Unit: NTD thousands

Year / Item	Financial information for the past five years (note 1)				
	2008	2009	2010	2011	2012
Revenue	11,678,949	11,329,904	12,653,948	11,628,127	10,719,015
Operating Margin	2,144,663	2,419,792	1,662,878	1,335,569	776,705
Operating Income	880,275	1,219,505	350,992	335,201	(295,102)
Non-operating income/expenses	188,955	188,558	114,753	208,970	93,036
Pre-tax net profit	323,912	265,871	401,657	262,462	452,623
Before-tax losses for continuing operating units	745,318	1,142,192	64,088	281,709	(654,689)
Losses for continuing operating units	554,246	836,630	61,248	281,709	(572,536)
Losses for terminated business units	-	-	-	-	-
Extraordinary losses	-	-	-	-	(123,408)
Accumulated effects from change in accounting principles	-	-	-	-	-
Profit (losses) for this period	554,246	836,630	61,248	281,709	(695,944)
Earnings per share	2.08	2.96	0.23	1.01	(2.32)

Note 1: Above annual financial information has been checked and verified by CPA.

4. Individual Concise Income Statement under ROC GAAP

Unit: NTD thousands

Year / Item	Financial information for the past five years (note 1)				
	2008	2009	2010	2011	2012
Revenue	10,024,001	9,657,443	10,920,224	10,045,690	9,375,903
Operating Margin	1,214,757	1,294,373	1,084,414	1,231,213	601,714
Operating Income	537,817	664,020	511,760	768,322	55,393
Non-operating income and interests	239,177	529,182	102,095	176,654	73,631
Non-operating expenses and losses	53,731	96,867	543,890	649,333	889,848
Before-tax profit (losses) for continuing operating units	723,263	1,096,335	69,965	295,643	(760,824)
Profit (loss) for continuing operating units	554,250	846,886	69,965	295,643	(677,982)
Profit (loss) for terminated business units	-	-	-	-	-
Extraordinary profit/loss	-	-	-	-	-
Accumulated effects from change in accounting principles	-	-	-	-	-
Profit (losses) for this period	554,250	846,886	69,965	295,643	(677,982)
Earnings per share	2.08	2.96	0.23	1.01	(2.32)

Note 1: Above annual financial information has been checked and verified by CPA

(C) CPA Names and Opinions for the Past Five Years

Year	CPA's Accounting Firm	Names of CPA	Opinion
2012	Ernst & Young Taiwan	Chi-Ming Chang, Hsin-Min Hsu	Unqualified opinion
2013	Ernst & Young Taiwan	Mao-Yi Hung, Hsin-Min Hsu	Unqualified opinion
2014	Ernst & Young Taiwan	Ching-Piao Cheng, Mao-Yi Hung	Unqualified opinion
2015	Ernst & Young Taiwan	Ching-Piao Cheng, Mao-Yi Hung	Unqualified opinion
2016	Ernst & Young Taiwan	Ching-Piao Cheng, Mao-Yi Hung	Unqualified opinion

B. Financial Analysis for the Past Five Years

(A) Financial Analysis

1. Financial Analysis for the Past Five Years (Consolidated)

Item to be analyzed (note 2) / Year		Financial Analysis (consolidated financial report) for the past five years (note 1)						
		2012	2013	2014	2015	2016	Comparison between 2015 and 2016	Explanation of differences
Financial structure	Debt to asset ratio (%)	61.19	58.24	56.21	57.28	58.00	1.26%	
	Long-term funds to fixed asset ratio (%)	115.19	125.01	119.96	118.73	138.61	16.74%	
Debt payback ability	Liquidity ratio (%)	110.58	122.61	116.71	112.09	115.40	2.95%	
	Current ratio (%)	91.59	99.10	90.32	85.60	86.86	1.47%	
	Interest protection multiples	(4.34)	(1.46)	5.11	(0.66)	2.03	407.58%	Profit increased due to the decrease in production costs of Kunshan plant.
Operational ability	Receivables turnover (times)	3.03	3.01	3.22	3.23	3.42	5.88%	
	Average collection turnovers (days)	121	121	113	113	107	(5.31)%	
	Inventory turnover (times)	7.79	8.12	7.67	7.25	7.68	5.93%	
	Payables turnover (times)	4.99	5.05	5.05	5.06	4.91	(2.96)%	
	Average inventory turnover (days)	47	45	48	50	48	(4.00)%	
	Fixed asset turnover (times)	1.94	2.12	2.2	2.34	2.97	26.92%	Due to the decreases in real-estate, plant and equipment that caused by the disposal of assets derecognition with subsidiary Abon Touchsystems Inc.
	Total asset turnover (times)	0.84	0.90	0.99	1.02	1.13	10.78%	
Profitability	Return on assets (%)	(4.87)	(1.52)	2.76	(0.43)	0.45	204.65%	Profit increased due to the decrease in production costs of Kunshan plant
	Return on equity (%)	(14.95)	(5.72)	5.17	(1.97)	0.29	114.72%	Profit increased due to the decrease in production costs of Kunshan plant
	Profit before tax to paid-in capital ratio (%)	(28.73)	(9.02)	10.3	(3.31)	1.51	145.62%	Profit increased due to the decrease in production costs of Kunshan plant
	Net Profit Margin (%)	(7.00)	(2.55)	2.22	(0.83)	0.11	113.25%	Profit increased due to the decrease in production costs of Kunshan plant
	Earnings per share (NTD)	(2.57)	(0.91)	0.85	(0.33)	0.04	112.12%	Profit increased due to the decrease in production costs of Kunshan plant
Cash flow	Cash flow ratio (%)	12.28	16.42	17.95	16.08	9.98	(37.94)%	Net cash inflow from operating activities decreased due to the increase in long-term prepaid rents
	Cash flow adequacy ratio (%)	91.00	91.78	96.34	112.05	106.26	(5.17)%	
	Cash reinvestment ratio (%)	6.80	6.86	7.45	7.38	5.02	(31.98)%	Net cash inflow from operating activities decreased due to the increase in long-term prepaid rents
Leverage	Operating leverage	(4.45)	(1.75)	2.05	(6.23)	759.16	12,285.55%	Profit increased due to the decrease in production costs of Kunshan plant
	Financial leverage	0.63	0.75	1.33	0.74	(0.04)	(105.41)%	Due to the increase in the operating net profit of current period

Note 1: Above annual financial information has been checked and verified by CPA.

Note 2: Calculation formula:

1. Financial structure
   (1) Debt to asset ratio = total liabilities / total asset
   (2) Long-term funds to fixed asset ratio (%) = (total equity + non-current liabilities) / net real estate, factory plants and equipment
2. Debt payback ability
   (1) Liquidity = current assets / Current liabilities
   (2) Current ratio = (current assets – inventory – prepaid expense) / Current liabilities
   (3) Interest protection multiple = income tax and net income before interest / interest expense for this period
3. Operational ability
   (1) Receivable (including accounts receivable and bills receivable from operations) turnover ratio = net sales / accounts receivables and outstanding bills receivable
   (2) Average collection turnovers = 365/accounts receivable ratio
   (3) Inventory turnover = cost of goods sold / amount of average stock
   (4) Payables turnover ratio = payables (including accounts payable and bills payable from operations) cost of goods sold / accounts payables and bills payables
   (5) Average inventory turnover = 365 / payables turnover ratio
   (6) Fixed asset turnover = net sales / net fixed asset
   (7) Total asset turnover = net sales / average total asset
4. Profitability
   (1) Return on assets = (profit or loss after tax + interest expense x (1 – interest rate))/average total asset
   (2) Equity ratio = profit or less after tax / average total equity
   (3) Net profit margin = profit or loss after tax / net sales
   (4) Earnings per share (EPS) = (equity from parent company – preferred stock dividend) /weighted average of issued shares (note 3: preferred stock dividend)
5. Cash flow
   (1) Cash flow ratio = net operational cash/Current liabilities
   (2) Net cash flow adequacy ratio (%) = net operating cash flow for the past 5 years / (capital expenditure + increase in inventory + cash dividend for the past 5 years)
   (3) Cash reinvestment ratio = (net operating cash flow – cash dividend) / (fixed asset + long-term investment + other non-current assets + operational funds) (note 4)
6. Leverage
   (1) Operational leverage = (net revenue – changes in operating cost and expenses) /operating profit
   (2) Financial leverage = operational income / (operational income – interest expense)

Note 3: When considering the calculation formula of EPS, please pay special notice to the following:

1. This uses weighted average number of common stock as basis, rather than the issued stock by year end.
2. Those that have increases in cash or treasury stock should consider its circulation period in calculating weighted average number of shares.
3. Those that have reinvestment from earnings or increases in paid-in capital, in calculating EPS for past years and half-year, should adjust retroactively according to the ratio of increases, and do not need to take their release period into consideration.
4. If preferred stocks are accumulated preferred stock that cannot be transferred, then the share dividend (whether paid out) for that year should be subtracted from the profit after tax, or add onto loss after tax. If the preferred stock is non-accumulative in nature, when there is profit after tax, the dividend from preferred stock should be subtracted from profit after tax, but if there is loss, then no adjustment is necessary.

Note 4: When taking cash flow analysis into consideration, please pay special attention to the following:

1. Net operational cash flow refers to the operational net cash flow inflow in the cash flow statement.
2. Capital expenditure refers to the amount of cash outflow of capital investment each year.
3. Inventory increase is not calculated until when the ending inventory is greater than the opening balance. If inventory decreases by year end, this will be counted as zero.
4. Cash dividend includes cash dividend for common and preferred stock.
5. Gross fixed asset refers to the total fixed asset after deducting fixed asset prior to accumulated depreciation.

2. Financial Analysis for the Past Five Years (Individual)

Item to be analyzed (note 2) / Year		Financial Analysis (individual financial report) for the past five years (note 1)						
		2012	2013	2014	2015	2016	Comparison between 2015 and 2016	Explanation of differences
Financial structure	Debt to asset ratio (%)	45.92	41.20	44.15	40.97	40.96	(0.02)%	
	Long-term funds to fixed asset ratio (%)	582.62	673.53	665	647.44	713.72	10.24%	
Debt payback ability	Liquidity ratio (%)	148.17	142.55	118.7	100.44	83.65	(16.72)%	
	Current ratio (%)	130.90	122.54	98.72	86.31	71.59	(17.05)%	
	Interest protection multiples	(20.02)	(10.31)	20.34	(3.88)	1.57	140.46%	Profit increased due to the decrease in production costs of Kunshan plant
Operational ability	Receivables turnover (times)	3.09	3.15	3.58	3.07	2.97	(3.26)%	
	Average collection turnovers (days)	118	116	102	119	123	3.36%	
	Inventory turnover (times)	13.74	14.17	15.17	13.74	16.72	21.69%	The amount of inventory decreased at the end of term due to the decreased inventory of HUB warehouse overseas
	Payables turnover (times)	4.27	4.34	4.36	3.56	3.61	1.40%	
	Average inventory turnover (days)	27	26	24	27	22	(18.52)%	
	Fixed asset turnover (times)	10.63	10.32	11.25	8.63	7.73	(10.43)%	
	Total asset turnover (times)	1.04	1.05	1.11	0.86	0.75	(12.79)%	
Profitability	Return on assets (%)	(7.75)	(2.99)	3.21	(0.96)	0.35	136.46%	Profit increased due to the decrease in production costs of Kunshan plant
	Return on equity (%)	(14.71)	(5.72)	5.33	(2.01)	0.24	111.94%	Profit increased due to the decrease in production costs of Kunshan plant
	Profit before tax to paid-in capital ratio (%)	(28.14)	(8.93)	10.46	(3.34)	0.38	111.38%	Profit increased due to the decrease in production costs of Kunshan plant
	Net Profit Margin (%)	(7.81)	(3.07)	2.74	(1.34)	0.19	114.18%	Profit increased due to the decrease in production costs of Kunshan plant
	Earnings per share (NTD)	(2.51)	(0.90)	0.85	(0.33)	0.04	112.12%	Profit increased due to the decrease in production costs of Kunshan plant
Cash flow	Cash flow ratio (%)	7.88	12.36	(1.34)	7.15	(1.19)	(116.64)%	Net cash inflow from operating activities decreased due to the decreased revenue.
	Cash flow adequacy ratio (%)	100.52	79.44	122.68	164.35	104.80	(36.23)%	Caused by the decreased net cash inflow from operating activities in the past five years
	Cash reinvestment ratio (%)	3.19	4.86	(0.62)	2.97	(0.54)	(118.18)%	Net cash inflow from operating activities decreased due to the decreased revenue.
Leverage	Operating leverage	11.98	(0.90)	(1.24)	(3.18)	(3.43)	7.86%	
	Financial leverage	1.84	0.96	0.96	0.91	0.90	(1.10)%	

Note 1: Above annual financial information has been checked and verified by CPA.

Note 2: Calculation formula is the same as above.

3. Financial Analysis for the Past Five Years under ROC GAAP (Consolidated)

Item to be analyzed (note 2) / Year			Financial Analysis (consolidated financial report) for the past five years (note 1)						
			2008	2009	2010	2011	2012	Comparison for 2011 and 2012	Explanation of differences
Financial structure	Debt to asset ratio (%)		57.47	58.02	62.43	59.66	60.68	1.71%	
	Long-term funds to fixed asset ratio (%)		101.64	121.21	123.10	121.34	115.00	(5.22%)	
Debt payback ability	Liquidity ratio(%)		98.72	119.72	120.07	122.49	112.08	(8.50%)	
	Current ratio(%)		80.24	99.67	98.31	98.67	92.65	(6.10%)	
	Interest protection multiples (times)		4.15	9.66	1.53	3.04	(3.15)	(203.62%)	Due to increase in competition in marketing environment, clients made downward adjustment to selling price, gross margin significantly decreased from the same period last year.
Operational ability	Receivables turnover (times)		3.08	2.94	3.04	3.13	3.03	(3.19%)	
	Average collection turnovers (day)		118.61	124	120	117	121	3.42%	
	Inventory turnover (times)		7.92	7.85	8.83	7.79	7.80	0.13%	
	Payables turnover (times)		46	47	41	47	47	0.00%	
	Average inventory turnover (day)		4.33	4.36	4.99	4.99	5.0	0.20%	
	Fixed asset turnover (times)		2.00	1.90	2.19	1.93	1.94	0.52%	
	Total asset turnover (times)		0.94	0.89	0.96	0.87	0.84	(3.45%)	
Profitability	Return on assets (%)		5.89	7.38	1.22	2.97	(4.43)	(249.16%)	Due to decline in overall profit, causing ROA to decrease.
	Return on Shareholder's equity (%)		11.22	15.62	1.16	5.42	(13.68)	(352.40%)	Due to decline in overall profit, causing Return on Shareholder's Equity to decrease.
	% of Paid-in capital	Operating income	28.59	46.64	9.87	11.70	(10.05)	(185.90%)	Due to decrease in selling margin and increase in distribution expense, causing operating income to decrease accordingly.
		Net income before tax	31.25	43.68	2.44	9.83	(22.30)	(326.86%)	Due to significant decrease in margin and reporting losses in Dynamic Electronics (Xiamen), causing profit after tax to decrease.
	Net Profit Margin (%)		4.75	7.38	0.48	2.42	(6.49)	(368.18%)	Caused by decline in overall profit.
	EPS (NTD)		2.32	3.26	0.23	0.99	(2.38)	(340.40%)	Caused by decline in overall profit.
Cash flow	Cash flow ratio (%)		30.90	19.12	18.22	23.97	12.22	(49.02%)	Caused by decline in profit and decrease in accounts payable, so operating net income inflow has decreased.
	Cash flow adequacy ratio (%)		51.71	63.91	61.50	77.94	90.99	16.74%	
	Cash reinvestment ratio (%)		15.80	6.25	5.18	11.82	6.96	(41.12%)	Caused by decline in profit and decrease in accounts payable, so operating net income inflow has decreased.
Leverage	Operating leverage		2.47	1.56	6.39	5.61	(3.92)	(169.88%)	Caused by declines in revenue and operating net income in this period.
	Financial leverage		1.53	1.12	1.87	1.70	0.65	(61.76%)	Caused by decreases in operating net income in this period.

Note 1: Above annual financial information has been checked and verified by CPA.

Note 2: Calculation formula is the same as above.

4. Financial Analysis for the Past Five Years under ROC GAAP (Individual)

Item to be analyzed (note 2)			Financial Analysis (individual financial report) for the past five years (note 1) 2008	2009	2010	2011	2012	Comparison for 2011 and 2012	Explanation of differences
Financial structure	Debt to asset ratio (%)		38.68	42.68	48.75	43.67	45.48	4.14%	
	Long-term funds to fixed asset ratio (%)		519.45	610.48	694.97	736.02	584.92	(20.53%)	Because profit has declined, causing shareholder's equity to decrease.
Debt payback ability	Liquidity ratio(%)		143.83	132.71	132.99	163.11	152.01	(6.81%)	
	Current ratio(%)		134.06	123.54	120.91	141.65	133.74	(5.58%)	
	Interest protection multiples		32.95	86.31	4.37	13.98	(18.36)	(231.33%)	Because reinvestment business has sustained increase in losses.
Operational ability	Receivables turnover (times)		3.01	2.85	3.04	3.15	3.09	(1.90%)	
	Average collection turnovers (day)		121	128	120	116	118	1.72%	
	Inventory turnover (times)		34.05	28.83	25.08	16.55	13.78	(16.74%)	
	Payables turnover (times)		11	13	15	22	26	18.18%	
	Average inventory turnover (day)		3.69	3.79	4.59	4.37	4.28	(2.06%)	
	Fixed asset turnover (times)		9.45	9.56	11.86	11.15	10.63	(4.66%)	
	Total asset turnover (times)		1.18	1.07	1.13	1.05	1.03	(1.90%)	
Profitability	Return on assets (%)		6.74	9.49	0.91	3.27	(7.09)	(316.82%)	Due to increase in net loss before tax, ROA has decreased.
	Return on Shareholder's equity (%)		11.22	15.85	1.34	5.72	(13.43)	(334.79%)	Because reinvestment business has sustained losses, adding onto the net loss after tax.
	% of Paid-in capital	Operating income	22.40	25.40	19.47	26.82	1.89	(92.95%)	Due to decrease in selling margin and increase in distribution expense, causing operating income to decrease accordingly.
		Net income before tax	30.33	41.93	2.66	10.32	(25.92)	(351.16%)	Due to decrease in profitability of investment from Dynamic Electronics and increase in exchange rate loss, causing pretax profit to decrease accordingly.
	Net Profit Margin (%)		5.53	8.77	0.64	2.94	(7.23)	(345.92%)	Due to decrease in profitability of investment from Dynamic Electronics and increase in exchange rate loss, causing loss after tax to increase.
	EPS (NTD)		2.32	3.30	0.27	1.04	(2.32)	(323.08%)	Due to decrease in profitability of investment from Dynamic Electronics and increase in exchange rate loss, causing loss after tax to increase.
Cash flow	Cash flow ratio (%)		45.42	(4.80)	18.41	38.12	7.90	(79.28%)	Caused by decrease in profit and number of accounts payable stakeholders, causing inflow of operating cash flow to decrease.
	Cash flow adequacy ratio (%)		136.36	129.38	91.38	111.18	100.52	(9.59%)	
	Cash reinvestment ratio (%)		10.90	(10.00)	0.77	13.54	3.18	(76.51%)	Caused by decrease in profit and number of accounts payable stakeholders, causing inflow of operating cash flow to decrease.
Leverage	Operating leverage		2.71	2.43	2.79	2.12	18.26	761.32%	Caused by declines in revenue and operating net income in this period.
	Financial leverage		1.04	1.02	1.04	1.03	3.44	233.98%	Caused by decreases in operating net income in this period.

Note 1: Above annual financial information has been checked and verified by CPA.
Note 2: Calculation formula is the same as above.

C. For the audit report from the audit committee for the financial report of this year
Please see page 133 in this report.

D. The financial statement of the most recent year, including accountant's audit report, balance sheet with two-year comparison, income statement, changes in equity, cash flow statement, and notes and attached tables.
Please see pages 135 ~ 234 in this report.

E. The Company's individual financial report of the most recent year with CPA’s check and verification, excluding detailed table of important accounting items.
Please see pages 235 ~ 325 in this report.

F. From the most recent year to the date on this report, if any financial difficulties or turnover problems should occur to the Company and its affiliated firms, please list out their impacts on the financial conditions of the Company: none.

VII. Review and Analysis of Financial Conditions and Performance, and Risk Management

A. Financial Conditions

Unit: NTD thousands

Item \ Year	2015 (Consolidated)	2016 (Consolidated)	Variance Amount	Variance %	Notes
Current Assets	6,073,389	6,267,294	193,905	3.19	
Property, Plant and Equipment	4,505,619	3,425,029	(1,080,590)	(23.98)	Note 1
Other Assets and Intangible Assets (Including Funds and Investments)	188,612	485,862	297,250	157.60	Note 2
Total Assets	10,767,620	10,178,185	(589,435)	(5.47)	
Current Liabilities	5,418,099	5,430,727	12,628	0.23	
Non-current liabilities	749,963	472,865	(277,098)	(36.95)	Note 3
Total Liabilities	6,168,062	5,903,592	(264,470)	(4.29)	
Common Stock	2,810,594	2,810,594	0	0.00	
Capital Surplus	1,061,873	1,061,873	0	0.00	
Retained Earnings	555,108	565,366	10,258	1.85	
Other Equity	126,712	(163,240)	(289,952)	(228.83)	Note 4
Non-Controlling Interest	45,271	0	(45,271)	(100.00)	Note 5
Total Equity	4,599,558	4,274,593	(324,965)	(7.07)	

Explanation and analysis on percentage changes:

Note 1: Mainly due to the disposal of assets derecognition with subsidiary Abon Touchsystems Inc. and the decrease in the new added equipment of this term.

Note 2: Mainly due to the increase in long-term prepaid rent.

Note 3: Mainly due to the reduction of long-term loan of this term.

Note 4: Mainly due to the decrease in the exchange difference converted by the financial statements of foreign operating institutions.

Note 5: Mainly due to the disposal of Abon Touchsystems Inc.

B. Financial Performances

(A) Main reasons of major changes in revenue, net operating profit and net profit before tax in the most recent two years

Unit: NTD thousands

Item \ Year	2015	2016	Variance		Notes
			Amount	%	
Net Operating Revenue	$11,150,214	$11,791,838	$641,624	5.75	
Operating Cost	9,705,359	10,567,277	861,918	8.88	
Gross Profit	1,444,855	1,224,561	(220,294)	(15.25)	
Operating Expense	1,604,984	1,222,899	(382,085)	(23.81)	Note 1
Operating Income	(160,129)	1,662	161,791	(101.04)	Note 2
Non-Operating Income and Expenses	67,159	40,784	(26,375)	(39.27)	Note 3
Income Before Tax	(92,970)	42,446	135,416	(145.66)	Note 2
Income Tax Interests (Fee)	(1)	(29,618)	(29,617)	2,961,700	
Net Income (Loss)	(92,971)	12,828	105,799	(113.80)	Note 2
Other Comprehensive Income (Net Income After Tax)	(81,314)	(290,394)	(209,080)	257.13	Note 4
Total Comprehensive Income	(174,285)	(277,566)	(103,281)	59.26	Note 2
Net Income Attributed to Parent Company Owner	(93,866)	10,700	104,566	(111.40)	Note 2
Net Income Attributed to Non-Controlling Interest	895	2,128	1,233	(137.77)	Note 5
Comprehensive Profit and Loss Attributed to Parent Company Owner	(175,180)	(279,694)	(104,514)	59.66	Note 4
Comprehensive Profit and Loss Attributed to Non-Controlling Interest	895	2,128	1,233	(137.77)	Note 5

Explanation and analysis on percentage changes:

Note 1: Due to the re-recognition of operating expenses as manufacturing costs.

Note 2: The decrease in Kunshan plant production costs resulted in the increase in this term’s profit.

Note 3: Caused by the decrease in net foreign currency exchange gains.

Note 4: This is mainly due to the decrease in the exchange rate converted by the financial statements of foreign operating institutions.

Note 5: Due to the increase in the net profit of the subsidiary Abon Touchsystems Inc. this term.

(B) Analysis of changes in gross profit by product type

Unit: NTD thousands

Product Type	Increase/Decrease of Gross Profit	Reason for Difference			
		Price Difference	Cost Difference	Sales Mix Difference	Quantity Difference
Double-sided PCB	$169,720	($39,977)	$214,478	($17,709)	$12,928
Multi-layer PCB	(59,233)	20,410	(193,402)	51,383	62,376
Touch panel	(66,903)	7,359	(2,377)	(77,626)	5,741
Total	$43,584	($12,208)	$18,699	($43,952)	$81,045
Cost of goods sold-Inventory Loss	$29,828	Non-Profitable	Profitable	Non-Profitable	Profitable
Other	(293,706)				
Total	($220,294)				

Owing to the growth in the market demand of the main products, the sales volume difference showed positive, which was favorable; as for the price, double-sided PCB prices fell, multi-layer PCB and touch panel rose slightly, the overall result showed negative, which was unfavorable. In terms of cost price differences, it was favorable due to the decline in Kunshan plant production costs. The final gross margin subtotal increased comparing with last year. However, the export freight, samples of mass production and R&D costs (listed in the table above as other items) have been re-recognized as manufacturing costs since year 2016, so that the overall production costs increased by about 2.75%, the final total was negative.

(C) The expected number of sales and its basis, the possible impact on the company's future financial business and the response plan

The estimated growth of overall order area of year 2017 is about 6-12%, of which Taoyuan plant's majority order will be Rigid-Flex board and substrate, Kunshan plant will be focusing on automotive PCB, LCD panel, HDI, high-end multilayer board and high-frequency board. Huangshi plant will first take LCD panel order as priority, and develop automotive PCB in the meantime. In view of the production capacity of Huangshi plant kicking off in the third quarter of 2017, it is expected that the sales volume will still in a steady growth trend, which will be of help to the company's future financial business.

C. Cash Flow

(A) Analysis of changes in cash flow in the most recent year

Year / Item	2015	2016	Growth %
Cash flow percentage	16.08	9.98	(37.94)%
Cash flow adequacy ratio	112.05	106.26	(5.17)%
Cash reinvestment ratio	7.38	5.02	(31.98)%
Analysis of changes in growth percentage: Due to the investment in the mainland business - Huangshi plant, the long-term prepaid rents incurred for the land use rights and caused the net cash inflow to decrease. For this reason, the cash flow from operating activities and cash reinvestment ratio for the year 2016 has decreased.			

(B) Improvement plan for insufficient cash flow: not applicable

(C) Analysis of cash liquidity for the coming Year

Cash amount from beginning of the period (A)	Projected Net Cash Flow from the Year's Operation (B)	Projected Cash Outflow for the Entire Year (C)	Projected Cash Balance (A + B – C)	Contingency Plans for Projected Insufficient Cash Position	
				Investment Plan	Financial Management Plan
$1,261,941	$935,250	$(977,878)	$1,219,313	0	0

D. Impacts of Major Capital Expenditures in the Most Recent Year on Financial Operation: Not applicable.

E. Reinvestment Policies, Main Reasons of Profit and Loss and Improvement Plans in the Most Recent Year and Investment Plans for the Coming Year

Unit: NTD thousands

Description / Item	Amount of reinvestment profit (loss)	Policy	Major reasons of profit or loss	Improvement plan	Investment plan for the coming year
WINTEK (MAURITIUS) CO., LTD.	101,326	Investment Holdings	Recognized as investment income of the reinvested Dynamic (Kunshan) Electronics Co. Ltd. in mainland and Dynamic Electronics Holding Pte. Ltd. in Singapore.	-	-
Dynamic Electronics Europe GmbH	-	Sales Base	-	-	-
Dynamic PCB Electronics Co., Ltd.	125	Triangle Trade	Local government administration expenses.	-	-
Dynamic Electronics Co., Ltd. (Seychelles)	47,256	Trading business	Increased sales in the mainland led to profitability of this term.	-	-
Dynamic Electronics Trading Pte. Ltd.	178	Management & operation services	Income from offering management & operation services	-	-
Dynamic Electronics Holding Pte. Ltd.	USD(126)	Investment business	Recognized as investment loss of the reinvested mainland business-Dynamic Electronics (Huangshi) Co. Ltd.	-	-
Dynamic Electronics (Kunshan) Co., Ltd.	104,497	Production Site	Continuous Improvement and efficiency enhancement led to the profitability of this term.	-	-
Dynamic Electronics (Huangshi) Co., Ltd.	(3,837)	Production Site	Initial period of construction, the local government-related administrative costs.	-	-

F. Sources of Risk

(A) Impacts of interest rate, currency exchange rate fluctuation and inflation on the Company's income and response measures in the future

Unit: NTD thousands

Item	Impacts on Company's profit/loss			Response Measures
	Year / Item	2015	2016	
Interest Rate	Interest Income	8,267	9,803	The Company periodically observes market interest trends and evaluates capital sources according to bank deposit savings and applicable capital planning to reduce operation risks.
	Interest Expense	55,929	41,149	
Changes in Exchange Rate	Net profit/loss from Exchange	72,474	1,245	1. Company products are mainly for export. In terms of raw material, with the exception of special raw materials that need to be purchased and manufactured in China, all other raw materials originate from domestic suppliers, therefore changes in exchange rates have a substantial level of impact on the Company's revenue and profit. 2. The proportion of the company's overseas business is high, exchange gains and losses can impact the revenue and profit, in order to avoid company's profit being slashed by excessive fluctuations in exchange rates, the Company strengthened the exchange rate risk control, and to take the following measures: A. Collect daily exchange rate information in order to fully grasp the exchange rate trend and make timely decision on converting or holding foreign currency to reduce exchange rate risks. B. In terms of foreign exchange capital allocation, exchange rate risk can be reduced by the offset of foreign currency claims and liabilities through regular export and imported goods transaction. C. For payables denominated in foreign currencies, determine the exchange rate movements and analyze exchange gains and losses, decide whether to repay early or to pay with a bank loan, in order to avoid the risk of exchange rate fluctuations, and to achieve the purpose of cost savings. D. Consult with bank foreign exchange sector about hedging strategy, make decision for foreign currency according to funding requirements and the exchange rate situation, in order to reduce operational risk. E. When the exchange rate has a greater volatility, use other tools to avoid exchange risks, such as the transaction of forward foreign exchange and other manipulations, in order to avoid the risk of changes in exchange rates.
Inflation	-	-	-	In recent years, domestic and foreign markets are facing the problem of inflation, although both have a negative impact on the overall economy and individual; the company may have the relative change in the product cost, selling price and market demand, but so far, no significant influence has occurred; the company will continue to observe and respond to market changes with appropriate adjustments.

(B) Major Reasons for Transaction Policies, Profit or Loss from Engaging in High-risk and Hyper-leveraged Investments, Fund Lending, Endorsement/ Guarantee and Derivatives and Correspondent Procedures and Response Measures

1. In the most recent year and as of the publishing date of the annual report to the public, the Company has not been engaged in any high-risk or hyper-leveraged investments. In the future, the Company will focus on development of its main industry focus. Under circumstances without prudent evaluation and decisions made by the board of directors, the Company will not be engaged in any kind of high-risk or hyper-leveraged investments.

2. Situation of the Company's Lending of Funds:

Unit: NTD thousands

Fund Lender	Borrower	Reason for Fund Lending	2016 end of year balance
Dynamic Electronics Co., Ltd.	Abon Touchsystems Inc.	Abon has paid back all amount on Mar. 29, 2016.	0
Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	The working capital for the initial plant construction.	45,920

3. Situation of the Company's Endorsements and Guarantees:

Unit: NTD thousands

Entity making the Endorsement/ Guarantee	Entity for which the Endorsement/Guarantee is made	Reason for Endorsement/ Guarantee	2016 end of year balance	Ways of improvement
Dynamic Electronics Co., Ltd.	Abon Touchsystems Inc.	The Company's profit situation is unstable.	182,000	The Company has sold this subsidiary in March 2016, and the guarantee amount of the endorsement of it is gradually withdrawn by the maturity of its financing amount. It is expected to have all the endorsement of it withdrawn in the first half of year 2017.
	Dynamic Electronics Co., Ltd. (Seychelles)	No factory operation, unable to provide collateral for the bank..	161,000	In response to the principle of risk control, apply for working capital amount for this subsidiary, the financing amount of its bank shall be adjusted and reduced depending on its demand for the working capital in the future.
	Dynamic Electronics (Kunshan) Co., Ltd.	Cross-strait laws and regulations are not able to provide security for local banks in Taiwan.	579,600	In response to the principle of risk control, establish the cross-strait bank financing amount for this subsidiary to balance the risk of bank financing that might resulted from the cross-strait policy.

4. Situation of the Company's Derivatives Trading:
The Company's main derivatives exchange primarily involve forward transactions in order to reduce foreign exchange risks; the Company periodically evaluates risks and reports to the board of directors at every board meeting. In the future, the Company will continue to observe foreign currency exchange rate trends, conduct forward transaction operations within the board of directors authorized limits, in order to reduce company risks in holding USD capital.

(C) R&D Plans and Estimated Expenses in Coming Years
1. 2017 R&D Plans: 10 layers up Rigid-Flex boards, high frequency materials and mix design, thick copper and buried embedded copper cooling technology, embedded passive components, 1.6 mil fine circuit.
2. 2017 R&D budget: NTD 65,803,000. (The reason for the decrease comparing to year 2016 is the main strategic product – automotive PCB, the initial market development and product development cost of it have all been gradually apportioned.)

(D) Effects of domestic/foreign policy changes and law amendments on the Company's finance and response measures
1. In term of the regulatory environment of Taiwan, the new law enaction focuses on environmental protection and labor law in year 2016. The Executive Yuan Ministry of Labor declared that from January 1, 2017 the monthly base salary is twenty-one thousand and nine Taiwanese dollars, the minimum wage per hour is one hundred thirty-three Taiwanese dollars. The above laws and regulations are closely related to the company's long-term development and daily operation. We will be cautious about bringing them into the company's future development strategy.

2. In 2016 in the context of implementing government's promotion of consolidating decentralization and supervision, along with service optimization, China has made modifications to the laws and regulations that affect the real economy. The new laws and regulations which are closely related to the industrial and commercial manufacturing are: Foreign-funded Enterprise Law, Energy Conservation Law, Foreign Trade Law and other 20 laws. On December 25, 2016, the Standing Committee of the National People's Congress passed the "Environmental Protection Tax Law", which will go into effect on January 1, 2018. The business sectors and other production sectors who discharged taxable pollutants directly to the environment are the taxpayer for the environmental protection tax. Taxable pollutants are the air pollutants, water pollutants, solid wastes and noise that specified in the Act. The State Council has also enacted a number of policies and regulations, such as the VAT Regulations, the Regulations on the Administration of Tax Collection and Administration, the Administration of Hazardous Waste Management License, and promoting innovation and development of improvement trade. From January 1, 2016, the monthly base salary in Suzhou was adjusted to RMB1,820; hourly minimum wage was adjusted to RMB15.5. So far there hasn't been a latest adjustment being released. Kunshan City had held an activity called "Hundred days action"

in year 2016. It was held for environmental protection, production safety and city management. The purpose of the activity is to solve the highlighted problem which people have strongly appealed. The city's environmental inspection was executed on fifteen thousand five hundred and fifty-two enterprises. Based on the above, we are pleased to see that the operating environment in China is becoming more and more legal on the premise that the company observes the laws and operates by the rules.

(E) Effects of technology development and industry changes on the Company’s finance and response measures
Following the electronic technology expanding to communications, personal mobile devices and Internet communities, the company's PCB have also been successfully extended to smart phones, wearable devices, the Internet, automotive electronics, satellite communications and medical equipment and other fields. The company pay close attention to the changes in technology and industry, while constantly sophisticated our technology development and process capabilities, also to adjust the strategy to cope with the changes in the market at all time.

(F) Effects of changes of corporate images on the Company’s crisis management and response measures: Not applicable

(G) Expected Benefits, Risks and Response Measures in Mergers and Acquisitions: Not applicable

(H) Possible risks and response measures and expected benefits from plant expansion:
Huangshi plant’s the first 40 million feet is expected to output in the third quarter of 2017, and reach the balance of profit and loss at the end of 2018. Possible risk and response measures are as follows:
1. Risk of raising working capital
   Response measures: own funds, bank loans, mainland government subsidies.
2. Risk of customer orders
   Response measures: Strengthening the yield, quality and technical capacity, developing high-end, high value-added niche-type products, meantime planning alternative products.

(I) Risks and Response Measures in Concentration in Purchase and Sales
In the recent two years, only two of the company’s suppliers account for over 10% of the company’s purchasing net amount, and the highest percentage is 13.13% of the company’s total purchase amount, so there is no risk caused by excessive concentration. In the recent two years, none of the company’s customers accounts for over 10% of the company’s sales net amount, so there is no risk caused by excessive concentration.

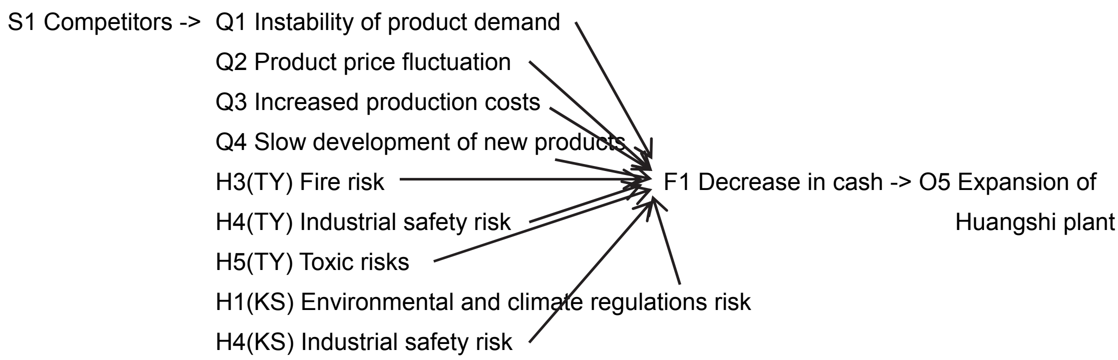
(J) Impacts, Risks and Response Measures in Changes or Transfer in Directors, Supervisors and Substantial Shareholders with Shareholdings Greater than 10%: Not applicable.

(K) Impact, Risks and Response Measures in Changes of Ownership: Not applicable.

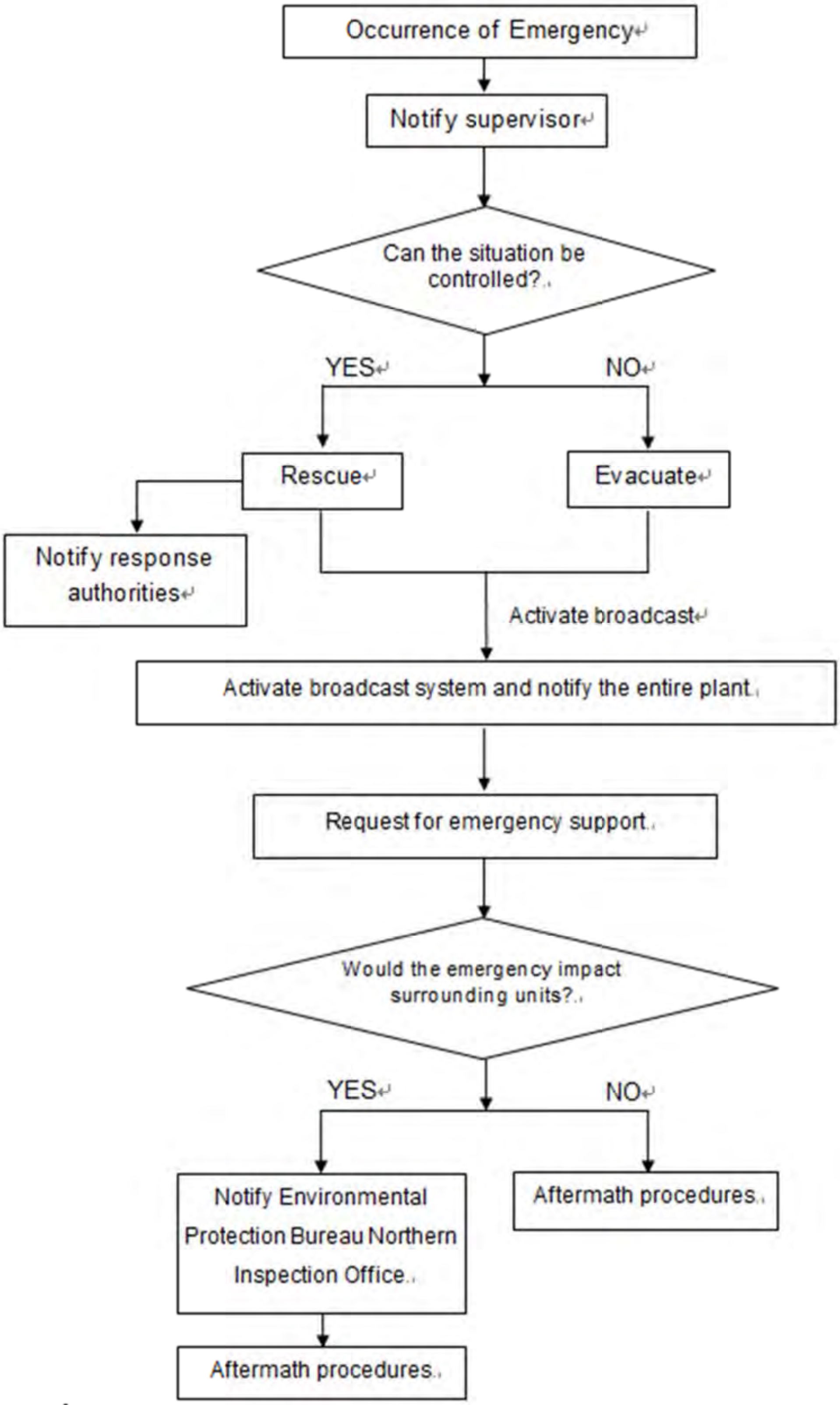
(L) With regard to litigation or non-litigation events, the name of its board directors, supervisors, Presidents, major shareholders holding greater than 1% of outstanding shares and the Company's subsidiaries should be stated. With regard to litigation (whether pending or for which a verdict has been reached), non-litigation or administrative appeals involving the Company, and the results may greatly affect the rights of its shareholders and bond prices, the Company shall disclose the details of the disputes, the amount involved, the litigation starting dates, primary litigants, and the status as of the publishing date of the annual report: Not applicable.

(M) Other Major Risks and Response Measures:
Risk Management Committee in year 2016 has assessed a total of 12 integrated risk issues in yellow or red and made immediate responses which have been reported in the board meeting. The 12 risk issues include: Health of executive supervisors, competitors, instability of product demand, product price fluctuation, increased production costs, slow development of new products, the expansion(Huangshi plant), the decrease in cash, fire risk, industrial safety risk, toxic risks, environmental protection and international climate regulations risk, etc., in the meantime making the link map of each risk to understand the relevance of the risks, so that the response strategy is more comprehensive and effective.

The connection among the risks



2. Preparations and Response Procedures for Emergency Situations



3. Other incidents impacting normal operation:

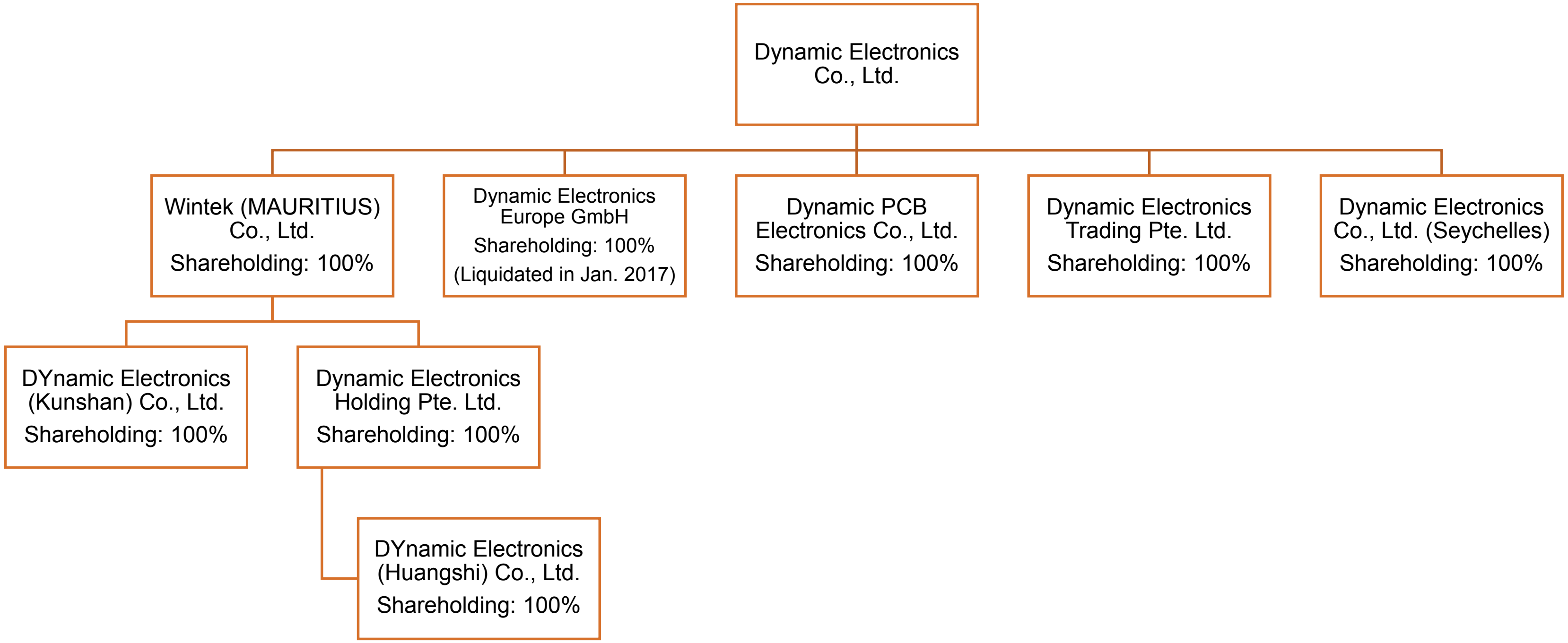
1	When short on staff	Divided into short-term and long-term responses: 1) Short-term: To flexibly arrange manpower among production lines, outsourcing may be arranged by the production planning depending on the situation to prevent impact on product delivery. 2) Long-term: through application channels, employ foreign labor or contract staff for training and management in order to meet manpower requirements.
2	During production equipment malfunction	1) When malfunction of production equipment occurs, first send the engineering personnel to understand the situation and make analysis, then to shut down the power for the malfunctioning equipment and hang the caution sign for "under maintenance." 2) If the engineering personnel is unable to handle the problem, the department in requirement is to submit an "Equipment maintenance application/purchase order form" and then the engineering department is responsible for contacting maintenance company to come for repair. 3) After the maintained equipment is confirmed by the manufacturing process supervisor, and has its "Repair/Maintenance record" recorded with its maintenance. If the repair cannot be complete smoothly, the production planning personnel will conduct production coordination. 4) Repair/Maintenance contracts should be signed with main production equipment and manufacturing suppliers. 5) To avoid the impact of major production equipment failure on the production capacity, the maintenance contracts for the key production equipment will be signed with the equipment manufacturers.
3	During supplier emergency situations	1) Check the inventories at factory and at supplier. 2) Seek information for suppliers with substitute products, when necessary buy from foreign suppliers in order to maintain regular product delivery to customers. 3) The executive vice director is to assemble a response team to meet and discuss response strategies. 4) Depending on the type of situation, all department supervisors act up to the directions instructed by the response team.
4	During contingencies in public services: water/ electricity outage	1) Purchase power generators in order to maintain regular operations during emergency electrical outage. 2) Build additional water storage tank, excavate underground water for temporary use in times of short-term water outage. 3) In times of water/electricity outage, in addition to taking emergency response measures, production modification plans should be made by the production manager or outsourced to legitimate manufacturers. 4) In times of contingencies, the production unit should immediately take control of products in the process of production and have the series labeled for future quality tracking.

G. Other Important Matters: none.

VIII. Affiliated Companies and Other Special Disclosures

A. Related Information on Affiliated Companies

(A) Subsidiaries and Affiliated Companies Business Organization Structure



(B) Basic Information of Subsidiary and Affiliated Companies:

Unit: thousand shares / thousand NTD; Dec. 31, 2016

Company Name	Date of Incorporation	Address	Paid-in Capital	%	Shares	Investment Amount	Major Business Activities
WINTEK(MAURITIUS) CO., LTD.	2001.12	Level3,Alexander House,35 Cybercity,Ebene ,Mauritius	USD 78,500	100.00%	7,850	NTD 2,564,496	Investment Holding
Dynamic Electronics Europe GmbH	2004.01	Moraenenhoehe 47533 Kleve Germany	EUR 25	100.00%	-	NTD 873	Trading of Printed Circuit Board
Dynamic PCB Electronics Co., Ltd.	2008.01	1st Floor,#5DEKK House,De Zippora Street, P.O.BOX 456 Providence Industrial Estate,Mahe,Republic of Seychelles	USD 50	100.00%	50	NTD 1,555	Trading of Printed Circuit Board
Dynamic Electronics Co.,Ltd. (Seychelles)	2015.01	1st Floor,#5DEKK House,De Zippora Street, P.O.BOX 456 Providence Industrial Estate,Mahe,Republic of Seychelles	USD 7,200	100.00%	7,200	NTD 224,005	Trading of Printed Circuit Board
Dynamic Electronics Trading Pte. Ltd.	2015.06	151 CHIN SWEE ROAD #01-48 MANHATTAN HOUSE SINGAPORE (169876)	USD 50	100.00%	50	NTD 1,541	Management and operational services
Dynamic Electronics Holding Pte. Ltd.	2015.12	151 CHIN SWEE ROAD #01-48 MANHATTAN HOUSE SINGAPORE (169876)	USD 25,000	100.00%	25,000	USD 25,000	Investment Holding
Dynamic Electronics (Kunshan) Co., Ltd..	2002.02	No. 1688, Jinshajiang North Rd. Kunshan City, Jiangsu Province 215344, China	USD 80,000	100.00%	-	USD 80,000	Production and sales of Printed Circuit Board
Dynamic Electronics (Huangshi) Co., Ltd.	2016.03	Economic and Technological Development Zone, Jinshan Road 189, Huangshi, China	USD 25,000	100.00%	-	USD 25,000	Production and sales of Printed Circuit Board

(C) Companies with Control or Subsidiary Relationships according to Article 369-3 of the R.O.C. Company Law: none

(D) Business Operations within Company Affiliates and their Relationships: Investment, Shareholding, Manufacturing Operation and Trade.

(E) Information about Directors, Supervisors, and Managers of Subsidiary and Affiliates:

Unit: Shares; Dec. 31, 2016

Company Name	Title	Name or Representative	Holding of Shares	
			Shares	%
WINTEK(MAURITIUS) CO., LTD.	Director	Ken Huang	7,850,000	100.00%
Dynamic Electronics Europe GmbH	Director	Ken Huang	-	100.00%
Dynamic PCB Electronics Co., Ltd.	Director	Ken Huang	50,000	100.00%

Company Name	Title	Name or Representative	Holding of Shares	
			Shares	%
Dynamic Electronics Co., Ltd. (Seychelles)	Director	Ken Huang	7,200,000	100.00%
Dynamic Electronics Trading Pte. Ltd.	Director	Ken Huang, Stoney Chiu, Lily Chiang, Wanhui Lim	50,000	100.00%
Dynamic Electronics Holding Pte. Ltd.	Director	Ken Huang, Stoney Chiu, Lily Chiang, Wanhui Lim	25,000,002	100.00%
Dynamic Electronics (Kunshan) Co., Ltd.	Director Supervisor President	Ken Huang, Stoney Chiu, Lily Chiang Jean Liu Stoney Chiu	-	100.00%
Dynamic Electronics (Huangshi) Co., Ltd.	Director Supervisor President	Ken Huang, Stoney Chiu, Lily Chiang Jean Liu Stoney Chiu	-	100.00%

(F) Operation Results of Affiliated Companies

Unit: thousand NTD; Dec. 31, 2016

Company Name	Paid-In Capital	Total Assets	Total Liabilities	Total Equity	Operating Revenue	Operating Income	Net Income	EPS
Dynamic Electronics Co., Ltd.	2,810,594	7,240,016	2,965,423	4,274,593	5,575,299	(173,979)	10,700	0.04
WINTEK(MAURITIUS) CO., LTD.	2,564,496	4,142,333	0	4,142,333	0	(135)	101,326	-
Dynamic Electronics Europe GmbH	873	32,694	91,499	(58,805)	0	0	0	-
Dynamic PCB Electronics Co., Ltd.	1,555	1,822,671	1,820,558	2,113	7,211,609	(28,455)	125	-
Dynamic Electronics Co., Ltd. (Seychelles)	224,005	1,174,978	1,048,918	126,060	4,332,901	2,538	47,256	-
Dynamic Electronics Trading Pte. Ltd.	1,541	1,934	150	1,784	1,413	197	178	-
Dynamic Electronics Holding Pte. Ltd.	793,290	762,527	410	762,117	0	(217)	(4,063)	-
Dynamic Electronics (Kunshan) Co., Ltd.	2,528,000	7,028,047	3,651,201	3,376,846	9,057,979	130,974	103,968	-
Dynamic Electronics (Huangshi) Co., Ltd.	793,290	857,934	95,407	762,527	0	(5,906)	(3,852)	-

Note 1: Refer to foreign exchange rates to NTD
For the balance sheet, USD=32.20, RMB=4.64179, EUR=33.70.
For the income statement, USD=32.32545, RMB=4.86492.

(G) The most recent year's report is prepared according to the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises". The Company's 2016 report (starting from January 1st , 2016 to December 31st , 2016) "Criteria Governing Preparation of

Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" should include consolidated business reports and consolidated financial statements of affiliated enterprises, and according to Article 27 of International Accounting Standards, the parent and subsidiary companies' consolidated financial statements should be identical, the consolidated business reports and consolidated financial statements of affiliated enterprises are already stated within the consolidated financial statements for the parent and subsidiary companies, therefore there will be no separate preparation for consolidated business reports and financial statements of affiliated enterprises.

B. Private Placement Securities in the Most Recent Year and as of the Publishing Date of the Annual Report: none.

C. Company's Shares Held or Transferred by Subsidiaries in the Most Recent Year and as of the Publishing Date of the Annual Report: none.

D. Other Supplementary Information: none.

E. Pursuant to the Article 36-2-2 of Security Exchange Act, Event Having Material Impact on Shareholders' Equity or Share Price in the Most Recent Year and as of the Publishing Date of the Annual Report: none.

VIIII. Other Information Disclosures

A. Precautionary Measures for a Safe Working Environment and Personnel Security

(A) To ensure prevention of workers being exposed to hazardous material, for exposed concentration to meet law regulated standards, the Company carries out operation environment inspection twice a year in order to implement the supervision and monitor on work environment. Inspection plan is announced before putting it into practice, and the implementation result is disclosed to the public. Also the Company make environmental improvement in accordance with the monitoring results, in the meantime, combine with the staff health check report by the company's annual health check service and the help of occupational disease physician to identify the working conditions that need improvement and develop appropriate improvement measures for it. For the machines and equipment that may cause harm to the operator, the Industrial Safety Department should require the equipment operating unit to carry out periodical inspection on their own besides conducting the regular inspection by facilities standards, so that the occupational accidents due to equipment problem can be avoided; for the potential occurrence of accident and the risk factors that exist in the environment, the staff can know more through the education, training and bulletin board and provide prevention solutions.

(B) In order to fully understand the health condition of our employees, assign the most suitable job, and prevent occupational illness, in addition to establishing medical care and emergency staff according to law regulations, health examinations are conducted for new employees, periodic health examinations for active employees and special health examinations for workers exposed to hazardous operation. For employees with exceptionally abnormal results from the health examination, the plant nurse will provide tracking and care for their health conditions, and when necessary, they may consider adjustments or modifications to their job content.

(C) During the period between June and July every year, Taoyuan Plant would appoint a medical institution that approved by the Occupational Safety and Health Department to implement health check and specific health check for all the staff of Taoyuan plant. After implementation, a comparison report with all previous health status data will be provided for each employee to assist the employee in health management; A series of health talks will be held by Taipei Veterans General Hospital Taoyuan Branch based on the health check results and the factory characteristics, to enable the staff to acquire more knowledge of occupational disease prevention

Kunshan plant will have the Industrial Safety and Health Department collect the health conditions comparison charts, exhibiting posters regarding occupational illness prevention and awareness through the exhibition portal every month, promoting employees' prevention and awareness of occupational illness.

(D) In Feb. 2016, Taoyuan Plant has successfully passed the OHSAS18001 system's annual review once again, ensuring the effective operation of the Company's Work Safety Management System. In Jan. 2015, Kunshan Plant has also passed the OHSAS18001 system's annual review, ensuring effective operation.

(E) To enhance the safety awareness of the two plants, carrying out a monthly security rating of the each class in two plants, as well as taking forward the relevant security activities. Hopefully the purpose of production safety will be achieved by the giving reward or punishment according to the rating result of each month.

(F) Year 2016 Industrial Safety Improvement Item of Taoyuan Plant:

1. Check the fire circuit, smoke detectors, fire extinguishers.
2. Set the smoke escape bag.
3. Update oxygen cylinders, cyanide antidote.
4. Improvement in high noise equipment.
5. Renew breastfeeding room supplies.

(G) Year 2016 Industrial Safety Improvement Item of Kunshan Plant:

1. Continuously implement the standardization of safe production.
2. Strengthen the third-grade education and training.
3. Continuously revise the safety procedures for each post.
4. Continuously carry out investigation and management work for hidden problems, develop and implement the security inspection plan.
5. Develop cross-operation methods of hidden problem investigation, so that more departments can take part in it from different angles, and constantly improve the investigation system of hidden problems.

B. Material Insider Information Non-Disclosure Procedure

The Company has established the “Material Insider Information Non-Disclosure Procedure”, the authority 【Chairman Office】should notify supervisors and employees to be aware of whether there is important information to be disclosed according to law regulations. Furthermore, in order to reduce risks of inside trading, 【Chairman Office】 should annually promote awareness to the supervisors and employees, and request all personnel above the level of management, related personnel of financial and audit departments signing the “Material Information Confidentiality Agreement”.

X. Auditor's Report and 2016 Financial Statement

Dynamic Electronics Co., Ltd.

Statement on Internal Control System

Date: Feb 23rd, 2017

According to self-inspected results, the Company's internal control system of 2016 is stated in the following:

1. The Company understands the board of directors and Presidents' responsibility to establish, implement and maintain the Company's internal control system. The Company has established such regulations, intending to achieve objectives regarding effectiveness and efficiency (including profit, performance and ensuring asset security etc.) of operations, reliability, timeliness, transparency, and regulatory compliance of reporting, as well as compliance with applicable laws, regulations, and bylaws, providing reasonable guarantee.
2. The internal control system has its intrinsic limits, no matter how complete the design, effective internal control can only provide reasonable guarantee for meeting the three aforementioned objectives; along with environmental and conditional changes, effectiveness of internal control regulations may change also. However, self-inspection mechanisms have been established into the Company's internal control system, the Company will take actions to fix a deficiency once it has been identified.
3. According to the "Regulations Governing Establishment of Internal Control Systems by Public Companies", (hereafter referred to as the Guideline) regulating the criteria for internal control systems effectiveness, the Company has assessed the effectiveness of the design and implementation of its internal control system. Intended for management and control processes, the Guideline's criteria for assessing internal control systems is comprised of five constituent elements: 1. Control environment, 2. Risk assessment, 3. Control activities, 4. Information and communications, and 5. Monitoring activities. Every element is comprised of further constituents. Please see "the Guideline "for the aforementioned elements.
4. The Company has assessed the effectiveness of the design and effectiveness of its internal control system according to the aforementioned internal control system criteria.
5. The assessment results show that as of December 31st , 2016, the Company's internal control system (including inspection and management of its subsidiaries), is effective in its design and implementation, meeting objectives including its effectiveness and efficiency (including profit, performance and ensuring asset security etc.) of operations, reliability, timeliness, transparency, and regulatory compliance of reporting, as well as compliance with applicable laws, regulations, and bylaws, providing reasonable guarantee in achieving the aforementioned objectives.
6. This Statement will become a main content item in the Company's Annual Report and its public announcements, and will be made public. Contents described above containing fraudulent materials, undisclosed items, or other illegalities, will incur legal responsibility under Articles 20, 32, 171, and 174 of the Securities Transaction Law.
7. This Statement was approved by the directors attending the Company's Board of Directors meeting on Feb. 23rd , 2017, among the 7 attendees, there were 0 dissenting opinions.

Dynamic Electronics Co., Ltd.

Chairman: Ken Huang Signature

President: Stoney Chiu Signature

Audit Committee's Review Report

It is agreed to and resolved by the Audit Committee and the Board of Directors that the company's 2016 Financial Statement was audited and certified by Ernest & Young, who is designated by the Board of Directors; and an audit report which refers to the Financial Statement was issued.

In addition, the Company's business report of 2016 and statement of Deficit Compensation which were submitted by The Board of Directors have been considered to be compliant with the relevant regulations of Company Law after having them reviewed by the Audit Committee of Dynamic Electronics Co., Ltd. According to article 219 of Company Law, we hereby submit this report.

To
2017 Annual Meeting of Shareholders of Dynamic Electronics Co., Ltd.

Chairman of the Audit Committee: Po-sheng Lin

Po Sheng Lin

April 14th, 2017

MANAGEMENT REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Dynamic Electronics Co., Ltd. as of and for the year ended December 31, 2016, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Accounting Standard No. 27, "Consolidated and Separate Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Dynamic Electronics Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

DYNAMIC ELECTRONICS CO., LTD.

By

KEN HUANG

Chairman

February 23, 2017

EY 安永
Building a better working world

安永聯合會計師事務所
33045桃園市桃園區中正路1088號27樓
27F, No. 1088, Zhongzheng Road, Taoyuan District, Taoyuan City, Taiwan, R.O.C.
Tel: 886 3 319 8888
Fax: 886 3 319 8866
www.ey.com/tw

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

AUDIT REPORT OF INDEPENDENT AUDITORS

To: the Board of Directors
Dynamic Electronics Co., LTD.

Opinion

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2016 and 2015, and their consolidated financial performance and cash flows for the years then ended, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

Revenue Recognition

We determine that revenue recognition is one of the key audit matters. The Company's consolidated revenue amounting to NT$11,791,838 thousand for the year ended December 31, 2016 is a significant account to the Company's consolidated financial statements. The Company and its subsidiaries have conducted these sale activities in multi-marketplace, including Taiwan, China, Asia and Eurpoe, etc. Furthermore, variety of sale terms and conditions enacted in the main sale contracts or sale orders contributed to the complexity for the Company and its subsidiaries to decide the appropriate timing of transfer the risk of ownership and return of goods to the buyers. We therefore conclude that there are significant risks with respect to the topic of revenue recognition.

Our audit procedures therefore include, but not limit to, evaluating the properness of accounting policy for revenue recognition, assessing and testing the effectiveness of relevant internal controls related to revenue recognition, particularly those controls for shipment to or from foreign warehouses, obtaining major sale orders or agreements to inspect the terms and conditions, checking the consistency of the accounting for revenue recognition with sale agreement or orders, performing analytical review procedures on monthly sale revenues, and executing sale cut-off tests, etc. We have also evaluated the appropriateness of the related disclosure in Note 6 to the consolidated financial statements.

Provision against inventory

We determine that provision against inventory is also one of the key audit matters. The Company and its subsidiaries' inventory in amount of NT$1,272,885 thousand, representing 12.51% of consolidated total assets, as of December 31, 2016 is significant to the Company's consolidated financial statements. The application market of the Company's main products, PCB, has been developing and changing rapidly and influenced significantly by end-customers' preference. The management therefore has to closely monitor the status of new products development and market demand for evaluating any significant impairment, including loss from market decline and slow-movement, incurred toward inventory. Also there was significant management judgement involved in determining the sufficiency of inventory loss provision. With respect to the key audit matter – provision against inventory, our audit procedures include, but not limit to, evaluating the appropriateness of inventory provision policy including how to identify the phased-out or slow-moving items, testing the correctness of inventory aging report, analyzing the reasons for slow-moving inventory, performing observation on the Company and its subsidiaries' inventory physical taking, and looking into the status of inventory utilization. Meanwhile, we have evaluated the appropriateness of the related disclosure in Note 5 and 6 to the consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Building a better working world

Others

We have audited and expressed an unqualified opinion on the parent-company-only financial statements of Dynamic Electronics Co., Ltd. for the years ended December 31, 2016 and 2015.

Ernst & Young

Ernst & Young
February 23, 2017
Taipei, Taiwan,
Republic of China

Notices to Readers

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of December 31, 2016 and 2015

(Amounts Expressed in Thousands of New Taiwan Dollars)

Assets			As of December 31, 2016		As of December 31, 2015	
Code	Accounts	Notes	Amount	%	Amount	%
11xx	Current assets					
1100	Cash and cash equivalents	4, 6(1)	$1,261,941	12	$1,217,376	11
1147	Debt instrument investments for which no active market exists	4, 6(2), 8	1,417	-	9,460	-
1150	Notes receivable, net	4, 6(3)	226,286	2	188,012	3
1170	Accounts receivable, net	4, 6(4)	3,142,427	31	3,146,255	29
1200	Other receivables		81,806	1	77,007	1
1310	Inventories, net	4, 6(5)	1,272,885	13	1,275,823	12
1410	Prepayments	6(13)	277,270	3	159,264	1
1470	Other current assets		3,262	-	192	-
	Total current assets		6,267,294	62	6,073,389	57
15xx	Non-current assets					
1600	Property, plant and equipment	4, 6(6), 8	3,425,029	34	4,505,619	42
1780	Intangible assets	4, 6(7)	17,967	-	10,183	-
1840	Deferred tax assets	4, 6(21)	155,354	1	129,212	1
1900	Other assets-others	6(8)	312,541	3	49,217	-
	Total non-current assets		3,910,891	38	4,694,231	43
	Total assets		$10,178,185	100	$10,767,620	100

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (Continued)
As of December 31, 2016 and 2015
(Amounts Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity			As of December 31, 2016		As of December 31, 2015	
Code	Accounts	Notes	Amount	%	Amount	%
21xx	Current liabilities					
2100	Short-term loans	6(9), 8	$2,145,170	21	$2,195,461	20
2150	Notes payable		-	-	402	-
2160	Notes payable-related parties	7	-	-	840	-
2170	Accounts payable		2,151,893	21	1,931,925	18
2180	Accounts payable-related parties	7	153,744	1	65,242	1
2200	Other payables	6(10)	773,075	8	944,427	9
2220	Other payables-related parties	7	421	-	1,281	-
2230	Current tax liabilities	4, 6(21)	5	-	1	-
2300	Other current liabilities-others		51,215	-	74,511	1
2322	Current portion of long-term loans	6(11), 8	155,204	2	195,230	2
2355	Lease payable	4, 6(12)	-	-	8,779	-
	Total current liabilities		5,430,727	53	5,418,099	51
25xx	Non-current liabilities					
2540	Long-term loans	6(11), 8	138,604	2	433,387	4
2570	Deferred tax liabilities	4, 6(21)	226,921	2	259,907	2
2613	Lease payable	4, 6(12)	-	-	521	-
2640	Net defined benefit liability	4, 6(13)	927	-	1,985	-
2645	Guarantee deposits		106,413	1	54,163	1
	Total non-current liabilities		472,865	5	749,963	7
	Total liabilities		5,903,592	58	6,168,062	58
31xx	Equity attributable to the parent company					
3100	Capital	6(14)				
3110	Common stock		2,810,594	28	2,810,594	26
3200	Capital surplus	6(14)	1,061,873	11	1,061,873	10
3300	Retained earnings	6(14)				
3310	Legal reserve		531,385	5	531,385	5
3320	Special reserve		299,666	3	299,666	3
3350	Accumulated profit or loss		(265,685)	(3)	(275,943)	(3)
3400	Other components of equity		(163,240)	(2)	126,712	1
36xx	Non-controlling interests	6(14)	-	-	45,271	-
	Total equity		4,274,593	42	4,599,558	42
	Total liabilities and equity		$10,178,185	100	$10,767,620	100

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2016 and 2015

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

			2016		2015	
Code	Accounts	Notes	Amount	%	Amount	%
4000	Operating revenues	4, 6(16)	$11,791,838	100	$11,150,214	100
5000	Operating costs	6(5), 7	(10,567,277)	(90)	(9,705,359)	(87)
5900	Gross profit	7	1,224,561	10	1,444,855	13
6000	Operating expenses					
6100	Sales and marketing expenses		(620,099)	(5)	(826,695)	(7)
6200	General and administrative expenses		(486,686)	(4)	(368,711)	(3)
6300	Research and development expenses		(116,114)	(1)	(409,578)	(4)
	Operating expenses total		(1,222,899)	(10)	(1,604,984)	(14)
6900	Operating income (loss)		1,662	-	(160,129)	(1)
7000	Non-operating income and expenses	6(19), 7				
7010	Other income		98,234	1	91,734	1
7020	Other gains and losses		(16,301)	-	31,354	-
7050	Finance costs		(41,149)	(1)	(55,929)	(1)
	Non-operating income and expenses total		40,784	-	67,159	-
7900	Income (loss) from continuing operations before income tax		42,446	-	(92,970)	(1)
7950	Income tax	4, 6(21)	(29,618)	-	(1)	-
8200	Net income (loss)		12,828	-	(92,971)	(1)
8300	Other comprehensive income (loss)	6(20)				
8310	Not to be reclassified to profit or loss in subsequent periods					
8311	Remeasurement of defined benefit plans		(442)	-	(5,193)	-
8360	May be reclassified to profit or loss in subsequent periods					
8361	Exchange differences arising on translation of foreign operations		(349,340)	(3)	(91,713)	(1)
8399	Income tax related to items that may be reclassified subsequently to profit or loss		59,388	1	15,592	-
	Total other comprehensive income (loss), net of tax		(290,394)	(2)	(81,314)	(1)
8500	Total comprehensive income (loss)		$(277,566)	(2)	$(174,285)	(2)
8600	Net income (loss) attributable to:					
8610	Shareholders of the parent		$10,700	-	$(93,866)	(1)
8620	Non-controlling interests		2,128	-	895	-
			$12,828	-	$(92,971)	(1)
8700	Total comprehensive income (loss) attributable to:					
8710	Shareholders of the parent		$(279,694)	(2)	$(175,180)	(2)
8720	Non-controlling interests		2,128	-	895	-
			$(277,566)	(2)	$(174,285)	(2)
9750	Earnings per share - basic (In NT$)	4, 6(22)	$0.04		$(0.33)	
9850	Earnings per share - diluted (In NT$)	4, 6(22)	$0.04		$(0.33)	

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2016 and 2015

(In Thousands of New Taiwan Dollars)

		Equity Attributable to Shareholders of the Parent									
				Retained Earnings			Other Components of equtiy				
Code	Items	Capital	Capital Surplus	Legal Reserve	Special Reserve	Accmulated profit or loss	Exchange differences arising on translation of foreign operations	Treasury Stock	Total	Non-controlling Interests	Total Equity
		3110	3200	3310	3320	3350	3410	3500	31xx	36XX	3xxx
A1	Balance as of January 1, 2015	$2,860,594	$1,060,950	$531,385	$299,666	$(176,884)	$202,833	$-	$4,778,544	$46,043	$4,824,587
D1	Net income (loss) for 2015					(93,866)			(93,866)	895	(92,971)
D3	Other comprehensive income (loss) for 2015					(5,193)	(76,121)		(81,314)		(81,314)
D5	Total comprehensive income (loss)	-	-	-	-	(99,059)	(76,121)	-	(175,180)	895	(174,285)
L1	Acquired treasury stock							(49,077)	(49,077)		(49,077)
L3	Cancelled treasury stock	(50,000)	923					49,077	-		-
O1	Decrease in non-controlling interests									(1,667)	(1,667)
Z1	Balance as of December 31, 2015	$2,810,594	$1,061,873	$531,385	$299,666	$(275,943)	$126,712	$-	$4,554,287	$45,271	$4,599,558
A1	Balance as of January 1, 2016	$2,810,594	$1,061,873	$531,385	$299,666	$(275,943)	$126,712	$-	$4,554,287	$45,271	$4,599,558
D1	Net income (loss) in 2016					10,700			10,700	2,128	12,828
D3	Other comprehensive income (loss) in 2016					(442)	(289,952)		(290,394)		(290,394)
D5	Total comprehensive income (loss)	-	-	-	-	10,258	(289,952)	-	(279,694)	2,128	(277,566)
O1	Decrease in non-controlling interests									(47,399)	(47,399)
Z1	Balance as of December 31, 2016	$2,810,594	$1,061,873	$531,385	$299,666	$(265,685)	$(163,240)	$-	$4,274,593	$-	$4,274,593

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2016 and 2015

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	2016	2015	Code	Items	2016	2015
AAAA	Cash flows from operating activities:			BBBB	Cash flows from investing activities:		
A10000	Net income (loss) before tax	$42,446	$(92,970)	B02700	Acquisition of property, plant and equipment	(409,148)	(627,730)
A20000	Adjustments:			B02800	Proceeds from disposal of property, plant and equipment	11,209	6,288
A20010	Income and expense adjustments:			B00600	Acquisition of debt instrument investments for which no active market exists	(40)	53,182
A20300	Bad debt expenses (reversal)	2,188	(20,500)	B04500	Acquisition of intangible assets	(14,947)	(7,923)
A20100	Depreciation	789,932	903,259	B03700	Decrease (Increase) in refundable deposits	482	(2,042)
A20200	Amortization	6,870	6,544	B01900	Disposal of subsidiary resulted in decrease of net cash	(9,637)	-
A20900	Interest expense	41,149	55,929	BBBB	Net cash provided by (used in) investing activities	(422,081)	(578,225)
A21200	Interest revenue	(9,803)	(8,267)				
A22500	Loss on disposal of property, plant and equipment	467	11,485				
A23200	Loss (gain) on disposal of investment under equity method	(4,221)					
A23700	Impairment loss (reversal) on non-financial assets	10,719	13,721				
A30000	Changes in operating assets and liabilities:			CCCC	Cash flows from financing activities:		
A31130	Notes receivable	(46,205)	85,793	C00100	Increase in (repayment of) short-term loans	169,402	652,520
A31150	Accounts receivable	(69,516)	(26,890)	C01700	Decrease in long-term loans	(196,858)	(546,781)
A31180	Other receivables	3,475	55,343	C03700	Increase (Decrease) in other payables-related parties	-	(50,000)
A31200	Inventories	(64,418)	(108,444)	C03000	Increase (Decrease) in guarantee deposits	52,310	16,164
A31230	Prepayments	(122,546)	(15,282)	C04900	Acquired treasury stock	-	(49,077)
A31240	Other current assets	(3,188)	582	C03900	Increase (Decrease) in lease payable	(1,892)	(8,970)
A31990	Long-term prepaid rent	(264,082)	2,191	C04500	Change in non-controlling interests	-	(1,667)
A32130	Notes payable	1,236	(1,706)	CCCC	Net cash provided by (used in) financing activities	22,962	12,189
A32140	Notes payable-related parties	420	686				
A32150	Accounts payable	256,748	98,117				
A32160	Accounts payable-related parties	89,706	65,043				
A32180	Accrued expenses	(28,877)	(138,991)				
A32190	Other payables-related parties	(848)	(1,384)				
A32230	Other current liabilities	(18,184)	48,571	DDDD	Effect of exchange rate changes on cash and cash equivalents	(98,435)	(7,285)
A32240	Net defined benefit liability	(1,500)	(4,518)				
A32000	Cash generated from operations	611,968	928,312				
A33100	Interest received	9,803	8,267				
A33300	Interest paid	(41,701)	(56,386)	EEEE	Net increase (decrease) in cash and cash equivalents	44,565	298,120
A33500	Income tax paid	(37,951)	(8,752)	E00100	Cash and cash equivalents at beginning of period	1,217,376	919,256
AAAA	Net cash provided by (used in) operating activities	542,119	871,441	E00200	Cash and cash equivalents at end of period	$1,261,941	$1,217,376

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

1. History and organization

Dynamic Electronics Co., Ltd. ("the Company") was incorporated in August 18, 1988. The main activities of the Company are engaged in the design, development, and manufacture of multi-layers PCB boards and electronics components. The Company's common shares were publicly listed on the Taiwan Stock Exchange (TWSE) in March 18, 2009. The Company's registered office and the main business location is at No. 356, Shanying Rd., Guishan Dist., Taoyuan City, Taiwan (R.O.C.)

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

The consolidated financial statements of the Company and its subsidiaries ("the Group") were authorized to be issued in accordance with a resolution of the Board of Directors' meeting held on February 23, 2017.

3. Newly issued or revised standards and interpretations

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

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

This amendments relate to the amendment issued in May 2011 and requires entities to disclose the recoverable amount of an asset (including goodwill) or a cash-generating unit when an impairment loss has been recognized or reversed during the period. The amendment also requires detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognized or reversed, including valuation techniques used, level of fair value hierarchy of assets and key assumptions used in measurement. The amendments are effective for annual periods beginning on or after January 1, 2014.

(b) IFRIC 21 "Levies"

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

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

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

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

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

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

IFRS 2 “Share-based Payment”

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

IFRS 3 “Business Combinations”

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

IFRS 8 “Operating Segments”

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

IFRS 13 “Fair Value Measurement”

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

IAS 16 “Property, Plant and Equipment”

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

IAS 24 “Related Party Disclosures”

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

IAS 38 “Intangible Assets”

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

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

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

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

IFRS 3 "Business Combinations"

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

IFRS 13 "Fair Value Measurement

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

IAS 40 "Investment Property"

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

(g) IFRS 14 “Regulatory Deferral Accounts”

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

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

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

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

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

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

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

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

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

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

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

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

IFRS 7 "Financial Instruments: Disclosures"

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

IAS 19 "Employee Benefits"

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

IAS 34 "Interim Financial Reporting"

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

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

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

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

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

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

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

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

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

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

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

(b) IFRS 9"Financial Instruments"

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

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

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

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

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

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

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

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

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

(d) IFRS 16"Leases"

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

IFRS 12 "Disclosure of Interests in Other Entities"

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

IAS 28"Investments in Associates and Joint Ventures"

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

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

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

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

4. Summary of significant accounting policies

(1) Statement of compliance

The consolidated financial statements of the Group for the years ended December 31, 2016 and 2015 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the FSC.

(2) Basis of preparation

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

(3) Basis of consolidation

Preparation principle of consolidated financial statements

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

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

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

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

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

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

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

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

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

If the Company loses control of a subsidiary, it:

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

The consolidated entities are listed as follows:

			Percentage of ownership (%)	
Investor	Subsidiary	Main businesses	2016.12.31	2015.12.31
The Company	WINTEK (MAURITIUS) CO., LTD.	The business of PCB	100.00%	100.00%
The Company	Dynamic Electronics Europe GmbH	Trading of PCB	100.00%	100.00%
The Company	Dynamic PCB Electronics Co., Ltd.	Trading of PCB	100.00%	100.00%
The Company	Abon Touch Systems Inc.	Electronic component manufacturing	(Note 5)	51.13%
The Company	Dynamic Electronics Co., Ltd. (Seychelles)	Trading of PCB	100.00%	100.00% (Note 1)

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

The Company	Dynamic Electronics Trading Pte. Ltd.	Management operations services	100.00%	100.00% (Note 2)
WINTEK (MAURITIUS) CO., LTD.	Dynamic Electronics (Kunshan) Co., Ltd.	Manufacturing and selling of PCB	100.00%	100.00%
WINTEK (MAURITIUS) CO., LTD.	Dynamic Electronics Holding Pte. Ltd.	Investing activities	100.00%	100.00% (Note 3)
Dynamic Electronics Holding Pte. Ltd	Dynamic Electronics (Huangshi) Co., Ltd.	Manufacturing and selling of PCB	100.00% (Note 4)	-%

Note1: The Company established Dynamic Electronics Co., Ltd. (Seychelles) by investment of remittances in January 2015.

Note2: The Company established Dynamic Electronics Trading Pte. Ltd. by investment of remittances in June 2015.

Note3: The Company indirectly established Dynamic Electronics Holding Pte. Ltd. by investment of remittances in 2015.

Note4: The Company indirectly established Dynamic Electronics (Huangshi) Co., Ltd. by investment of remittances in 2016

Note5: The Company's board of directors resolved to sell its 51.13% share interest on Abon Touch Systems Inc. in a meeting held on February 25, 2016. The Company derecognized Abon Touch Systems Inc.'s financial accounts from the consolidated financial statements starting the date when losing the control power. The Company has successfully collected the proceeds of NT$50,383 thousand from the transactions on March 30, 2016.

(4) Foreign currency transactions

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

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

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

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

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

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

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

(5) Translation of financial statements in foreign currency

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

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

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

(6) Current and non-current distinction for assets and liabilities

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (include fixed-term deposits that have matures of 3 months from the date of acquisition).

(8) Financial instruments

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

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

(a) Financial assets

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

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

Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

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

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

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

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

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

Loans and receivables

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

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

Impairment of financial assets

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

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

Other loss events include:

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

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

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

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

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

Derecognition of financial assets

A financial asset is derecognized when:

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

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

(b) Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

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

Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

A financial liability is classified as held for trading if:

i. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
ii. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

iii. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

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

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

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

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

(c) Offsetting of financial instruments

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

(9) Derivative financial instrument

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

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

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

(10) Fair value measurement

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

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

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

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

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

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

(11) Inventories

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

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

Raw materials – By actual purchase cost with weighted average method.
Finished goods and work in progress - Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

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

(12) Property, plant and equipment

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

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

Buildings	20～40 years
Machinery and equipment	3~10 years
Transportation equipment	4~6 years
Office equipment	3~5 years
Other equipment	1~6 years

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

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

(13) Leases

Group as a lessee

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

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

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

(14) Intangible assets

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

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

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

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

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

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

	Computer software	Technology Expertise
Useful lives	3~5 years	5~6 years
Amortization method used	Amortized on a straight-line basis over the estimated useful life	Amortized on a straight-line basis over the estimated useful life
Internally generated or acquired	Acquired	Acquired

(15) Impairment of non-financial assets

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

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

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

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

(16)Provisions

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

(17)Treasury stock

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. Any difference between the carrying amount and the consideration is recognized in equity.

(18)Revenue recognition

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

Sale of goods

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

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

Interest income

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

Dividends

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

(19) Borrowing costs

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

(20) Post-employment benefits

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

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

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

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

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

(21) Share-based payment transactions

The cost of equity-settled transactions between the Group and its subsidiaries is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The cost of restricted stocks issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Group recognized unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period.

(22) Income taxes

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

Current income tax

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

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

Deferred tax

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

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

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

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

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

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

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

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

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

5. Significant accounting judgments, estimates and assumptions

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

Estimates and assumptions

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

(a)The Fair Value of Financial Instruments

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

(b)Inventory

Inventories are valued at the lower of cost and net realizable value item by item. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The change of market may also significantly influence the evaluation of inventory. For inventory details, please refer to Note 6 to the consolidated financial statements.

(c)Pension benefits

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

(d)Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. Please refer to Note 6 for more details.

(e)Revenue Recognition-Sales returns and allowances

The Group estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. Please refer to Note 6 for more details.

(f)Income tax

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

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

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies. Please refer to Note 6 for disclosure on unrecognized deferred tax asset of the Group as of December 31, 2016.

6. Contents of significant accounts

(1) Cash and cash equivalents

	2016.12.31	2015.12.31
Cash on hand	$734	$1,053
Checking and savings	1,259,179	1,200,065
Fixed-term deposits	2,028	16,258
Total	$1,261,941	$1,217,376

(2) Debt instrument investments for which no active market exists

	2016.12.31	2015.12.31
Restricted cash- Current	$-	$8,018
Fixed-term deposits	1,417	1,442
Total	$1,417	$9,460

Please refer to Note 8 for details on Debt instrument investments for which no active market exists under pledge.

(3) Notes receivable, net

	2016.12.31	2015.12.31
Notes receivables arising from operating activities	$226,286	$188,012
Less: allowance for doubtful debts	-	-
Total	$226,286	$188,012

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

Notes receivables were not pledged.

(4) Accounts receivable

(a) Accounts receivable, net consist of the follow :

	2016.12.31	2015.12.31
Accounts receivable from operating activities	$3,233,582	$3,258,887
Less: allowance for doubtful debts	(13,683)	(14,520)
Less: sales returns and allowance	(77,472)	(98,112)
Total	$3,142,427	$3,146,255

(b) A provision has been recognized for sales returns and allowances based on past experience and other known factors. The provision is recognized and the corresponding entry is made against operating revenue at the time of sales.

(c) Sale terms are generally on 60~150 days. The movements of the provision for impairment of accounts receivable are as follows (please refer to Note 12 for credit risk disclosure):

	Individually impaired	Collectively impaired	Total
2016.01.01	$-	$14,520	$14,520
Charge for the current period	-	2,188	2,188
Write off	-	-	-
Other	-	(3,025)	(3,025)
2016.12.31	$-	$13,683	$13,683
2015.01.01	$-	$35,020	$35,020
Charge for the current period	-	(20,500)	(20,500)
Write off	-	-	-
2015.12.31	$-	$14,520	$14,520

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

(d) Aging analysis of accounts receivable that is past due as at the end of the reporting period but not impaired is as follows:

		Past due but not impaired					
	Neither past due nor impaired	Less than 30 days	31~60 days	61~90 days	91~120 days	More than 121 days	Total
2016.12.31	$3,009,371	$127,792	$1,917	$2,994	$-	$353	$3,142,427
2015.12.31	2,961,106	173,979	8,818	2,352	-	-	3,146,255

(e) Accounts receivable were not pledged.

(5) Inventories

(a) Details of inventories are as below :

	2016.12.31	2015.12.31
Raw materials	$196,030	$154,243
Supplies & parts	1,777	4,264
Work in progress	295,289	290,902
Finished goods	779,789	826,414
Total	$1,272,885	$1,275,823

(b) The cost of inventories recognized in expenses amounts to NT$10,567,277 thousand for the year ended December 31, 2016 while NT$9,705,359 thousand for the year ended December 31, 2015. The following losses were included in cost of sales :

	2016	2015
Inventory valuation losses	$35,211	$69,665
Unapplied fixed manufacturing expenses	2,110	17,594
Physical inventory losses	454	2,932
Total	$37,775	$90,191

(c) Inventories were not pledged.

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

(6) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Leased assets	Construction in progress and equipment to be examined	Total
Cost:									
2016.01.01	$227,171	$1,582,779	$7,540,826	$22,439	$110,616	$1,300,376	$36,800	$324,729	$11,145,736
Additions	-	-	15,472	-	1,330	78,600	-	196,983	292,385
Disposals	(90,000)	(184,857)	(256,770)	-	(47,785)	(174,505)	(36,800)	(5,570)	(796,287)
Transfer	-	-	150,205	490	6,413	34,433	-	(191,541)	-
Exchange differences	-	(98,433)	(498,291)	(1,432)	(4,433)	(81,855)	-	(12,226)	(696,670)
Other changes	-	-	-	-	-	-	-	-	-
2016.12.31	$137,171	$1,299,489	$6,951,442	$21,497	$66,141	$1,157,049	$-	$312,375	$9,945,164
2015.01.01	$227,171	$1,612,951	$7,176,512	$23,769	$104,741	$1,213,278	$62,665	$707,806	$11,128,893
Additions	-	200	-	111	569	174,112	-	307,621	482,613
Disposals	-	-	(124,413)	(3,964)	(2,357)	(124,287)	-	-	(255,021)
Transfer	-	-	633,281	2,943	8,951	61,057	(25,865)	(680,367)	-
Exchange differences	-	(30,372)	(144,554)	(420)	(1,288)	(23,784)	-	(10,331)	(210,749)
Other changes	-	-	-	-	-	-	-	-	-
2015.12.31	$227,171	$1,582,779	$7,540,826	$22,439	$110,616	$1,300,376	$36,800	$324,729	$11,145,736
Depreciation and impairment:									
2016.01.01	$-	$465,801	$5,165,571	$13,665	$81,971	$896,234	$16,875	$-	$6,640,117
Depreciation	-	45,468	523,089	3,282	8,660	208,301	1,132	-	789,932
Impairment loss	-	-	10,719	-	-	-	-	-	10,719
Disposals	-	(45,676)	(200,592)	-	(40,762)	(169,745)	(18,007)	-	(474,782)
Transfer	-	-	-	-	-	-	-	-	-
Exchange differences	-	(29,841)	(349,224)	(1,030)	(3,224)	(62,532)	-	-	(445,851)
Other changes	-	-	-	-	-	-	-	-	-
2016.12.31	$-	$435,752	$5,149,563	$15,917	$46,645	$872,258	$-	$-	$6,520,135

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

2015.01.01	$-	$420,916	$4,753,681	$14,026	$73,735	$797,641	$26,738	$-	$6,086,737
Depreciation	-	53,171	586,808	3,472	11,372	239,726	8,710	-	903,259
Impairment loss	-	-	13,721	-	-	-	-	-	13,721
Disposals	-	-	(108,107)	(3,544)	(2,215)	(123,382)	-	-	(237,248)
Transfer	-	-	18,573	-	-	-	(18,573)	-	-
Exchange differences	-	(8,286)	(99,105)	(289)	(921)	(17,751)	-	-	(126,352)
Other changes	-	-	-	-	-	-	-	-	-
2015.12.31	$-	$465,801	$5,165,571	$13,665	$81,971	$896,234	$16,875	$-	$6,640,117
Net carrying amount as at:									
2016.12.31	$137,171	$863,737	$1,801,879	$5,580	$19,496	$284,791	$-	$312,375	$3,425,029
2015.12.31	$227,171	$1,116,978	$2,375,255	$8,774	$28,645	$404,142	$19,925	$324,729	$4,505,619

In the year ended December 31, 2016, the Group wrote down the carrying value of certain idle property, plant and equipment to NT$0 by recognizing an impairment loss in amount of NT$10,719 thousand in the statement of comprehensive income.

In the year ended December 31, 2015, the Group wrote down the carrying value of certain idle property, plant and equipment to NT $0 by recognizing an impairment loss in amount of NT $13,721 thousand in the statement of comprehensive income.

Significant components of building include main building structure and additional expansion construction, which are depreciated over their useful lives of 30~40 years and 20 years, respectively.

Please refer to Note 8 for more details on property, plant and equipment under pledge.

(7) Intangible assets

	Computer software	Technology expertise	Total
Cost:			
2016.01.01	$19,321	$750	$20,071
Increase	14,947	-	14,947

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

Decrease	(6,397)	-	(6,397)
Decrease－Others	(210)	-	(210)
Exchange differences	(628)	-	(628)
2016.12.31	$27,033	$750	$27,783
2015.01.01	$17,064	$750	$17,814
Increase	7,923	-	7,923
Decrease	(5,404)	-	(5,404)
Exchange differences	(262)	-	(262)
2015.12.31	$19,321	$750	$20,071
Amortization:			
2016.01.01	$9,453	$435	$9,888
Amortization	6,751	119	6,870
Decrease	(6,397)	-	(6,397)
Decrease－Others	(140)	-	(140)
Exchange differences	(405)	-	(405)
2016.12.31	$9,262	$554	$9,816
2015.01.01	$8,611	$316	$8,927
Amortization	6,425	119	6,544
Decrease	(5,404)	-	(5,404)
Exchange differences	(179)	-	(179)
2015.12.31	$9,453	$435	$9,888
Net carrying amount as at:			
2016.12.31	$17,771	$196	$17,967
2015.12.31	$9,868	$315	$10,183

Amortization of intangible assets is as follows:

	2016	2015
Operating costs	$658	$753
Operating expenses	6,212	5,791
Total	$6,870	$6,544

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

(8) Other non-current assets

	2016.12.31	2015.12.31
Refundable deposits	$7,781	$8,539
Long-term prepaid rent－land use right	304,760	40,678
Total	$312,541	$49,217

(9) Short-term loans

(a) Short-term loans consist of the following:

	Interest Rates (%)	2016.12.31	2015.12.31
Unsecured bank loans	1.28% ~ 2.06%	$2,145,170	$2,078,468
Secured bank loans	1.90% ~ 2.87%	-	116,993
Total		$2,145,170	$2,195,461

(b) The Group’s unused short-term lines of credits amounts to NT$3,067,849 thousand and NT$3,638,767 thousand as of December 31, 2016 and 2015, respectively.

(c) Please refer to Note 8 for more details of assets pledged as collaterals.

(10) Other payables

Other payables consist of the following:	2016.12.31	2015.12.31
Accrued expenses	$682,335	$736,235
Accrued interest payable	2,282	2,971
Payables to equipment suppliers	88,458	205,221
Total	$773,075	$944,427

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

(11) Long-term loans

(a) Details of long-term loans as of December 31, 2016 and 2015 are as follows:

Lenders	2016.12.31	Interest Rate (%) (Note2)	Maturity and terms of repayment
Mega International Commercial Bank - Taoyuan Branch－Secured bank loans (Note1)	$104,808	Time deposit interest rate plus 0.75% for first two years, and the rate plus 0.875% from third year	The loan is at the term from December 3, 2010 to December 3, 2020, and repayable in 37 quarterly installments starting from December 2011.
Mega International Commercial Bank - Taoyuan Branch－Secured bank loans (Note1)	120,000	One-year time deposit interest rate plus 0.875%	The loan is at the term from November 21, 2013 to November 21, 2018, and repayable in 20 quarterly installments starting from December 2013.
Shanghai Commercial & Saving Bank, Ltd. – Chung Li Branch－Secured bank loans (Note1)	53,000	Two-year time deposit interest rate plus 0.875%	The loan is at the term from December 12, 2014 to October 15, 2017, and repayable in 20 quarterly installments starting from January 2015.
Shanghai Commercial & Saving Bank, Ltd. – Chung Li Branch－Secured bank loans (Note1)	16,000	Two-year time deposit interest rate plus 1%	The loan is at the term from October 25, 2012 to October 15, 2017, and repayable in 20 quarterly installments starting from January 2013.
Total	293,808		
Less: Current portion of long-term loans	(155,204)		
Non-current portion of long-term loans	$138,604		

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

Lenders	2015.12.31	Interest Rate (%) (Note2)	Maturity and terms of repayment
Mega International Commercial Bank - Taoyuan Branch－Secured bank loans (Note1)	$162,147	Time deposit interest rate plus 0.75% for first two years, and the rate plus 0.875% from third year	The loan is at the term from December 3, 2010 to December 3, 2020, and repayable in 37 quarterly installments starting from December 2011.
Mega International Commercial Bank - Taoyuan Branch－Secured bank loans (Note1)	180,000	One-year time deposit interest rate plus 0.875%	The loan is at the term from November 21, 2013 to November 21, 2018, and repayable in 20 quarterly installments starting from December 2013.
Shanghai Commercial & Saving Bank, Ltd. – Chung Li Branch－Secured bank loans (Note1)	32,000	Two-year time deposit interest rate plus 1%	The loan is at the term from October 25, 2012 to October 15, 2017, and repayable in 20 quarterly installments starting from January 2013.
Shanghai Commercial & Saving Bank, Ltd. – Chung Li Branch－Secured bank loans (Note1)	107,000	Two-year time deposit interest rate plus 0.875%	The loan is at the term from December 12, 2014 to December 12, 2017, and repayable in 12 quarterly installments starting from January 2015.
Bank SinoPac - Nankang Branch －Secured bank loans (Note1)	103,437	Time deposit interest rate plus 0.8% for first year, and the rate plus 1% from second year	The loan is at the term from April 17, 2015 to April 17, 2025, and repayable in 120 monthly installments starting from April 17, 2015.

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

Shanghai Commercial & Saving Bank, Ltd. – Chung Li Branch－Secured bank loans (Note1)	19,783	Two-year time deposit interest rate plus 1.25%	The loan is at the term from August 14, 2014 to August 14, 2017, and repayable in 36 monthly installments starting from August 14, 2014.
Bank of Panhsin - Taoyin Branch －Secured bank loans	1,800	One-year time deposit interest rate plus 1.57%	The loan is at the term from December 20, 2013 to June 20, 2016, and repayable in 30 monthly installments starting from January 20, 2014.
Bank of Panhsin - Taoyin Branch －Unsecured bank loans	1,200	One-year time deposit interest rate plus 1.57%	The loan is at the term from December 20, 2013 to June 20, 2016, and repayable in 30 monthly installments starting from January 20, 2014.
HwaTai Bank - Chungli Branch －Secured bank loans (Note1)	1,250	One-year time deposit interest rate plus 1.53%	The loan is at the term from February 7, 2014 to February 7, 2016, and repayable in 24 monthly installments starting from February 2014.
Shanghai Commercial & Saving Bank, Ltd. - Bade Branch－Secured bank loans (Note1)	20,000	One-year time deposit interest rate plus 1.25%	The loan is at the term from November 16, 2015 to November 16, 2018, and repayable in 12 quarterly installments starting from November 16, 2015.
Total	628,617		
Less: Current portion of long-term loans	(195,230)		
Non-current portion of long-term loans	$433,387		

Note1: Please refer to Note 8 for more details regarding certain property, plant and equipment pledged for secured bank loans.

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

Note2: Interest rates of long-term loans are as follows:

	2016.12.31	2015.12.31
Interest Rates (%)	1.80%~2.00%	2.15%~2.80%

(12) Finance lease commitments

The Group has finance leases for various items of machinery. Theses leases contain purchase options. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	2016.12.31		2015.12.31	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Not later than one year	$-	$-	$8,779	$8,779
Later than one year and not later than five years	-	-	521	521
Total minimum lease payments	-	-	9,300	9,300
Less: finance charges on finance lease	-	-	-	-
Present value of minimum lease payments	$-	$-	$9,300	$9,300
Current	$-	$-	$8,779	$8,779
Non-current	-	-	521	521

(13) Post-employment benefits

Defined contribution plan

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

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

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

Expenses under the defined contribution plan for the years ended December 31, 2016 and 2015 amounted to NT$18,077 thousand and NT$23,484 thousand, respectively.

Additional pension expenses recognized for the executives commissioned by the Group amounted to NT$216 thousand and NT$ 675 thousand for the years ended December 31, 2016 and 2015, respectively.

Defined benefits plan

The Company adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company and its domestic subsidiaries contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute NT$5,858 thousand to its defined benefit plan during the 12 months beginning after December 31, 2016.

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

As of December 31, 2016 and 2015, the maturities of the Company's defined benefit plan were expected in 2026 and 2034.

Pension costs recognized in profit or loss for the years ended December 31, 2016 and 2015:

	2016	2015
Current period service costs	$836	$836
Interest income or expense	(677)	(677)
Past service cost	-	-
Payments from the plan	-	-
Total	$159	$159

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	2016.12.31	2015.12.31	2015.01.01
Defined benefit obligation	$49,663	$51,513	$46,192
Plan assets at fair value	(85,750)	(82,343)	(76,276)
Other non-current liabilities - Accrued pension liabilities recognized on the consolidated balance sheets	$(36,087)	$(30,830)	$(30,084)

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

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
2015.01.01	$46,192	$76,276	$(30,084)
Current period service costs	836	-	836
Net interest expense (income)	1,039	1,716	(677)
Past service cost and gains and losses arising from settlements	-	-	-
Subtotal	1,875	1,716	159

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

Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	1,368	-	1,368
Actuarial gains and losses arising from changes in financial assumptions	3,457	-	3,457
Experience adjustments	672	-	672
Return on plan assett assets	-	304	(304)
Subtotal	5,497	304	5,193
Payments from the plan	(2,051)	(2,051)	-
Contributions by employer	-	6,098	(6,098)
Effect of changes in foreign exchange rate	-	-	-
2015.12.31	51,513	82,343	(30,830)
Current period service costs	836	-	836
Net interest expense (income)	1,039	1,716	(677)
Past service cost and gains and losses arising from settlements	-	-	-
Subtotal	1,875	1,716	159
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	1,425	-	1,425
Actuarial gains and losses arising from changes in financial assumptions	-	-	-
Experience adjustments	(1,942)	-	(1,942)
Return on plan assets	-	(959)	959
Subtotal	(517)	(959)	442
Payments from the plan	(3,208)	(3,208)	-
Contributions by employer	-	5,858	(5,858)
Effect of changes in foreign exchange rate	-	-	-
2016.12.31	$49,663	$85,750	$(36,087)

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

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As of December 31,	
	2016	2015
Discount rate	1.50%	1.50%
Expected rate of salary increases	1.00%	1.00%

A sensitivity analysis for significant assumption is shown as below:

	Effect on the defined benefit obligation			
	2016		2015	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increase by 0.5%	$-	$(2,330)	$-	$(2,503)
Discount rate decrease by 0.5%	2,656	-	2,862	-
Expected salary level increased by 0.5%	2,656	-	2,862	-
Expected salary level decreased by 0.5%	-	(2,351)	-	(2,526)

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another. There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(14) Equities

(a) Common stock

The Company's authorized and issued capital was NT$4,000,000 thousand and NT$2,860,594 thousand as of January 1, 2015 divided into 400,000,000 shares and 286,059,335 shares, respectively, each share at par value of NT$10.

The Company resolved to cancel the treasury stock in of NT$50,000 thousand at October 30, 2015, with the measurement date at November 13, 2015. The cancellation of treasury stock reduced the issued shares to 281,059,335 shares. The authorized capital remained unchanged at 400,000,000 shares.

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

(b) Capital surplus

	2016.12.31	2015.12.31
Additional paid-in capital	$989,014	$989,014
Treasury share transactions	32,214	32,214
Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control	15,531	15,531
Gain on sale of assets	155	155
Employee stock option	5,249	5,249
Share options	19,710	19,710
Total	$1,061,873	$1,061,873

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

(c) Treasury stock

As of December 31, 2016 and 2015, the Company did not hold any treasury stock.

On August 26, 2015, the Board of Directors resolved to buy back Company's shares from the public markets. The related information on the treasury stock transactions was as follows:

Reason to reacquire	Number of shares, Beginning of Year	Addition	Reduction	Number of shares, End of Year
2015				
To maintain the Company's credibility and stockholders' interest (in thousand shares)	-	5,000	5,000	-

According to the Securities and Exchange Law of the R.O.C., the total shares of treasury stock shall not exceed 10% of the Company's issued stock, and the total purchase amount shall not exceed the sum of the retained earnings, additional paid-in capital-premiums and realized additional paid-in capital.

(d) Retained earnings and dividend policies

(1)Earning distribution

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

a. Payment of all taxes and dues;
b. Offset prior years' operation losses;
c. Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
d. Set aside or reverse special reserve in accordance with law and regulations; and
e. After deducting items (a), (b), (c), and (d) above from the current year's earnings, no higher than 3% of the remaining amount is to be allocated as remuneration to directors, 10% to 18% of the remaining amount is to be allocated as employee bonuses.
f. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

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

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

(2) Dividend policy

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, financial structures and earnings etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting. The Company's Articles of Incorporation further provide that no more than 90% of the dividends to shareholders, if any, could be paid in the form of share dividends. Accordingly, at least 10% of the dividends must be paid in the form of cash.

(3) According to the Company Act, the Company shall set aside legal reserve from earnings unless where the amount of legal reserve reaches the total authorized capital. The legal reserve can be used to make good the deficit of the Company.

When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by shareholders.

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

On a public company's first-time adoption of the T-IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a company's adoption of the T-IFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

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

As of January 1, 2013, special reserve set aside for the first-time adoption of T-IFRS amounted to NT$349,310 thousand. Furthermore, the Company has reversed special reserve in the amount of NT$49,644 thousand to retained earnings during the year ended December 31, 2013 due to the use, disposal or reclassification of related assets.

As of December 31, 2016 and 2015, special reserve set aside for the first-time adoption of T-IFRS reduced to NT$299,666 thousand accordingly.

(5) There was no earnings distribution for the years ended December 31, 2016 and 2015.

For 2016 and 2015 employee and directors' compensation under the new Article to be amended, please refer to Note 6(18) for more details.

(e) Non-controlling interests

	2016	2015
Beginning balance	$45,271	$46,043
Loss attributable to non-controlling interests	2,128	895
Others	(47,399)	(1,667)
Ending balance	$-	$45,271

(15) Share-based payment plans

Certain employees of the Group are entitled to share-based payment as part of their remunerations; services are provided by the employees in return for the equity instruments granted. These plans are accounted for as equity-settled share-based payment transactions.

Share-based payment plan for employees of the subsidiary

On August 24, 2011, the subsidiary issued its employee share options with a total number of 1,000 units. Each unit entitles a grantee to subscribe for 1,000 shares of the subsidiary's common share. Settlement upon the exercise of the option will be made through the issuance of new shares by the subsidiary. The grantee may exercise the options in accordance with certain schedules as prescribed by the plan starting 1 year from the grant date. The contractual term of each option granted is 4 years.

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

The information of Share-based payment plan was as follows:

Date of grant	Total number of options granted	Total number of options outstanding	Exercise price (NT$)
August 24, 2011	1,000	787	$15.00

①The following table contains further details on the aforementioned share-based payment plan:

	2015	
	Number of share options outstanding	Weighted average exercise price of share options (NT$)
Outstanding at beginning of period	677	$15
Granted	-	-
Exercised	-	-
Forfeited	-	-
Expired	(677)	-
Outstanding at end of period	-	-
Exercisable at end of period	-	
For share options granted during the period, weighted average fair value of those options at the measurement date		-

② As of December 31, 2015, there is no share options outstanding at the end of the period.

The Group did not cancel or modify the share-based payment plan for all outstanding share options for the year ended December 31,2015.

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

(16) Operating revenues

	2016	2015
Sale of goods	$12,046,193	$11,348,791
Less: Sales returns, discounts and allowances	(254,355)	(198,577)
Total	$11,791,838	$11,150,214

(17) Operating leases - The Group as a lessee

The Group has entered into commercial leases on certain motor vehicles and items of land and buildings. These leases have an average life of three years with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as of December 31, 2016 and 2015 are as follows:

	2016.12.31	2015.12.31
Within one year	$708	$708
Above one year to five years	354	1,062
Total	$1,062	$1,770

Operating lease expenses recognized are as follows:

	2016	2015
Minimum lease payments	$31,676	$19,231

(18) Summary of employee benefits, depreciation and amortization expenses by function during the years ended December 31, 2016 and 2015 is as follows:

	2016			2015		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	$1,656,093	$221,527	$1,877,620	$1,671,429	$365,010	$2,036,439
Labor and health insurance	31,922	6,043	37,965	36,615	12,546	49,161
Pension	12,531	5,921	18,452	14,312	10,006	24,318
Other employee benefits expense	123,787	49,098	172,885	154,170	14,086	168,256

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

Depreciation	734,014	55,918	789,932	839,370	63,889	903,259
Amortization	658	6,212	6,870	753	5,791	6,544

A resolution was passed at the shareholders' meeting of the Company held on May 27, 2016 to amend the Articles of Incorporation of the Company. According to the resolution, 10%~18% of profit of the current year is distributable as employees' compensation and no higher than 3% of profit of the current year is distributable as remuneration to directors and supervisors. However, the company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

For the year ended December 31, 2016, the Group incurred accumulated losses and therefore did not intend to accrue the employees' compensation and remuneration to directors.

For the year ended December 31, 2015, the Group incurred accumulated losses and therefore did not intend to accrue the employees' compensation and remuneration to directors.

(19) Non-operating income and expenses

(a) Other incomes

	2016	2015
Interest income	$9,803	$8,267
Other income－reversal of bad debt	-	20,500
Other income－others	88,431	62,967
Total	$98,234	$91,734

(b) Other gains and losses

	2016	2015
Gain (loss) on disposal of property, plant and equipment	$(467)	$(11,485)
Foreign exchange gains (losses), net	1,245	72,474

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

Impairment losses		
Property, plant and equipment	(10,719)	(13,721)
Gain on disposal of investment	4,221	-
Others losses－others	(10,581)	(15,914)
Total	$(16,301)	$31,354

(c) Finance costs

	2016	2015
Interest on borrowings from bank	$41,149	$55,929

(20) Components of other comprehensive income (loss)

For the year ended December 31, 2016

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods: Remeasurements of defined benefit plans	$(442)	$-	$(442)	$-	$(442)
May be reclassified to profit or loss in subsequent periods:					
Exchange differences arising on translation of foreign operations	(349,340)	-	(349,340)	59,388	(289,952)
Total	$(349,782)	$-	$(349,782)	$59,388	$(290,394)

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

For the year ended December 31, 2015

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	$(5,193)	$-	$(5,193)	$-	$(5,193)
May be reclassified to profit or loss in subsequent periods:					
Exchange differences arising on translation of foreign operations	(91,713)	-	(91,713)	15,592	(76,121)
Total	$(96,906)	$-	$(96,906)	$15,592	$(81,314)

(21) Income tax

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

Income tax expense (income) recognized in profit or loss

	2016	2015
Current income tax expense (income):		
Current income tax charge	$29,618	$1
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	-	(8,752)
Adjustments in respect of current income tax of prior periods	-	8,752
Total income tax expense (income)	$29,618	$1

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

Income tax relating to components of other comprehensive income

	2016	2015
Deferred tax expense (income):		
Exchange differences arising on translation of foreign operations	$(59,388)	$(15,592)

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

	2016	2015
Accounting profit (loss) before tax from continuing operations	$42,446	$(92,970)
Tax at the domestic rates applicable to profits in the country concerned	$22,600	$29,730
Tax effect of revenues exempt from taxation	(1,096)	(159)
Tax effect of expenses not deductible for tax purposes	16,974	1,700
Tax effect of deferred tax assets/liabilities	(8,860)	(40,022)
Prior years' tax adjustments	-	8,752
Total income tax expense (income) recognized in profit or loss	$29,618	$1

(c) Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2016

	Beginning balance as of January 1, 2016	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Other	Ending balance as of December 31, 2016
Temporary differences					
Unrealized loss on inventory valuation	$4,081	$(1,430)	$-	$-	$2,651
Loss on inventory written-off and obsolescence	-	2,609	-	-	2,609

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

Investments accounted for using the equity method	(259,186)	(27,083)	59,388	-	(226,881)
Over 2 years payables	73	-	-	-	73
Gain on disposal of property, plant and equipment	1,394	1,111	-	-	2,505
Unrealized exchange loss (gain)	(721)	681	-	-	(40)
Sales returns and allowances	13,895	(5,426)	-	-	8,469
Commission expense	18,857	(1,609)	-	-	17,248
Unused tax losses	89,068	31,147	-	-	120,215
Employee benefits	1,844	-	-	(260)	1,584
Deferred tax income/ (expense)		$-	$59,388	$(260)	
Net deferred tax assets/(liabilities)	$(130,695)				$(71,567)
Reflected in balance sheet as follows:					
Deferred tax assets	$129,212				$155,354
Deferred tax liabilities	$(259,907)				$(226,921)

For the year ended December 31, 2015

	Beginning balance as of January 1, 2015	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as of December 31, 2015
Temporary differences				
Unrealized loss on inventory valuation	$7,142	$(3,061)	$-	$4,081
Investments accounted for using the equity method	(267,052)	(7,726)	15,592	(259,186)
Allowance for doubtful debts	1,271	(1,271)	-	-
Over 2 years payables	73	-	-	73
Gain on disposal of property, plant and equipment	1,380	14	-	1,394
Unrealized exchange loss (gain)	(6,106)	5,385	-	(721)
Sales return and allowances	7,214	6,681	-	13,895
Commission expense	30,134	(11,277)	-	18,857
Unused tax losses	69,061	20,007	-	89,068

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

Employee benefits	1,844	-	-	1,844
Deferred tax income/ (expense)		$8,752	$15,592	
Net deferred tax assets/(liabilities)	$(155,039)			$(130,695)
Reflected in balance sheet as follows:				
Deferred tax assets	$118,119			$129,212
Deferred tax liabilities	$(273,158)			$(259,907)

(d) Unrecognized deferred tax assets

As of December 31, 2016 and 2015, deferred tax assets that have not been recognized amounts to NT$53,206 thousand and NT$174,088 thousand, respectively.

(e) Imputation credit information

	2016.12.31	2015.12.31
Balances of imputation credit amounts	$247,606	$247,606

The expected creditable ratio for 2016 and actual creditable ratio for 2015 were both 0%.

Effective January 1, 2015, the creditable ratio for the individual shareholders residing in the Republic of China will be half of the original creditable ratio according to the revised Article 66-6 of the Income Tax Law.

Earnings generated prior to December 31, 1997 have been fully appropriated.

(f) The following tables contain information of the net operating losses of the Company:

Year incurred	Net Operating Loss	Expiration year
2013	$357,540	2023
2014	224,933	2024
2015	160,778	2025
2016(estimated)	178,648	2026
Total	$921,899	

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

(g) The assessment of income tax returns

As of December 31, 2016, the tax assessments on the Company's tax filings have been approved up to the year of 2014.

(22) Earnings per share

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

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

	2016	2015
(a) Basic earnings per share		
Profit (Loss) attributable to ordinary equity holders of the Company (in thousand NT$)	$10,700	$(93,866)
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand shares)	284,465	284,465
Basic earnings per share (in NT$)	$0.04	$(0.33)
(b) Diluted earnings per share		
Profit (loss) attributable to ordinary equity holders of the Company (in thousand NT$)	$10,700	$(93,866)
Profit (loss) attributable to ordinary equity holders of the Company after dilution (in thousand NT$)	$10,700	$(93,866)
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand shares)	284,465	284,465
Weighted average number of ordinary shares outstanding after dilution (in thousand shares)	284,465	284,465
Diluted earnings per share (in NT$)	$0.04	$(0.33)

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

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were authorized for issue.

7. Related party transactions

(a) Purchases

	2016	2015
Other related parties	$376,627	$192,145

As the specifications of merchandise purchased from related parties are different from those from other third-party companies, the purchasing prices to related parties were not comparable. Payment terms for related parties were 90~120 days after monthly closing, and 60~120 days after monthly closing for general suppliers.

(b) Notes payable to related parties

	2016.12.31	2015.12.31
Other related parties	$-	$840

(c)Account payable to related parties

	2016.12.31	2015.12.31
Other related parties	$153,744	$65,242

(d)payables to related parties

	2016.12.31	2015.12.31
Other related parties	$421	$1,281

(e)Interest expenses incurred by the Group for unsecured loans acquired from related parties in 2016 and 2015 amounted to NT$694 thousand and NT$894 thousand respectively.

(f)For the year ended December 31, 2016, the Group recognized operating expenses of NT$523 thousand for services provided by other related parties.

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

(g)Disposal of assets transaction

	Shares of transaction	Object of transaction	2016	
			Price	Gain
Other related parties	8,589,873	Abon Touchsystems Inc.	$50,383	$4,221

No such matter for the year ended December 31, 2015.

(h)Key management personnel compensation

	2016	2015
Short-term employee benefits	$35,186	$39,527
Post-employment benefits	834	1,109
Total	$36,020	$40,636

8. Assets pledged as collateral

As of December 31, 2016 and 2015, the assets pledged for the Group's loans consist of the following:

Assets	Book value	Financial institutions	Purpose
2016.12.31			
Property, plant and equipment – land	$137,171	Mega International Commercial Bank	Secured loans
Property, plant and equipment – buildings	94,914	Mega International Commercial Bank	Secured loans
Property, plant and equipment – machinery and equipment	196,596	Shanghai Commercial & Saving Bank, Ltd.	Secured loans
Total	$428,681		
2015.12.31			
Debt instrument investments for which no active market exists-current	$4,078	Shanghai Commercial & Saving Bank, Ltd.	Secured loans
Debt instrument investments for which no active market exists-current	252	HwaTai Bank	Secured loans

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

Debt instrument investments for which no active market exists-current	601	Bank of Panhsin	Secured loans
Debt instrument investments for which no active market exists-current	1,551	Shin Kong Bank	Secured loans
Debt instrument investments for which no active market exists-current	1	Taishin International Bank	Secured loans
Debt instrument investments for which no active market exists-current	1,315	First Commercial Bank	Secured loans
Debt instrument investments for which no active market exists-current	220	E. Sun Bank and credit unions	Secured loans
Property, plant and equipment – land	137,171	Mega International Commercial Bank	Secured loans
		JihSun Bank	Secured loans
Property, plant and equipment – land	90,000	Bank SinoPac	Secured loans
Property, plant and equipment – buildings	101,200	Mega International Commercial Bank	Secured loans
		JihSun Bank	Secured loans
Property, plant and equipment – buildings	140,367	Bank SinoPac	Secured loans
Property, plant and equipment – machinery and equipment	610,430	China Construction Bank	Secured loans
Property, plant and equipment – machinery and equipment	190,009	Shanghai Commercial & Saving Bank, Ltd.	Secured loans
Total	$1,277,195		

9. Significant contingencies and unrecognized contract commitments

(a) As of December 31, 2016, unused letter of credit of the Group was as follows:

Currency	Amount (thousand dollars)	Deposit (thousand dollars)
EUR	EUR 371	-

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

(b) As of December 31, 2016, the Group's outstanding contracts relating to purchased property, plant and equipment were as follows:

Type of Asset	Total Amount	Amount paid	Amount unpaid
Machinery and construction contracts	$114,540	$68,591	$45,949

Amount paid was recorded under construction in progress and equipment to be examined.

10. Losses due to major disasters

None.

11. Significant subsequent events

None.

12. Others

(1) Categories of financial instruments

Financial assets

	2016.12.31	2015.12.31
Loans and receivables:		
Cash and cash equivalents (excluding cash on hand)	$1,261,207	$1,216,323
Debt instrument investments for which no active market exists	1,417	9,460
Notes receivable, net	226,286	188,012
Accounts receivable, net	3,142,427	3,146,255
Other receivables	81,806	77,007
Total	$4,713,143	$4,637,057

Financial liabilities

	2016.12.31	2015.12.31
Financial liabilities at amortized cost:		
Short-term loans	$2,145,170	$2,195,461
Payables	3,079,133	2,944,117

Long-term loans (including current portion)	293,808	628,617
Lease payable (including current portion)	-	9,300
Total	$5,518,111	$5,777,495

(2) Financial risk management objectives and policies

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

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

(3) Market risk

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

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

Foreign currency risk

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

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

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

When NTD strengthens/weakens against USD by 1%, the profit for the years ended December 31, 2016 and 2015 is decreased/increased by NT$2,364 thousand and NT$6,358 thousand, respectively.

When NTD strengthens/weakens against RMB by 1%, the profit for the years ended December 31, 2016 and 2015 is decreased/increased by NT$3,023 thousand and NT$4,428 thousand, respectively.

Interest rate risk

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

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the reporting date, a change of 0.1% of interest rate in a reporting period could cause the profit for the years ended December 31, 2016 and 2015 to decrease/increase by NT$1,680 thousand and NT$1,794 thousand, respectively.

Equity price risk

As of December 31, 2016 and 2015, the Group does not hold equity securities at fair value; therefore the Group is not subject to equity price risk.

(4) Credit risk management

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

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

As of December 31, 2016 and 2015, accounts receivable from top ten customers represent 47.55% and 46.44% of the total accounts receivables of the Group, respectively. The credit concentration risk of other accounts receivables is insignificant.

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

(5) Liquidity risk management

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

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

Non-derivative financial instruments

	< 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
2016.12.31					
Loans	$2,309,946	$115,866	$26,628	$-	$2,452,440
Payables	3,079,133	-	-	-	3,079,133
Lease payable	-	-	-	-	-
2015.12.31					
Loans	$2,402,286	$307,270	$89,187	$51,980	$2,850,723
Payables	2,944,117	-	-	-	2,944,117
Lease payable	8,779	521	-	-	9,300

(6) Fair values of financial instruments

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

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

i. The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.

ii. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.

iii. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

iv. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

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

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

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

(c) Fair value measurement hierarchy for financial instruments

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

(7) Fair value measurement hierarchy

(a) Fair value measurement hierarchy

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

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

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

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

Level 3 – Unobservable inputs for the asset or liability.

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

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

The Group does not have assets that are measured at fair value on a non-recurring basis. And the Group does not have assets or liabilities that are measured at fair value on a recurring basis.

Transfers between Level 1 and Level 2 during the period

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

(8) Significant assets and liabilities denominated in foreign currencies (in thousand dollars)

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

	2016.12.31			2015.12.31		
	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD
Financial assets						
Monetary items:						
USD	$100,759	32.2	$3,244,442	$102,550	32.8	$3,364,000
RMB	$330,056	4.6418	$1,532,052	$234,651	5.0473	$1,184,353
Financial liabilities						
Monetary items:						
USD	$94,841	32.22	$3,055,420	$98,303	32.76	$3,220,765
RMB	$258,901	4.6418	$1,201,766	$146,931	5.0473	$741,601

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

Since there were varieties of foreign currency transactions of the Group, the Group was unable to disclose foreign exchange gain (loss) towards each foreign currency with significant impact. The Group recognized exchange gain amounted to NT$1,245 thousand and NT$72,474 thousand for the years ended December 31, 2016 and 2015, respectively.

(9) Capital management

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

13. Other disclosures

(1) The following are additional disclosures for the Company as required by the R.O.C. Securities and Futures Bureau:

a. Financing provided to others for the year ended December 31, 2016: Please refer to Attachment 1.

b. Endorsement/Guarantee provided to others for the year ended December 31, 2016: Please refer to Attachment 2.

c. Securities held as of December 31, 2016 (excluding subsidiaries, associates and joint ventures): None.

d. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of capital stock for the year ended December 31, 2016: None.

e. Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of capital stock for the year ended December 31, 2016: None.

f. Disposal of individual real estate with amount exceeding the lower of NT$300 million s or 20% of capital stock for the year ended December 31, 2016: None.

g. Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20% of capital stock for the year ended December 31, 2016: Please refer to Attachment 3.

h. Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of capital stock as of December 31, 2016: None.

i. Financial instruments and derivative transactions: None.

j. Significant intercompany transactions between the parent with subsidiaries or among subsidiaries: Please refer to Attachment 8.

(2) Information on investees :

A. If an investor controls operating, investing and financial decisions of an investee or an investor has the ability to exercise the ability to exercise significant influence over operating and financial policies of an investee, the related information for the investee is disclosed (not including investment in Mainland China): Please refer to Attachment 4.

B. An investor controls operating; investing and financial decisions of an investee, the related information Note13 for the investee shall be disclosed as below:

(a) Financing provided to others for the year ended December 31, 2016: Please refer to Attachment 1.

(b) Endorsement/Guarantee provided to others for the year ended December 31, 2016: None.

(c) Securities held as of December 31, 2016 (excluding subsidiaries, associates and joint ventures): None.

(d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of capital stock for the year ended December 31, 2016: Please refer to Attachment 5.

(e) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of capital stock for the year ended December 31, 2016: None.

(f) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of capital stock for the year ended December 31, 2016: None.

(g) Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20% of capital stock for the year ended December 31, 2016: Please refer to Attachment 6.

(h) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of capital stock as of December 31, 2016: Please refer to Attachment 7.

(i) Financial instruments and derivative transactions: None.

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

(3) Information on investments in Mainland China:

a. Investee company name, main businesses and products, total amount of capital, method of investment, accumulated inflow and outflow of investments from Taiwan, net income (loss) of investee company, percentage of ownership, investment income (loss), carrying value of investments, cumulated inward remittance of earnings and limits on investment in Mainland China:

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2016	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2016	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as of December 31, 2016	Accumulated Inward Remittance of Earnings as of December 31, 2016	Accumulated Outflow of Investment from Taiwan as of December 31, 2016	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
					Outflow	Inflow									
Dynamic Electronics (Kunshan) Co., Ltd.	Manufacturing and selling of PCB	$2,576,000 (Note 2, 3, 6)	(Note 1)	$2,260,265	$-	$-	$2,260,265	$103,563 (Note 2)	100%	$104,497 (Note 2, 4, 5, 12)	$3,376,846 (Note 2, 4, 5, 12)	$1,304,100 (Note 2)	$2,260,265	$2,260,265	No upper limit (Note 11)
Dynamic Electronics (Huangshi) Co., Ltd.	Manufacturing and selling of PCB	$805,000 (Note 2, 7, 8)	(Note 9)	$-	$292,330	$-	$292,330	$(3,837)	100%	$(3,837) (Note 2, 4,10 ,12)	$762,527 (Note 2, 4, 10 ,12)	$-	$292,330	$292,330	

Note 1: The Company indirectly invested 100% in Dynamic Electronics (Kunshan) Co. Ltd.

Note 2: Foreign currencies were converted into New Taiwan dollars based on exchanged rate of balance sheet date.

Note 3: Total amount of paid-in capital is USD 80,000 thousand.

Note 4: The investment income (loss) recognized under equity method and by calculation was based on audited financial statements.

Note 5: Recognized investment income and carrying value by WINTEK (MAURITIUS) CO., LTD.

Note 6: The difference between investments remitted from Taiwan in amount of USD 69,500 thousand and the received paid-in capital of USD 80,000 thousand was a capital injection of USD 10,500 thousand made by WINTEK (MAURITIUS) CO., LTD.

Note 7: The difference between the original investment of USD9,000 thousand remitted from Taiwan and the paid-in capital of USD25,000 thousand is a capital injection of USD16,000 thousand by using cash dividends received from Dynamic Electronics (Kunshan) Co. Ltd.

Note 8: Total amount of paid-in capital is USD25,000 thousand.

Note 9: The Company indirectly invested in its China subsidiary, Dynamic Electronics (Huangshi) Co. Ltd., through WINTEK (MAURITIUS) CO., LTD. and Dynamic Holding Pte. Ltd.

Note 10: WINTEK (MAURITIUS) CO., LTD. indirectly, through the holding on Dynamic Holding Pte. Ltd., recognized the investment loss of Dynamic Electronics (Huangshi) Co. Ltd.

Note 11: The Company meets the conditions of corporate operation headquarter in the Principle of Evaluation for Investment and Technical Cooperation in Mainland China. Thus, there is no upper limit on investment amount.

Note 12: Transactions between consolidated entities are eliminated in the consolidated financial statements.

b. Purchases and accounts payable with the related parties: Please refer to Attachment 8.

c. Sales and accounts receivable with the related parties: None.

d. The profit and loss produced by transaction of the property:

Type of Assets	Name of Related Parties	Book Value	Selling price	Gain	Price reference
2016					
Machinery	Dynamic Electronics (Kunshan) Co. Ltd.	$-	$8,472	$8,472 (Note)	Negotiated

Note: The gain was recorded as unrealized profit.

e. The purpose and balance of a note guarantee and a guarantee endorsement or providing for secure: Please refer to Attachment 2.

f. The amount of maximum financing, the balance interest rates, and lump sum interest expense: None.

g. The other events impact over current profit or loss or have the significant influence over the financial conditions, such as provided service or received service: Please refer to Attachment 8.

h. The aforementioned transaction had been eliminated in the consolidated financial statements. Please refer to Attachment 8.

14. Segment information

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

Taiwan PCB segment: The segment is primarily responsible for the manufacturing of PCBs and selling them to electronic producers.

China (Kunshan) PCB segment: This segment is primarily responsible for the manufacturing of PCBs and selling them to the parent company as well as electronic producers.

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

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured based on accounting policies consistent with those in the consolidated financial statements.

Reportable segment information for the years ended December 31, 2016 and 2015 were as follows:

	Taiwan PCB segment	China (Kunshan) PCB segment	Sub-total	Other segments (Note1)	Adjustments and eliminations (Note2)	Consolidated
2016						
Revenues						
External customers	$9,874,067	$1,846,361	$11,720,428	$71,410	$-	$11,791,838
Inter-segment	35,547	7,211,610	7,247,157	-	(7,247,157)	-
Interest revenue	4,016	5,785	9,801	2	-	9,803
Total	$9,913,630	$9,063,756	$18,977,386	$71,412	$(7,247,157)	$11,801,641
Segment income (loss)	$(106,858)	$115,331	$8,473	$4,355	$-	$12,828
2015						
Revenues						
External customers	$9,288,357	$1,457,106	$10,745,463	$404,751	$-	$11,150,214
Inter-segment	8,264	7,207,899	7,216,163	-	(7,216,163)	-
Interest revenue	939	7,644	8,583	61	(377)	8,267
Total	$9,297,560	$8,672,649	$17,970,209	$404,812	$(7,216,540)	$11,158,481
Segment income (loss)	$(290,441)	$195,638	$(94,803)	$1,832	$-	$(92,971)

Note 1: Revenues come from other operating segments that did not exceed the quantitative threshold for separate reporting.

Note 2: Inter-segment revenues are eliminated upon consolidation and recorded under the “adjustments and eliminations” column.

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

Details of operational asset-related information as of December 31, 2016 and 2015 are as follows:

	Taiwan PCB segment	China (Kunshan) PCB segment	Sub-total	Other segments	Adjustments and eliminations	Consolidated
2016.12.31						
Segment assets	$6,852,651	$7,028,049	$13,880,700	$37,273	$(3,739,788)	$10,178,185
2015.12.31						
Segment assets	$6,963,803	$7,866,092	$14,829,895	$501,500	$(4,563,775)	$10,767,620

(2) Geographical information

(a) Revenues from external customers (Note)

	2016	2015
Taiwan	$975,764	$1,497,542
China	5,699,301	5,372,339
Thailand	923,368	716,629
Germany	1,016,721	1,403,665
Korea	782,175	1,118,264
Other countries	2,394,509	1,041,775
Total	$11,791,838	$11,150,214

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

(b) Non-current assets

	2016.12.31	2015.12.31
Taiwan	$665,178	$1,117,997
China	3,090,359	3,447,022
Total	$3,755,537	$4,565,019

(3) Information about major customers

As the revenue generated from sales to Customer for the year 2016 and 2015 did not achieve 10% of the operating revenue of the Group, it was not disclosed.

English Translation of Consolidated Financial Statements Originally Issued in Chinese
DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES
Financing provided to others
For the year ended December 31, 2016

Attachment 1

(In Thousands of New Taiwan Dollars)

NO. (Note1)	Lender	Counter-party	Financial accounting account	Related Party	Maximum balance for the period	Ending balance	Actual amount provided	Interest rate	Nature of financing (Note 2)	Amount of sales to(purchases from) counter-party	Reason for financing	Allowance for doubtful accounts	Collateral		Limit of financing amount for individual counter-party (Note 3)	Limit of total financing amount
													Item	Value		
0	Dynamic Electronics Co., Ltd.	Abon Touchsystems Inc.	Other receivables -related parties	Yes (Note 5)	$20,000	$-	$-	-%	1	$-	Business turnover	$-	-	$-	$854,919 (Note 3)	$1,709,837 (Note 3)
1	Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic Electronics (Huangshi) Co. Ltd.	Other receivables -related parties	Yes	$49,240	$45,920	$22,501	4.35%	2	$-	Business turnover	$-	-	$-	$337,685 (Note 4)	$675,370 (Note 4)

Note 1: Dynamic Electronics Co., Ltd. and subsidiaries are coded as follows:
1. Dynamic Electronics Co., Ltd. is coded "0".
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Nature of financing is coded as follows:
1.Need for operating is coded "1".
2.Need for short term financing is coded "2".

Note 3: Limit of total financing amount shall not exceed 40% of the lender's net assets of value as of December 31, 2016.
Limit of financing amount for individual counter-party shall not exceed 20% of the lender's net assets value as of December 31, 2016.

Note 4: Limit of total fiancing amount shall not exceed 20% of the lender's net assets of value as of December 31, 2016.
Limit of financing amount for individual counter-party shall not exceed 10% of the lender's net assets value as of December 31, 2016.

Note 5: The Company’s board of directors resolved to sell its 51.13% share interest on Abon Touch Systems Inc. in a meeting held on February 25, 2016. The Company derecognized Abon Touch Systems Inc.’s financial accounts from the consolidated financial statements starting the date when losing the control power.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

Endorsement/Guarantee Provided to Others

For the Year Ended December 31, 2016

Attachment 2

(In Thousands of New Taiwan Dollars)

Endorsement/ Guarantee No. (Note 1)	Endorsement/ Guarantee Name	Guaranteed Party Name	Guaranteed Party Relationship (Note2)	Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 3)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Endorsement/ Guarantee secured by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowed (Note 3)	Endorsement provided by parent company to subsidiaries	Endorsement provided by subsidiaries to parent company	Endorsement provided to entities in China
0	Dynamic Electronics Co., Ltd.	Abon Touchsystems Inc.	1	$4,274,593	$372,000	$182,000	$144,652	$-	4.26%	$4,274,593	N	N	N
0	Dynamic Electronics Co., Ltd.	Dynamic Eelectronics Co., Ltd. (Seychelles)	2	$4,274,593	$167,000	$161,000	$-	$-	3.77%	$4,274,593	Y	N	N
0	Dynamic Electronics Co., Ltd.	Dynamic Eelectronics (Kunshan) Co., Ltd.	3	$4,274,593	$1,982,855	$579,600	$289,800	$-	13.56%	$4,274,593	Y	N	Y

Note 1: Dynamic Electronics Co., Ltd. and subsidiaries are coded as follows:

1. Dynamic Electronics Co., Ltd. is coded "0".

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

Note 2: The six categories of between the Company and endorsees as follows:

1.An investee company that has a business relationship with the Company.

2.A subsidiary in which the Company holds directly over 50% of equity interest.

3.An investee in which the Company invests and its subsidiaries hold over 50% of equity interest.

4.An investee in which the Company holds direct or indirect over 50% of equity method.

5.An investee that has provided guarantees to the Company, and vice versa, due to contractual requirements.

6.An investee in which the Company conjunctionally invests with other shareholders, and for which the Company has provided endorsement/guarantee in proportion to its shareholding percentage.

Note 3: According to the procedures of Endorsement and Guarantee, the limitation of endorsement or guarantee for other subsidiaries shall not exceed the current net value of the Company. Also, the limitation of endorsement or guarantee for one of the subsidiaries shall not exceed the current net value of Company.

Note 4: The Company’s board of directors resolved to sell its 51.13% share interest on Abon Touch Systems Inc. in a meeting held on February 25, 2016. As a result, the Company has set aside and submitted to its Audit Committee a rectification plan regarding endorsement/guarantee provided to others and will implement the plan as scheduled and report to the board of directors.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

Related Party Transactions for Purchases amd Sales Amounts exceeding the lower of NT$100 Million or 20% of Capital Stock

For the Year Ended December 31, 2016

Attachment 3

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/ Accounts Payable or		Note
			Purchase/ Sale	Amount	% to Total	Payment/ Collection Term	Unit Price	Payment/ Collection Term	Ending Balance	% to Total	
Dynamic Electronics Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	Subsidiary	Purchase	$3,459,169	80.38%	90~100 days after monthly closing	Specs of goods purchased are different from others. Cannot be reasonably compared.	Non relative parties are 60~120 days after monthly closing	Accounts payable $978,935	72.19%	Note1

Note1: Transactions are eliminated when preparing the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese
DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES
Investees over Which the Company Exercise Significant Influence or Control Directly or Indirectly (Excluding Investees in Mainland China)
As of December 31, 2016

Attachment 4
(In Thousands of Foreign Currency / New Taiwan Dollars)

Investor	Investee	Address	Main Business and Product	Original Investment Amount		Balance as of December 31, 2016			Net Income (Loss) of the Investee	Share of Income (Loss) of the Investee	Note
				As of December 31, 2016	As of December 31, 2015	Shares	%	Carrying Value			
Dynamic Electronics Co., Ltd.	WINTEK (MAURITIUS) CO., LTD.	Suite 802, St James Court, St Denis Street, Port Louis, Mauritius	The business of PCB	$2,564,496	$2,272,166	7,850,000	100.00%	$4,131,609	$101,326	$111,752 (Note 1)	Note2
Dynamic Electronics Co., Ltd.	Dynamic Electronics Europe GmbH	Moraenenhoehe 45 47533 Kleve Germany	PCB and business which relates to import and export	$873	$873	-	100.00%	$(67,041)	$-	$-	Note2
Dynamic Electronics Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	1st Floor, #5 DEKK House, De Zippora Street, P.O. Box 456, Providence Industrial Estate, Mahe, Republic of Seychelles	PCB and business which relates to import and export	$1,555	$1,555	50,000	100.00%	$2,113	$125	$125	Note2
Dynamic Electronics Co., Ltd.	Dynamic Electronics Co., Ltd. (Seychelles)	1st Floor, #5 DEKK House, De Zippora Street, P.O. Box 456, Providence Industrial Estate, Mahe, Republic of Seychelles	PCB and business which relates to import and export	$224,005	$224,005	7,200,000	100.00%	$126,060	$47,256	$47,256	Note2
Dynamic Electronics Co., Ltd.	Dynamic Electronics Trading Pte. Ltd.	151 CHIN SWEE ROAD #01-48 MANHATTAN HOUSE SINGAPORE(169876)	Management operations services	$1,541	$1,541	50,000	100.00%	$1,783	$178	$178	Note2
WINTEK (MAURITIUS) CO., LTD.	Dynamic Electronics Holding Pte. Ltd.	151 CHIN SWEE ROAD #01-48 MANHATTAN HOUSE SINGAPORE(169876)	Investing activities	$793,290	$-	25,000,002	100.00%	USD 23,668	USD (126)	USD (126)	Note2

Note1: Including investment gain recognized under equity method amounted to NT$101,326 thousand, realized profit on transaction between subsidiaries amounted to NT$21,150 thousand and unrealized profit on transaction between subsidiaries amounted to NT$(10,724) thousand .
Note2: Transactions are eliminated when preparing the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of capital stock

For the Year Ended December 31, 2016

Attachment 5

(In Thousands of USD Dollars)

Company Name	Type and Name of Securities	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Carrying Value	Gain/Loss on Disposal	Shares/Units	Amount
WINTEK (MAURITIUS) CO., LTD.	Dynamic Electronics Holding Pte. Ltd.	Investments accounted for using the equity method	- (Note 1)	Subsidiary	2	$(6)	25,000,000	$23,674 (Note 3)	-	$-	$-	$-	25,000,002	$23,668 (Note 5)
Dynamic Electronics Holding Pte. Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	Investments accounted for using the equity method	- (Note 2)	Subsidiary	-	$-	-	$23,681 (Note 4)	-	$-	$-	$-	-	$23,681 (Note 5)

Note 1: The remittance amounted to USD 25,000 thousand and acquired 25,000,000 shares of Dynamic Electronics Holding Pte. Ltd with 100%.

Note 2:The remittance amounted to USD 25,000 thousand and acquired Dynamic Electronics (Huangshi) Co., Ltd. with 100%.

Note 3: Including Increase investment USD 25,000 thousand, investment loss recognized under equity method amounted to USD 126 thousand and decrease in exchange differences resulting from translating the financial statements of a foreign operation amounted to USD 1,200 thousand.

Note 4: Including Increase investment USD 25,000 thousand, investment loss recognized under equity method amounted to USD 119 thousand and decrease in exchange differences resulting from translating the financial statements of a foreign operation amounted to USD 1,200 thousand.

Note 5: Transactions are eliminated when preparing the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

Related Party Transactions for Purchases and Sales Amounts exceeding the lower of NT$100 Million or 20% of Capital Stock

For the Year Ended December 31, 2016

Attachment 6

(In Thousands of Foreign Currency)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or		Note
			Purchase/ Sale	Amount	% to Total	Payment/ Collection Term	Unit Price	Payment/ Collection Term	Ending Balance	% to Total	
Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	Subsidiary	Sales	RMB 1,483,892	79.70%	90 days after monthly closing.	Specs of goods sold are different from others. Cannot be reasonably compared.	Non relative parties are 60~150 days after monthly closing.	Accounts receivable RMB 392,204	68.78%	Note1
Dynamic Electronics (Kunshan) Co., Ltd.	Palwonn Electronics (Suzhou) Co., Ltd.	Other related parties	Purchases	RMB 76,792	7.62%	120 days after monthly closing.	Specs of goods purchased are different from others. Cannot be reasonably compared.	Non relative parties are 90~120 days after monthly closing.	Accounts payable RMB 33,122	8.38%	
Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics Co., Ltd. (Seychelles)	Subsidiary	Sales	USD 115,539	51.79%	90 days after monthly closing.	Not comparable.	No non-related parties to be compared with.	Accounts receivable USD 26,232	46.40%	Note1
Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics Co., Ltd.	Subsidiary	Sales	USD 107,555	48.21%	90 days after monthly closing.	Not comparable.	No non-related parties to be compared with.	Accounts receivable USD 30,307	53.60%	Note1
Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics (Kunshan) Co., Ltd.	Subsidiary	Purchases	USD 223,094	100.00%	90 days after monthly closing.	Not comparable.	No non-related parties to be compared with.	Accounts payable USD 56,539	100.00%	Note1
Dynamic Electronics Co., Ltd. (Seychelles)	Dynamic PCB Electronics Co., Ltd.	Subsidiary	Purchases	USD 115,539	92.17%	90 days after monthly closing.	Specs of goods purchased are different from others. Cannot be reasonably compared.	Non relative parties are 90 days after monthly closing.	Accounts payable USD 26,232	89.48%	Note1

Note1: Transactions are eliminated when preparing the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

Receivables from Related Parties with Amounts exceeding the lower of NT$100 Million or 20% of Capital Stock

As of December 31, 2016

Attachment 7

(In Thousands of Foreign Currency)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Ratio	Overdue		Amount Received in Subsequent Periods	Allowance for Doubtful Debts
					Amount	Action Taken		
Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	Subsidiary	RMB 392,204 (Note1,2)	3.56	$-	-	$-	$-
Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics Co., Ltd.	Subsidiary	USD 30,307 (Note1,2)	3.18	$-	-	$-	$-
Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics Co., Ltd. (Seychelles)	Subsidiary	USD 26,232 (Note1,2)	4.10	$-	-	$-	$-

Note1: Accounts receivable.

Note2: Transactions are eliminated when preparing the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

Intercompany relationships and significant intercompany transactions

For the year Ended December 31, 2016

Attachment 8

(In Thousands of Foreign Currency / New Taiwan Dollars)

No. (Note 1)	Company Name	Counter-Party	Nature of Relationship (Note 2)	Intercompany Transaction			
				Financial Statement Account	Amount	Terms	Percentage to Consolidated Net Revenue or Total Assets (Note 3)
	Year 2016						
0	Dynamic Electronics Co., Ltd.	Dynamic Electronics Europe GmbH	1	Long-term accounts receivable	$65,376	90 days after monthly closing	0.64%
0	Dynamic Electronics Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	1	Purchases	3,459,169	90 days after monthly closing	29.34%
0	Dynamic Electronics Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	1	Accounts payable	978,935	90 days after monthly closing	9.62%
0	Dynamic Electronics Co., Ltd.	Dynamic Electronics (Kunshan) Co., Ltd.	1	Accounts receivable	6,601	90 days after monthly closing	0.06%
0	Dynamic Electronics Co., Ltd.	Dynamic Electronics (Kunshan) Co., Ltd.	1	Other payable	1,869	90 days after monthly closing	0.02%
0	Dynamic Electronics Co., Ltd.	Dynamic Electronics (Kunshan) Co., Ltd.	1	Processing revenue	34,134	90 days after monthly closing	0.29%
0	Dynamic Electronics Co., Ltd.	Dynamic Electronics Holding Pte. Ltd.	1	Other receivables	272	-	-%
1	Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics (Kunshan) Co., Ltd.	3	Purchases	USD 223,094	90 days after monthly closing	61.16%
1	Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics (Kunshan) Co., Ltd.	3	Accounts payable	USD 56,539	90 days after monthly closing	17.89%
1	Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics (Kunshan) Co., Ltd.	3	Other revenue	USD 879	-	0.24%
2	Dynamic Electronics Co., Ltd. (Seychelles)	Dynamic PCB Electronics Co., Ltd.	3	Purchases	USD 115,539	90 days after monthly closing	31.67%
2	Dynamic Electronics Co., Ltd. (Seychelles)	Dynamic PCB Electronics Co., Ltd.	3	Accounts payable	USD 26,232	90 days after monthly closing	8.30%
2	Dynamic Electronics Co., Ltd. (Seychelles)	Dynamic PCB Electronics Co., Ltd.	3	Other revenue	USD 879	-	0.24%
2	Dynamic Electronics Co., Ltd. (Seychelles)	Dynamic Electronics Trading Pte. Ltd.	3	Other selling expenses	USD 44	-	0.01%
3	Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	3	Other receivables	USD 6,016	-	0.27%
3	Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	3	Interest revenue	USD 143	-	0.01%

Note 1: Dynamic Electronics Co., Ltd. and subsidiaries are coded as follows:

1. Dynamic Electronics Co., Ltd. is coded "0".
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Transactions are categorized as follows：

1. Investor to investee
2. Investee to investor.
3. Investee to investee.

Note 3: The percentage base with respect to the total consolidated revenue-weighted average (about income statement accounts) or total assets (about balance sheet accounts).

Note 4: Foreign currencies were converted into New Taiwan dollars based on exchanged rate of balance sheet date.

EY 安永
Building a better working world

安永聯合會計師事務所
33045桃園市桃園區中正路1088號27樓
27F, No. 1088, Zhongzheng Road, Taoyuan District, Taoyuan City, Taiwan, R.O.C.

Tel: 886 3 319 8888
Fax: 886 3 319 8866
www.ey.com/tw

English Translation of a Report Originally Issued in Chinese

AUDIT REPORT OF INDEPENDENT AUDITORS

To: the Board of Directors
Dynamic Electronics Co., LTD.

Opinion

We have audited the accompanying parent-company-only balance sheets of Dynamic Electronics Co., LTD. (the "Company") as of December 31, 2016 and 2015, and the related parent-company-only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent-company-only financial statements, including the summary of significant accounting policies (together "the parent-company-only financial statements").

In our opinion, the parent-company-only financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2016 and 2015, and their financial performance and cash flows for the years then ended, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of the most significance in our audit of parent-company-only financial statements for the year ended December 31, 2016. 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.

Revenue Recognition

We determine that revenue recognition is one of the key audit matters. The Company's revenue amounting to NT$5,575,299 thousand for the year ended December 31, 2016 is a significant account to the Company's financial statements. The Company has conducted these sale activities in multi-marketplace, including Taiwan, China, Asia and Europe, etc. Furthermore, variety of sale terms and conditions enacted in its main sale contracts or sale orders contributed to the complexity for the Company to decide the appropriate timing of transfer the risk of ownership and return of goods to the buyers. We therefore conclude that there are significant risks with respect to the topic of revenue recognition.

Our audit procedures therefore include, but not limit to, evaluating the properness of accounting policy for revenue recognition, assessing, testing the effectiveness of relevant internal controls related to revenue recognition and executing the test of detail transaction, obtaining major sale orders or agreements to inspect the terms and conditions, checking the consistency of the accounting for revenue recognition with sale agreement or orders, performing analytical review procedures on monthly sale revenues, and executing sale cut-off tests, etc. We have also evaluated the appropriateness of the related disclosure in Note 6 to the financial statements.

Provision against inventory

We determine that provision against inventory is also one of the key audit matters. The Company's inventory in amount of NT$266,887 thousand, representing 3.69% of total assets, as of December 31, 2016 is significant to the Company's financial statements. The application market of the Company's main products, PCB, has been developing and changing rapidly and influenced significantly by end-customers' preference. The management therefore has to closely monitor the status of new products development and market demand for evaluating any significant impairment, including loss from market decline and slow-movement, incurred toward inventory. Also there was significant management judgement involved in determining the sufficiency of inventory loss provision. With respect to the key audit matter – provision against inventory, our audit procedures include, but not limit to, evaluating the appropriateness of inventory provision policy including how to identify the phased-out or slow-moving items, testing the correctness of inventory aging report, analyzing the reasons for slow-moving inventory, performing observation on the Company's inventory physical taking, and looking into the status of inventory utilization. Meanwhile, we have evaluated the appropriateness of the related disclosure in Note 5 and 6 to the financial statements.

Responsibilities of Management and Those Charged with Governance for the Parent-Company-Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent-company-only financial statements in accordance with the requirements of 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 ability to continue as a going concern of the Company, 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 audit committee, are responsible for overseeing the financial reporting process of the Company.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 internal control of the Company.

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

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

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company 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 2016 parent-company-only financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, wedetermine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young

Ernst & Young
February 23, 2017
Taipei, Taiwan,
Republic of China

Notice to Readers

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

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD.

PARENT-COMPANY-ONLY BALANCE SHEETS

As of December 31, 2016 and 2015

(Amounts Expressed in Thousands of New Taiwan Dollars)

Assets			As of December 31, 2016		As of December 31, 2015	
Code	Accounts	Notes	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	4, 6(1)	$162,899	2	$390,918	5
1150	Notes receivable, net	4, 6(2)	10,806	-	11,446	-
1170	Accounts receivable, net	4, 6(3)	1,662,028	23	1,766,974	23
1180	Accounts receivable - related parties, net	7	6,601	-	3,541	-
1200	Other receivables		16,238	-	16,451	-
1210	Other receivables - related parties	7	272	-	35,814	1
1310	Inventories, net	4, 6(4)	266,887	4	327,988	4
1410	Prepayments		46,444	1	36,243	1
1470	Other current assets		478	-	132	-
11XX	Total current assets		2,172,653	30	2,589,507	34
	Non-current assets					
1550	Investment accounted for under equity method	4, 6(5)	4,246,831	59	4,195,000	54
1600	Property, plant and equipment, net	4, 6(6), 7, 8, 9	650,262	9	793,098	10
1780	Intangible assets, net	4, 6(7)	13,012	-	6,312	-
1840	Deferred tax assets	4, 6(19)	155,354	2	128,873	2
1900	Other non-current assets	6(8)	1,904	-	1,824	-
1942	Long-term accounts receivable - related parties, net	7	-	-	-	-
15XX	Total non-current assets		5,067,363	70	5,125,107	66
1XXX	Total Assets		$7,240,016	100	$7,714,614	100

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

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese
DYNAMIC ELECTRONICS CO., LTD.
PARENT-COMPANY-ONLY BALANCE SHEETS(Continued)
As of December 31, 2016 and 2015
(Amounts Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity			As of December 31, 2016		As of December 31, 2015	
Code	Accounts	Notes	Amount	%	Amount	%
	Current liabilities					
2100	Short-term loans	6(9)	$813,310	11	$546,563	7
2170	Accounts payable		377,070	5	350,126	5
2180	Accounts payable - related parties	7	978,935	14	1,229,657	16
2200	Other payables	6(10)	258,138	4	279,130	4
2220	Other payables - related parties	7	2,290	-	-	-
2300	Other current liabilities		12,359	-	10,226	-
2322	Current portion of long-term loans	6(11), 8	155,204	2	162,436	2
21XX	Total current liabilities		2,597,306	36	2,578,138	34
	Non-current liabilities					
2540	Long-term loans	6(11), 8	138,604	2	318,711	4
2570	Deferred tax liabilities	4, 6(19)	226,921	3	259,828	3
2640	Net defined benefit liabilities	4, 6(12)	927	-	1,985	-
2650	Credit balance of equity investments	4, 6(5)	1,665	-	1,665	-
25XX	Total non-current liabilities		368,117	5	582,189	7
2XXX	Total liabilities		2,965,423	41	3,160,327	41
31XX	Equity attributable to the parent company					
3100	Capital	6(13)				
3110	Common stock		2,810,594	39	2,810,594	36
3200	Capital surplus	6(13)	1,061,873	15	1,061,873	14
3300	Retained earnings	6(13)				
3310	Legal reserve		531,385	7	531,385	7
3320	Special reserve		299,666	4	299,666	4
3350	Accumulated profit or loss		(265,685)	(4)	(275,943)	(4)
3400	Other components of equity		(163,240)	(2)	126,712	2
3XXX	Total equity		4,274,593	59	4,554,287	59
	Total liabilities and equity		$7,240,016	100	$7,714,614	100

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

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD.

PARENT-COMPANY-ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2016 and 2015

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

Code	Accounts	Notes	2016 Amount	2016 %	2015 Amount	2015 %
4000	Operating revenues	4, 6(14), 7	$5,575,299	100	$7,010,679	100
5000	Operating costs	6(4), 7	(5,299,579)	(95)	(6,597,525)	(94)
5900	Gross profit		275,720	5	413,154	6
6000	Operating expenses	7				
6100	Sales and marketing expenses		(241,368)	(4)	(400,764)	(6)
6200	General and administrative expenses		(157,930)	(3)	(119,614)	(2)
6300	Research and development expenses		(50,401)	(1)	(89,809)	(1)
	Operating expenses total		(449,699)	(8)	(610,187)	(9)
6900	Operating loss		(173,979)	(3)	(197,033)	(3)
7000	Non-operating income and expenses	6(17), 7				
7010	Other income		52,468	1	59,447	1
7020	Other gains and losses		(10,690)	-	16,565	-
7050	Finance costs		(18,638)	-	(19,225)	-
7070	Share of profit or loss of subsidiaries, associates and joint ventures	4, 6(5)	161,539	2	46,380	1
	Non-operating income and expenses total		184,679	3	103,167	2
7900	Income (loss) from continuing operations before income tax		10,700	-	(93,866)	(1)
7950	Income tax	4, 6(19)	-	-	-	-
8200	Net income (loss)		10,700	-	(93,866)	(1)
8300	Other comprehensive income (loss)	6(18)				
8310	Not to be reclassified to profit or loss in subsequent periods					
8311	Remeasurements of defined benefit plans		(442)	-	(5,193)	-
8360	May be reclassified to profit or loss in subsequent periods					
8361	Exchange differences arising on translation of foreign operations		(349,340)	(6)	(91,713)	(1)
8399	Income tax related to items that may be reclassified subsequently to profit or loss		59,388	1	15,592	-
	Total other comprehensive income (loss), net of tax		(290,394)	(5)	(81,314)	(1)
8500	Total comprehensive income (loss)		$(279,694)	(5)	$(175,180)	(2)
9750	Earnings per share - basic (in NT$)	6(20)	$0.04		$(0.33)	
9850	Earnings per share - diluted (in NT$)	6(20)	$0.04		$(0.33)	

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

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD.

PARENT-COMPANY-ONLY STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2016 and 2015

(Amounts Expressed in Thousands of New Taiwan Dollars)

				Retained Earnings			Other Components of equity		
	Items	Capital	Capital Surplus	Legal Reserve	Special Reserve	Accumulated profit or loss	Exchange differences arising on translation of foreign operations	Treasury Stock	
Code		3110	3200	3310	3320	3350	3410	3500	3XXX
A1	Balance as of January 1, 2015	$2,860,594	$1,060,950	$531,385	$299,666	$(176,884)	$202,833	$-	$4,778,544
D1	Net loss for 2015					(93,866)			(93,866)
D3	Other comprehensive income (loss) for 2015					(5,193)	(76,121)		(81,314)
D5	Total comprehensive income (loss)	-	-	-	-	(99,059)	(76,121)	-	(175,180)
L1	Acquried treasury stock							(49,077)	(49,077)
L3	Cancelled treasury stock	(50,000)	923					49,077	-
Z1	Balance as of December 31, 2015	$2,810,594	$1,061,873	$531,385	$299,666	$(275,943)	$126,712	$-	$4,554,287
A1	Balance as of January 1, 2016	$2,810,594	$1,061,873	$531,385	$299,666	$(275,943)	$126,712	$-	$4,554,287
D1	Net income for 2016					10,700			10,700
D3	Other comprehensive income (loss) for 2016					(442)	(289,952)		(290,394)
D5	Total comprehensive income (loss)	-	-	-	-	10,258	(289,952)	-	(279,694)
Z1	Balance as of December 31, 2016	$2,810,594	$1,061,873	$531,385	$299,666	$(265,685)	$(163,240)	$-	$4,274,593

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

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD.

PARENT-COMPANY-ONLY STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2016 and 2015

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	2016	2015
AAAA	Cash flows from operating activities:		
A10000	Net income (loss) before tax	$10,700	$(93,866)
A20000	Adjustments:		
A20010	Profit or loss not effecting cash flows:		
A20300	Bad debt expense (gain on recovery)	2,188	(20,500)
A20100	Depreciation	166,640	186,822
A20200	Amortization	5,111	4,751
A20900	Interest expense	18,638	19,225
A21200	Interest income	(312)	(843)
A22400	Share of profit or loss of subsidiaries, associates and joint ventures	(161,539)	(46,380)
A22500	Loss (gain) on disposal of property, plant and equipment	(1,953)	1,672
A23200	Loss (gain) on disposal of investment under equity method	(4,221)	-
A30000	Changes in operating assets and liabilities:		
A31130	Notes receivable	640	4,105
A31150	Accounts receivable	102,758	720,342
A31160	Accounts receivable - related parties	(3,060)	(673)
A31180	Other receivable	213	5,079
A31190	Other receivable - related parties	35,542	(19,927)
A31200	Inventories	61,101	238,919
A31230	Prepayment	(10,201)	493
A31240	Other current assets	(346)	583
A32150	Accounts payable	26,944	(3,931)
A32160	Accounts payable - related parties	(250,722)	(539,013)
A32180	Accrued expenses	(13,247)	(242,159)
A32190	Other payables - related parties	2,290	-
A32230	Other current liabilities	2,133	778
A32240	Net defined benefit liabilities	(1,500)	(4,518)
A32000	Cash generated from operations	(12,203)	210,959
A33100	Interest received	312	843
A33300	Interest paid	(19,079)	(18,642)
A33500	Income tax paid	-	(8,752)
AAAA	Net cash provided by (used in) operating activities	(30,970)	184,408

Code	Items	2016	2015
BBBB	Cash flows from investing activities:		
B01800	Acquisition of Investment accounted for under equity method	(292,330)	(225,545)
B02700	Other receivable - related parties	-	25,000
B02800	Acquisition of property, plant and equipment	(31,145)	(243,463)
B04400	Proceeds from disposal of property, plant and equipment	8,526	2,480
B04500	Acquisition of intangible assets	(11,811)	(6,681)
B03700	Decrease (increase) in refundable deposits	(80)	(340)
B01900	Proceeds from disposal of investment under equity method	50,383	-
BBBB	Net cash provided by (used in) investing activities	(276,457)	(448,549)
CCCC	Cash flows from financing activities:		
C00100	Increase in (repayment of) short-term loans	266,747	476,347
C01700	Repayment of long-term loans	(187,339)	(207,436)
C04900	Treasury stock acquired	-	(49,077)
CCCC	Net cash provided by (used in) financing activities	79,408	219,834
EEEE	Net Increase (decrease) in cash and cash equivalents	(228,019)	(44,307)
E00100	Cash and cash equivalents at beginning of period	390,918	435,225
E00200	Cash and cash equivalents at end of period	$162,899	$390,918

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

1. History and organization

Dynamic Electronics Co., Ltd. ("the Company") was incorporated in August 18, 1988. The main activities of the Company are engaged in the design, development, and manufacture of multi-layers PCB boards and electronics components. The Company's common shares were publicly listed on the Taiwan Stock Exchange (TWSE) in March 18, 2009. The Company's registered office and the main business location is at No. 356, Shanying Rd., Guishan Dist., Taoyuan City, Taiwan (R.O.C.)

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

The financial statements of the Company were authorized to be issued in accordance with a resolution of the Board of Directors' meeting held on February 23, 2017.

3. Newly issued or revised standards and interpretations

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

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

These amendments relate to those issued in May 2011 and require entities to disclose the recoverable amount of an asset (including goodwill) or a cash-generating unit when an impairment loss has been recognized or reversed during the period. The amendments also require detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognized or reversed, including valuation techniques used, level of fair value hierarchy of assets and key assumptions used in measurement. The amendments are effective for annual periods beginning on or after January 1, 2014.

(b) IFRIC 21 "Levies"

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

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

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

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

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

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

IFRS 2 “Share-based Payment”

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

IFRS 3 “Business Combinations”

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

IFRS 8 "Operating Segments"

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

IFRS 13 "Fair Value Measurement"

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

IAS 16 "Property, Plant and Equipment"

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

IAS 24 "Related Party Disclosures"

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

IAS 38 "Intangible Assets"

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

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

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

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

IFRS 3 “Business Combinations”

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

IFRS 13 “Fair Value Measurement”

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

IAS 40 “Investment Property”

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

(g) IFRS 14 "Regulatory Deferral Accounts"

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

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

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

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

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

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

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

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

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

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

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

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

IFRS 7 "Financial Instruments: Disclosures"

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

IAS 19 "Employee Benefits"

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

IAS 34 "Interim Financial Reporting"

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

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

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

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

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

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

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

(a) IFRS 15 “Revenue from Contracts with Customers”

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

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

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

(b) IFRS 9 "Financial Instruments"

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

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

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

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

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

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

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

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

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

(d) IFRS 16"Leases"

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

IFRS 12 "Disclosure of Interests in Other Entities"

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

IAS 28 "Investments in Associates and Joint Ventures"

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

(l) IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

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

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Company is still currently determining the potential impact of the standards and interpretations listed under (1) to (2), it is not practicable to estimate their impact on the Company at this point in time. All other standards and interpretations have no material impact on the Company.

4. Summary of significant accounting policies

(1)Statement of Compliance

The Company's parent-company-only financial statements as of and for the years ended December 31, 2016 and 2015 were prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers (Regulations).

(2)Basis of Preparation

The Company prepared parent-company-only financial statements in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent-company-only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent-company-only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments.

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

(3)Foreign Currency Transactions

The Company's parent-company-only financial statements are presented in its functional currency, New Taiwan Dollars (NTD). Items included in the parent-company-only financial statements are measured using that functional currency.

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

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

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

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

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

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

(4)Translation of Financial Statements in Foreign Currency

The assets and liabilities of foreign operations are translated into NTD at the closing rate of exchange prevailing at the reporting date and the income and expenses are translated at an average exchange rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following are accounted for as disposals even if an interest in the foreign operation is retained by the Company: the loss of control over a foreign operation, the loss of significant influence over a foreign operation, or the loss of joint control over a foreign operation.

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

(5)Current and non-current distinction for assets and liabilities

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

(6)Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (include fixed-term deposits that have matures of 3 months from the date of acquisition).

(7)Financial instruments

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

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

(a)Financial assets

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

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

<u>Financial assets at fair value through profit or loss</u>

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

A financial asset is classified as held for trading if:

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

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

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

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

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

Loans and receivables

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

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

Impairment of financial assets

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

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

Other loss events include:

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

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

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

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

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

Derecognition of financial assets

A financial asset is derecognized when:

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

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

(b)Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

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

Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

A financial liability is classified as held for trading if:

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

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

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

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

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

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include payables and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Relevant gains or losses and amortization amounts are recognized in profit or loss when the liabilities are derecognized and amortized through the effective interest rate method.

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

Derecognition of financial liabilities

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

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

(c)Offsetting of financial instruments

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

(8)Derivative financial instrument

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

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

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

(9)Fair value measurement

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

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

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

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

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

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

(10)Inventories

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

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

Raw materials – By actual purchase cost with weighted average method.
Finished goods and work in progress - Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

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

(11)Investments accounted for using the equity method

The Company accounted for its investments in subsidiaries using equity method and made necessary adjustments in accordance with Article 21 of the Regulations. Such adjustments were made after the Company considered the different accounting treatments to account for its investments in subsidiaries in the consolidated financial statements under IAS 10 "Consolidated and Separate Financial Statements" and the different IFRSs adopted from different reporting entity's perspectives, and the Company recorded such adjustments by crediting or debiting to investments accounted for under the equity method, share of profit or loss of subsidiaries, associates and joint ventures and share of other comprehensive income of subsidiaries, associates and joint ventures.

The Company's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence.

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

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

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

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

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

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

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

Upon loss of significant influence over the associate, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

The Company recognizes its interest in the jointly controlled entities using the equity method other than those that meet the criteria to be classified as held for sale. A jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity.

(12)Property, plant and equipment

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

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

Buildings	20～40 years
Machinery and equipment	3~7 years
Transportation equipment	5~6 years
Office equipment	3 years
Other equipment	1~6 years

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

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

(13)Leases

Company as a lessee

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

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

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

(14)Intangible assets

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

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

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

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

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

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

	Computer software	Technology expertise
Useful lives	3~5 years	5~6 years
Amortization method used	Amortized on a straight-line basis over the estimated useful life	Amortized on a straight-line basis over the estimated useful life
Internally generated or acquired	Acquired	Acquired

(15)Impairment of non-financial assets

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

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

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

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

(16)Provisions

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

(17)Treasury Stock

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

(18)Revenue Recognition

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

Sale of goods

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

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

Interest income

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

Dividends

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

(19)Borrowing costs

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

(20)Post-employment benefits

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

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

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

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

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

(21) Share-based payment transactions

The cost of equity-settled transactions between the Company and its subsidiaries is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The cost of restricted stocks issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Group recognized unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period.

(22)Income taxes

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

Current income tax

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

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

Deferred tax

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

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

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

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

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

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

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

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

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

5. Significant accounting judgments, estimates and assumptions

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

Estimates and assumptions

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

(a) The Fair Value of Financial Instruments

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

(b) Inventory

Inventories are valued at the lower of cost and net realizable value item by item. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The change of market may also significantly influence the evaluation of inventory. For inventory details, please refer to Note 6 to the financial statements.

(c) Pension benefits

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

(d) Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. Please refer to Note 6 for more details.

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

(e) Revenue Recognition-Sales retruns and allowances

The Company estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. Please refer to Note 6 for more details.

(f) Income tax

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

Deferred tax assets are recognized for all carry forward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies. Please refer to Note 6 for disclosure on unrecognized deferred tax asset of the Company as of December 31, 2016.

6. Contents of significant accounts

(1) Cash and cash equivalents

	2016.12.31	2015.12.31
Cash on hand	$200	$200
Checking and savings	162,699	377,608
Fixed-term deposits	-	13,110
Total	$162,899	$390,918

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

(2) Notes receivable, net

	2016.12.31	2015.12.31
Notes receivables arising from operating activities	$10,806	$11,446
Less: allowance for doubtful debts	-	-
Total	$10,806	$11,446

Notes receivables were not pledged.

(3) Accounts receivable and Accounts receivable from related parties

(a) Accounts receivable, net consist of the follow:

	2016.12.31	2015.12.31
Accounts receivable from operating activities	$1,725,532	$1,860,207
Less: allowance for doubtful debts	(13,683)	(11,495)
Less: sales returns and allowance	(49,821)	(81,738)
Accounts receivable, net	1,662,028	1,766,974
Accounts receivable from related parties	6,601	3,541
Less: allowance for doubtful debts	-	-
Accounts receivable from related parties, net	6,601	3,541
Total	$1,668,629	$1,770,515

(b) A provision has been recognized for sales returns and allowances based on past experience and other known factors. The provision is recognized and the corresponding entry is made against operating revenue at the time of sales.

(c) Sale terms are generally on 60~120 days. The movements of the provision for impairment of accounts receivable are as follows (please refer to Note 12 for credit risk disclosure):

	Individually impaired	Collectively impaired	Total
2016.01.01	$-	$11,495	$11,495
Charge (reversal) for the current period	-	2,188	2,188
Write off	-	-	-
2016.12.31	$-	$13,683	$13,683

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

2015.01.01	$-	$31,995	$31,995
Charge (reversal) for the current period	-	(20,500)	(20,500)
Write off	-	-	-
2015.12.31	$-	$11,495	$11,495

(d) Aging analysis of accounts receivable and accounts receivable from related parties that are past due as at the end of the reporting period but not impaired is as follows:

		Past due but not impaired					
	Neither past due nor impaired	Less than 30 days	31~60 days	61~90 days	91~120 days	More than 121 days	Total
2016.12.31	$1,576,658	$91,971	$-	$-	$-	$-	$1,668,629
2015.12.31	1,685,709	84,806	-	-	-	-	1,770,515

(e) Accounts receivable were not pledged.

(4) Inventories

(a) Details of inventories are as below:

	2016.12.31	2015.12.31
Raw materials	$28,894	$9,451
Supplies & parts	1,776	2,895
Work in progress	101,694	48,022
Finished goods	134,523	267,620
Total	$266,887	$327,988

(b) The cost of inventories recognized in expenses amounts to NT$5,299,579 thousand for the year ended December 31, 2016 while NT$6,597,525 thousand for the year ended December 31, 2015. The following losses were included in cost of sales:

	2016	2015
Inventory valuation losses	$25,714	$29,418
Physical inventory losses	454	3,007
Total	$26,168	$32,425

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

(c) Inventories were not pledged.

(5) Investments accounted for under the equity method

	2016.12.31		2015.12.31	
Investee companies	Amount	Percentage of Ownership	Amount	Percentage of Ownership
Investments in subsidiaries:				
WINTEK (MAURITIUS) CO., LTD.	$4,131,609	100.00%	$4,075,208	100.00%
Dynamic PCB Electronics Co., Ltd.	2,113	100.00%	2,023	100.00%
Abon Touchsystems Inc.	-	-%	43,935	51.13%
Dynamic Electronics Co., Ltd. (Seychelles)	126,060	100.00%	80,398	100.00%
Dynamic Electronics Trading Pte. Ltd.	1,783	100.00%	1,634	100.00%
Minus: Unrealized Profit	(14,734)		(8,198)	
Total	$4,246,831		$4,195,000	
Dynamic Electronics Europe GmbH	$(67,041)	100.00%	(67,041)	100.00%
Plus: Long-term accounts receivable from related parties	65,376		65,376	
Total	$(1,665)		$(1,665)	

(a) The Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary valuations and adjustments.

(b) No investment accounted for under the equity method was pledged as collerals.

(6) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment to be examined	Total
Cost:								
2016.01.01	$137,171	$172,707	$1,353,285	$4,604	$13,513	$160,599	$159,480	$2,001,359
Additions	-	-	-	-	-	-	23,841	23,841
Disposals	-	-	(53,462)	-	(3,472)	(18,718)	-	(75,652)
Transfer	-	-	120,680	-	-	22,798	(143,478)	-
2016.12.31	$137,171	$172,707	$1,420,503	$4,604	$10,041	$164,679	$39,843	$1,949,548

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

2015.01.01	$137,171	$172,707	$1,187,082	$4,154	$12,151	$137,417	$272,148	$1,922,830
Additions	-	-	-	-	-	-	151,802	151,802
Disposals	-	-	(59,282)	(270)	(790)	(12,931)	-	(73,273)
Transfer	-	-	225,485	720	2,152	36,113	(264,470)	-
2015.12.31	$137,171	$172,707	$1,353,285	$4,604	$13,513	$160,599	$159,480	$2,001,359
Depreciation and impairment:								
2016.01.01	$-	$71,508	$995,805	$2,244	$11,008	$127,696	$-	$1,208,261
Depreciation	-	6,285	133,075	825	1,454	25,001	-	166,640
Disposals	-	-	(53,452)	-	(3,445)	(18,718)	-	(75,615)
Transfer	-	-	-	-	-	-	-	-
2016.12.31	$-	$77,793	$1,075,428	$3,069	$9,017	$133,979	$-	$1,299,286
2015.01.01	$-	$64,725	$917,420	$1,645	$9,888	$96,960	$-	$1,090,638
Depreciation	-	6,783	133,645	817	1,910	43,667	-	186,822
Disposals	-	-	(55,260)	(218)	(790)	(12,931)	-	(69,199)
Transfer	-	-	-	-	-	-	-	-
2015.12.31	$-	$71,508	$995,805	$2,244	$11,008	$127,696	$-	$1,208,261
Net carrying amount as at:								
2016.12.31	$137,171	$94,914	$345,075	$1,535	$1,024	$30,700	$39,843	$650,262
2015.12.31	$137,171	$101,199	$357,480	$2,360	$2,505	$32,903	$159,480	$793,098

Significant components of building include main building structure and additional expansion construction, which are depreciated over useful lives of 40 years and 20 years, respectively.

Please refer to Note 8 for more details on property, plant and equipment under pledge.

(7) Intangible assets

	Computer software	Technology expertise	Total
Cost:			
2016.01.01	$11,195	$750	$11,945
Increase	11,811	-	11,811
Decrease	(5,195)	-	(5,195)
2016.12.31	$17,811	$750	$18,561

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

2015.01.01	$5,954	$750	$6,704
Increase	6,681	-	6,681
Decrease	(1,440)	-	(1,440)
2015.12.31	$11,195	$750	$11,945
Amortization:			
2016.01.01	$5,199	$434	$5,633
Amortization	4,993	118	5,111
Decrease	(5,195)	-	(5,195)
2016.12.31	$4,997	$552	$5,549
2015.01.01	$2,006	$316	$2,322
Amortization	4,633	118	4,751
Decrease	(1,440)	-	(1,440)
2015.12.31	$5,199	$434	$5,633
Net carrying amount as at:			
2016.12.31	$12,814	$198	$13,012
2015.12.31	$5,996	$316	$6,312

Amortization of intangible assets is as follows:

	2016	2015
Operating costs	$657	$753
Operating expenses	4,454	3,998
Total	$5,111	$4,751

(8) Other non-current assets

	2016.12.31	2015.12.31
Refundable deposits	$1,904	$1,824

(9) Short-term loans

(a) Short-term loans consist of the following:

	Interest Rates (%)	2016.12.31	2015.12.31
Unsecured bank loans	1.400%~1.779%	$813,310	$546,563

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

(b) The Company's unused short-term lines of credits amounts to NT$780,425 thousand and NT$772,746 thousand as of December 31, 2016 and 2015, respectively.

(10) Other payables

Other payables consist of the following:	2016.12.31	2015.12.31
Accrued expenses	$236,911	$250,158
Accrued interest payable	663	1,104
Payables to equipment suppliers	20,564	27,868
Total	$258,138	$279,130

(11) Long-term loans

Details of long-term loans as of December 31, 2016 and 2015 are as follows:

Lenders	2016.12.31	Interest Rate (%) (Note 2)	Maturity and terms of repayment
Mega International Commercial Bank －Taoyuan Branch －Secured bank loans (Note1)	$104,808	Time deposit interest rate plus 0.75% for first two years and the rate plus 0.875% from third year	The loan is at the term from December 3, 2010 to December 3, 2020 and repayable in 37 quarterly installments starting from December 2011.
Mega International Commercial Bank － Taoyuan Branch－Secured bank loans (Note1)	120,000	One-year time deposit interest rate plus 0.875%	The loan is at the term from November 21, 2013 to November 21, 2018, and repayable in 20 quarterly installments starting from December 2013.
Shanghai Commercial & Saving Bank, Ltd. – Chung Li Branch －Secured bank loans (Note1)	53,000	Two-year time deposit interest rate plus 0.875%	The loan is at the term from December 12, 2014 to October 15, 2017, and repayable in 13 quarterly installments starting from January 2015.
Shanghai Commercial & Saving Bank, Ltd. – Chung Li Branch －Secured bank loans (Note1)	16,000	Two-year time deposit interest rate plus 1%	The loan is at the term from October 25, 2012 to October 15, 2017, and repayable in 20 quarterly installments starting from January 2013.

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

Total	293,808
Less: Current portion of long-term loans	(155,204)
Non-current portion of long-term loans	$138,604

Lenders	2015.12.31	Interest Rate (%) (Note 2)	Maturity and terms of repayment
Mega International Commercial Bank －Taoyuan Branch －Secured bank loans (Note1)	$162,147	Time deposit interest rate plus 0.75% for first two years and the rate plus 0.875% from third year	The loan is at the term from December 3, 2010 to December 3, 2020 and repayable in 37 quarterly installments starting from December 2011.
Mega International Commercial Bank － Taoyuan Branch－Secured bank loans (Note1)	180,000	One-year time deposit interest rate plus 0.875%	The loan is at the term from November 21, 2013 to November 21, 2018, and repayable in 20 quarterly installments starting from December 2013.
Shanghai Commercial & Saving Bank, Ltd. – Chung Li Branch －Secured bank loans (Note1)	107,000	Two-year time deposit interest rate plus 0.875%	The loan is at the term from December 12, 2014 to October 15, 2017, and repayable in 13 quarterly installments starting from January 2015.
Shanghai Commercial & Saving Bank, Ltd. – Chung Li Branch －Secured bank loans (Note1)	32,000	Two-year time deposit interest rate plus 1%	The loan is at the term from October 25, 2012 to October 15, 2017, and repayable in 20 quarterly installments starting from January 2013.
Total	481,147		
Less: Current portion of long-term loans	(162,436)		
Non-current portion of long-term loans	$318,711		

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

Note1: Please refer to Note 8 for more details regarding certain property, plant and equipment pledged for secured bank loans.

Note2: Interest rates of long-term loans are as follows:

	2016.12.31	2015.12.31
Interest Rates (%)	1.80%~2.00%	2.15%~2.305%

(12) Post-employment benefits

Defined contribution plan

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

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

Expenses under the defined contribution plan for the years ended December 31, 2016 and 2015 amounted to NT$17,268 thousand and NT$18,660 thousand, respectively.

Additional pension expenses recognized for the executives commissioned by the Company amounted to NT$216 thousand and NT$675 thousand for the years ended December 31, 2016 and 2015, respectively.

Defined benefits plan

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

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

Company assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute NT$5,858 thousand to its defined benefit plan during the 12 months beginning after December 31, 2016.

As of December 31, 2016 and 2015, the maturities of the Company's defined benefit plan were expected in 2026 and 2034.

Pension costs recognized in profit or loss for the years ended December 31, 2016 and 2015 :

	2016	2015
Current period service costs	$836	$836
Interest income or expense	(677)	(677)
Past service cost	-	-
Payments from the plan	-	-
Total	$159	$159

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	2016.12.31	2015.12.31	2015.01.01
Defined benefit obligation	$49,663	$51,513	$46,192
Plan assets at fair value	(85,750)	(82,343)	(76,276)
Other non-current liabilities - Accrued pension liabilities recognized on the balance sheets	$(36,087)	$(30,830)	$(30,084)

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

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

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
2015.01.01	$46,192	$76,276	$(30,084)
Current period service costs	836	-	836
Net interest expense (income)	1,039	1,716	(677)
Past service cost and gains and losses arising from settlements	-	-	-
Subtotal	1,875	1,716	159
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	1,368	-	1,368
Actuarial gains and losses arising from changes in financial assumptions	3,457	-	3,457
Experience adjustments	672	-	672
Return on plan assett assets	-	304	(304)
Subtotal	5,497	304	5,193
Payments from the plan	(2,051)	(2,051)	-
Contributions by employer	-	6,098	(6,098)
Effect of changes in foreign exchange rate	-	-	-
2015.12.31	51,513	82,343	(30,830)
Current period service costs	836	-	836
Net interest expense (income)	1,039	1,716	(677)
Past service cost and gains and losses arising from settlements	-	-	-
Subtotal	1,875	1,716	159
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	1,425	-	1,425
Actuarial gains and losses arising from changes in financial assumptions	-	-	-
Experience adjustments	(1,942)	-	(1,942)
Return on plan assets	-	(959)	959
Subtotal	(517)	(959)	442

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

Payments from the plan	(3,208)	(3,208)	-
Contributions by employer	-	5,858	(5,858)
Effect of changes in foreign exchange rate	-	-	-
2016.12.31	$49,663	$85,750	$(36,087)

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As of December 31,	
	2016	2015
Discount rate	1.50%	1.50%
Expected rate of salary increases	1.00%	1.00%

A sensitinivity analysis for significant assumption is shown as below:

	Effect on the defined benefit obligation			
	2016		2015	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increased by 0.5%	$-	$(2,330)	$-	$(2,503)
Discount rate decreased by 0.5%	2,656	-	2,862	-
Expected salary level increased by 0.5%	2,656	-	2,862	-
Expected salary level decreased by 0.5%	-	(2,351)	-	(2,526)

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another. There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

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

(13) Equities

(a) Common stock

The Company's authorized and issued capital was NT$4,000,000 thousand and NT$2,860,594 thousand as of January 1, 2015, divided into 400,000,000 shares and 286,059,335 shares, respectively, each share at par value of NT$10.

The Company resolved to cancel the treasury stock of NT$50,000 thousand at October 30, 2015 with the measurement date at November 13, 2015. The cancellation of treasury stock reduced the issued shares to 281,059,335 shares. The authorized capital remained unchanged at 400,000,000 shares.

(b) Capital surplus

	2016.12.31	2015.12.31
Additional paid-in capital	$989,014	$989,014
Treasury share transactions	32,214	32,214
Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control	15,531	15,531
Gain on sale of assets	155	155
Employee stock option	5,249	5,249
Share options	19,710	19,710
Total	$1,061,873	$1,061,873

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

(c) Treasury stock

As of December 31, 2016 and 2015, the Company did not hold any treasury stock.

On August 26, 2015, the Board of directors resolved to buy back the Company's shares from the public markets. The related information on the treasury stock transactions was as follows:

Reason to reacquire	Number of shares, Beginning of Year	Addition	Reduction	Number of shares, End of Year
2015				
To maintain the Company's credibility and stockholders' interest (in thousand shares)	-	5,000	5,000	-

According to the Securities and Exchange Law of the R.O.C., the total shares of treasury stock shall not exceed 10% of the Company's issued stock, and the total purchase amount shall not exceed the sum of the retained earnings, additional paid-in capital-premiums and realized additional paid-in capital.

(d) Retained earnings and dividend policies

(1) Earning distribution

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

a. Payment of all taxes and dues;
b. Offset prior years' operation losses;
c. Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
d. Set aside or reverse special reserve in accordance with law and regulations; and
e. After deducting items (a), (b), (c), and (d) above from the current year's earnings, no higher than 3% of the remaining amount is to be allocated as remuneration to directors, 10% to 18% of the remaining amount is to be allocated as employee bonuses.
f. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

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

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

(2) Dividend policy

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, financial structures and earnings etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting. The Company's Articles of Incorporation further provide that no more than 90% of the dividends to shareholders, if any, could be paid in the form of share dividends. Accordingly, at least 10% of the dividends must be paid in the form of cash.

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

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

On a public company's first-time adoption of the T-IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a company's adoption of the T-IFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

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

As of January 1, 2013, special reserve set aside for the first-time adoption of T-IFRS amounted to NT$349,310 thousand. Furthermore, the Company has reversed special reserve in the amount of NT$49,644 thousand to retained earnings during the year ended December 31, 2013 due to the use, disposal or reclassification of related assets.

As of December 31, 2016 and 2015, special reserve set aside for the first-time adoption of T-IFRS reduced to NT$299,666 thousand accordingly.

(5)There was no earnings distribution for the years ended December 31, 2016 and 2015.

For 2016 and 2015 employee and directors' compensation under the new Article to be amended, please refer to Note 6(16) for more details.

(14) Operating revenue

	2016	2015
Sale of goods	$5,714,175	$7,169,018
Less: Sales returns, discounts and allowances	(138,876)	(158,339)
Total	$5,575,299	$7,010,679

(15) Operating leases

The Company as a lessee

The Company has entered into commercial leases on certain motor vehicles and items of land and buildings. These leases have an average life of three years with no renewal option included in the contracts. There are no restrictions placed upon the Company by entering into these leases.

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

Future minimum rentals payable under non-cancellable operating leases as of December 31, 2016 and 2015 are as follows:

	2016.12.31	2015.12.31
Within one year	$708	$708
Above one year to five years	354	1,062
Total	$1,062	$1,770

Operating lease expenses recognized are as follows:

	2016	2015
Minimum lease payments	$10,693	$9,913

(16) Summary of employee benefits, depreciation and amortization expenses by function during the years ended December 31, 2016 and 2015 is as follows:

	2016			2015		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	$218,154	$100,987	$319,141	$207,560	$134,763	$342,323
Labor and health insurance	30,713	5,481	36,194	29,399	9,887	39,286
Pension	11,984	5,659	17,643	11,069	8,425	19,494
Other employee benefits expense	119,560	47,496	167,056	137,866	6,017	143,883
Depreciation	156,823	9,817	166,640	167,325	19,497	186,822
Amortization	657	4,454	5,111	753	3,998	4,751

Note: The headcounts of the Company amounted to 719 and 700, respectively, as of December 31, 2016 and 2015.

A resolution was passed at the shareholders' meeting of the Company held on May 27, 2016 to amend the Articles of Incorporation of the Company. According to the resolution, 10%~18% of profit of the current year is distributable as employees' compensation and no higher than 3% of profit of the current year is distributable as remuneration to directors and supervisors. However, the company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

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

For the year ended December 31, 2016, the Company incurred accumulated losses and therefore did not intend to accrue the employees' compensation and remuneration to directors.

For the year ended December 31, 2015, the Company incurred losses and therefore did not intend to accrue the employees' compensation and remuneration to directors.

(17)Non-operating income and expenses

(a) Other income

	2016	2015
Interest income	$312	$843
Other income－reversal of bad debt	-	20,500
Other income－others	52,156	38,104
Total	$52,468	$59,447

(b) Other gains and losses

	2016	2015
Gain (loss) on disposal of property, plant and equipment	$1,953	$(1,672)
Foreign exchange gains (losses), net	(9,229)	22,842
Gain on disposal of investments	4,221	-
Others losses-others	(7,635)	(4,605)
Total	$(10,690)	$16,565

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

(c) Finance costs

	2016	2015
Interest on borrowings from bank	$18,638	$19,225

(18)Components of other comprehensive income (loss)

For the year ended December 31, 2016

	Arising during the period	Reclassification during the period	Subtotal	Income tax benefit (expense)	OCI, Net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	$(442)	$-	$(442)	$-	$(442)
May be reclassified to profit or loss in subsequent periods:					
Exchange differences arising on translation of foreign operations	(349,340)	-	(349,340)	59,388	(289,952)
Total	$(349,782)	$-	$(349,782)	$59,388	$(290,394)

For the year ended December 31, 2015

	Arising during the period	Reclassification during the period	Subtotal	Income tax benefit (expense)	OCI, Net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	$(5,193)	$-	$(5,193)	$-	$(5,193)
May be reclassified to profit or loss in subsequent periods:					
Exchange differences arising on translation of foreign operations	(91,713)	-	(91,713)	15,592	(76,121)
Total	$(96,906)	$-	$(96,906)	$15,592	$(81,314)

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

(19) Income tax

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

Income tax expense (income) recognized in profit or loss

	2016	2015
Current income tax expense (income):		
Current income tax charge	$-	$-
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	-	(8,752)
Adjustments in respect of current income tax of prior periods	-	8,752
Total income tax expense (income)	$-	$-

Income tax relating to components of other comprehensive income

	2016	2015
Deferred tax expense (income):		
Exchange differences arising on translation of foreign operations	$(59,388)	$(15,592)

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

	2016	2015
Accounting profit (loss) before tax from continuing operations	$10,700	$(93,866)
Tax payable at the enacted tax rates	$1,819	$(15,957)
Tax effect of income tax-exempted	(1,096)	(159)
Tax effect of expenses not deductible for tax purposes	54	37
Tax effect of deferred tax assets/liabilities	(777)	7,327
Prior years tax adjustment	-	8,752
Total income tax expense (income) recognized in profit or loss	$-	$-

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

(c)Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2016

	Beginning balance as of January 1, 2016	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as of December 31, 2016
Temporary differences				
Unrealized loss on inventory valuation	$4,002	$(1,351)	$-	$2,651
Loss on inventory written-off and obsolescense	-	2,609	-	2,609
Investments accounted for using the equity method	(259,186)	(27,083)	59,388	(226,881)
Over 2 years payables	73	-	-	73
Gain on disposal of property, plant and equipment	1,394	1,111	-	2,505
Unrealized exchange loss (gain)	(642)	602	-	(40)
Sales returns and allowances	13,895	(5,426)	-	8,469
Commission expense	18,857	(1,609)	-	17,248
Unused tax losses	89,068	31,147	-	120,215
Employee benefits	1,584	-	-	1,584
Deferred tax income/ (expense)		$-	$59,388	
Net deferred tax assets/(liabilities)	$(130,955)			$(71,567)
Reflected in balance sheet as follows:				
Deferred tax assets	$128,873			$155,354
Deferred tax liabilities	$(259,828)			$(226,921)

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

For the year ended December 31, 2015

	Beginning balance as of January 1, 2015	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as of December 31, 2015
Temporary differences				
Unrealized loss on inventory valuation	$7,142	$(3,140)	$-	$4,002
Investments accounted for using the equity method	(267,052)	(7,726)	15,592	(259,186)
Allowance for doubtful debts	1,160	(1,160)	-	-
Over 2 years payables	73	-	-	73
Gains on disposal of property, plant and equipment	1,380	14	-	1,394
Unrealized exchange loss (gain)	(5,995)	5,353	-	(642)
Sales return and allowances	7,214	6,681	-	13,895
Commission expense	30,134	(11,277)	-	18,857
Unused tax losses	69,061	20,007	-	89,068
Employee benefits	1,584	-	-	1,584
Deferred tax income/ (expense)		$8,752	$15,592	
Net deferred tax assets/(liabilities)	$(155,299)			$(130,955)
Reflected in balance sheet as follows:				
Deferred tax assets	$117,748			$128,873
Deferred tax liabilities	$(273,047)			$(259,828)

(d) Unrecognized deferred tax assets

As of December 31, 2016 and 2015, deferred tax assets that have not been recognized amounts to NT$37,554 thousand and NT$60,996 thousand, respectively.

(e) Imputation credit information

	2016.12.31	2015.12.31
Balances of imputation credit amounts	$247,606	$247,606

The expected creditable ratio for 2016 and actual creditable ratio for 2015 were both 0%.

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

Effective January 1, 2015, the creditable ratio for the individual shareholders residing in the Republic of China will be half of the original creditable ratio according to the revised Article 66-6 of the Income Tax Law.

Earnings generated prior to December 31, 1997 have been fully appropriated.

(f) The following table contains information of the net operating loss of the Company:

Year incurred	Net operating loss	Expiration year
2013	$357,540	2023
2014	224,933	2024
2015	160,778	2025
2016(estimated)	178,648	2026
Total	$921,899	

(g) The assessment of income tax returns

As of December 31, 2016, the tax assessments on the Company’s tax filings have been approved up to the year of 2014.

(20) Earnings per share

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

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

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

	2016	2015
(a) Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT$)	$10,700	$(93,866)
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand shares)	284,465	284,465
Basic earnings per share (in NT$)	$0.04	$(0.33)
(b) Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT$)	$10,700	$(93,866)
Profit attributable to ordinary equity holders of the Company after dilution (in thousand NT$)	$10,700	$(93,866)
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand shares)	284,465	284,465
Weighted average number of ordinary shares outstanding after dilution (in thousand shares)	284,465	284,465
Diluted earnings per share (in NT$)	$0.04	$(0.33)

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were authorized for issue.

7. Related party transactions

(a) Purchases

	2016	2015
Subsidiaries	$3,459,169	$4,614,202

As the specifications of merchandise purchased from the subsidiaries are different from those from other third-party companies, the purchasing prices to subsidiaries were not comparable. Payment terms for subsidiaries were 90~100 days after monthly closing while 60~120 days after monthly closing for general suppliers.

(b) The Company recognized operating revenue of processing performed for subsidiaries amounted to NT$34,134 thousand and NT$8,264 thousand for the years ended December 31, 2016 and 2015, respectively.

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

(c) For the year ended December 31, 2016, the Company recognized operating expenses of NT$523 thousand for services provided by other related parties.

(d) Transaction of assets

Type of Assets	Related Parties	Purchase price	Price reference
2016			
None			
2015			
Equipment to be examined	Subsidiary	$1,042	Negotiated

Type of Assets	Related Parties	Book Value	Selling price	Gain (Note)	Price reference
2016					
Machinery	Subsidiary	$-	$8,472	$8,472 (Note)	Negotiated
2015					
Machinery	Subsidiary	$-	$1,217	$1,217 (Note)	Negotiated

Note: The gains were recorded as unrealized profits.

(e) Accounts receivable-related parties

	2016.12.31	2015.12.31
Subsidiaries	$6,601	$3,541
Less: allowance for doubtful debt	-	-
Total	$6,601	$3,541

(f) Other receivables from related parties

	2016.12.31	2015.12.31
Subsidiaries	$272	$35,814

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

(g) Long-term accounts receivable from related parties

	2016.12.31	2015.12.31
Subsidiaries	$65,376	$65,376
Less: credit balance of equity investments	(65,376)	(65,376)
Less: allowance for doubtful debt	-	-
Total	$-	$-

(h) Accounts payable to related parties

	2016.12.31	2015.12.31
Subsidiaries	$978,935	$1,229,657

(i) Other receivables from related parties

	2016.12.31	2015.12.31
Other related parties	$421	$-
Subsidiaries	1,869	-
Total	$2,290	$-

(j) Loan to related parties

Other receivables	The highest balance (Dr)	Balance at year end (Dr)	Interest rate	Total interest for the year
2016				
Subsidiaries	$20,000	$-	1.63%	$42
2015				
Subsidiaries	$25,000	$-	1.54%~1.65%	$377

(k) As of December 31, 2016 and 2015, the Company provided endorsement/guarantee to its subsidiaries in total of NT$740,600 thousand and NT$2,491,363 thousand, respectively.

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

(l) Disposal of assets transaction

	Shares of transaction	Object of transaction	2016	
			Price	Gain
Other related parties	8,589,873	Abon Touchsystems Inc.	$50,383	$4,221

No such matter for the year ended December 31, 2015.

(m) Key management personnel compensation

	2016	2015
Short-term employee benefits	$29,733	$32,344
Post-employment benefits	834	1,109
Total	$30,567	$33,453

8. Assets pledged as collateral

Assets	Book value 2016.12.31	Book value 2015.12.31	Purpose of pledge
Property, plant and equipment – land	$137,171	$137,171	Secured loans
Property, plant and equipment – buildings	94,914	101,200	Secured loans
Property, plant and equipment – machinery and equipment	196,596	190,009	Secured loans
Total	$428,681	$428,380	

9. Significant contingencies and unrecognized contract commitments

(a) As of December 31, 2016, the Company's outstanding contracts relating to purchase of property, plant and equipment were as follows:

Type of Asset	Total Amount	Amount paid	Amount unpaid
Machinery	$33,818	$18,852	$14,966

Amount paid was recorded under construction in progress and equipment to be examined.

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

10. Losses due to major disasters

None.

11. Significant subsequent events

None.

12. Others

(1)Categories of financial instruments

Financial assets

	2016.12.31	2015.12.31
Loans and receivables:		
Cash and cash equivalents (excluding cash on hand)	$162,699	$390,718
Notes receivable, net	10,806	11,446
Accounts receivable, net (including related parties)	1,668,629	1,770,515
Other receivables (including related parties)	16,510	52,265
Total	$1,858,644	$2,224,944

Financial liabilities

	2016.12.31	2015.12.31
Financial liabilities at amortized cost:		
Short-term loans	$813,310	$546,563
Payables	1,616,433	1,858,913
Long-term loans (including current portion)	293,808	481,147
Total	$2,723,551	$2,886,623

(2)Financial risk management objectives and policies

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

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

(3)Market risk

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

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

Foreign currency risk

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

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

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

When NTD strengthens/weakens against USD by 1%, the profit for the years ended December 31, 2016 and 2015 is decreased/increased by NT$3,659 thousand and NT$5,256 thousand, respectively.

Interest rate risk

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

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the reporting date, a change of 0.1% of interest rate in a reporting period could cause the profit for the years ended December 31, 2016 and 2015 to decrease/increase by NT$949 thousand and NT$650 thousand, respectively.

Equity price risk

As of December 31, 2016 and 2015, the Company does not hold equity securities at fair value; therefore the Company is not subject to equity price risk.

(4)Credit risk management

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

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

As of December 31, 2016 and 2015, accounts receivable from top ten customers represent 59.51% and 66.17% of the total accounts receivables of the Company, respectively. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Company's treasury in accordance with the Company's policy. The

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

Company only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counter parties.

(5)Liquidity risk management

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

Non-derivative financial instruments

	< 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
2016.12.31					
Loans	$973,876	$115,866	$26,628	$-	$1,116,370
Payables	1,616,433	-	-	-	1,616,433
2015.12.31					
Loans	$713,271	$264,146	$66,930	$-	$1,044,347
Payables	1,858,913	-	-	-	1,858,913

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

(6)Fair values of financial instruments

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

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

i. The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.

ii. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.

iii. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

iv. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

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

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

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

(c) Fair value measurement hierarchy for financial instruments

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

(7)Fair value measurement hierarchy

(a)Fair value measurement hierarchy

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

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

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

Level 3 – Unobservable inputs for the asset or liability

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

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

The Company does not have assets that are measured at fair value on a non-recurring basis. And the Company does not have assets or liabilities that are measured at fair value on a recurring basis.

<u>Transfers between Level 1 and Level 2 during the period</u>

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

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

(8)Significant assets and liabilities denominated in foreign currencies (in thousand dollars)

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

	2016.12.31			2015.12.31		
	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD
Financial assets						
Monetary tems:						
USD	$57,079	32.2	$1,837,931	$67,153	32.775	$2,200,943
Financial liabilities						
Monetary tems:						
USD	$45,573	32.3	$1,472,049	$50,960	32.875	$1,675,294

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

Since there were varieties of foreign currency transactions of the Company, the Company was unable to disclose foreign exchange gain (loss) towards each foreign currency with significant impact. The Company recognized exchange gain amounted to NT$(9,229) thousand and NT$22,842 thousand for the years ended December 31, 2016 and 2015, respectively.

(9) Capital management

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

13. Other disclosures

(1) The following are additional disclosures for the Company as required by the R.O.C. Securities and Futures Bureau:

a. Financing provided to others for the year ended December 31, 2016: Please refer to Attachment 1.

b. Endorsement/Guarantee provided to others for the year ended December 31, 2016: Please refer to Attachment 2.

c. Securities held as of December 31, 2016 (excluding subsidiaries, associates and joint ventures): None.

d. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of capital stock for the year ended December 31, 2016: None.

e. Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of capital stock for the year ended December 31, 2016: None.

f. Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of capital stock for the year ended December 31, 2016: None.

g. Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20% of capital stock for the year ended December 31, 2016: Please refer to Attachment 3.

h. Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of capital stock as of December 31, 2016: None.

i. Financial instruments and derivative transactions: None.

(2) Information on investees :

A. If an investor controls operating, investing and financial decisions of an investee or an investor has the ability to exercise the ability to exercise significant influence over operating and financial policies of an investee, the related information for the investee is disclosed (not including investment in Mainland China): Please refer to Attachment 4.

B. An investor controls operating, investing and financial decisions of an investee. The related information for the investee shall be disclosed Note13(1) as below:

(a) Financing provided to others for the year ended December 31, 2016: Please refer to Attachment 1.

(b) Endorsement/Guarantee provided to others for the year ended December 31, 2016: None.

(c) Securities held as of December 31, 2016 (excluding subsidiaries, associates and joint ventures): None.

(d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of capital stock for the year ended December 31, 2016: Please refer to Attachment 5.

(e) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of capital stock for the year ended December 31, 2016: None.

(f) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of capital stock for the year ended December 31, 2016: None.

(g) Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20% of capital stock for the year ended December 31, 2016: Please refer to Attachment 6.

(h) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of capital stock as of December 31, 2016: Please refer to Attachment 7.

(i) Financial instruments and derivative transactions: None.

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

(3) Information on investments in Mainland China:

a. Investee company name, main businesses and products, total amount of capital, method of investment, accumulated inflow and outflow of investments from Taiwan, net income (loss) of investee company, percentage of ownership, investment income (loss), carrying value of investments, cumulated inward remittance of earnings and limits on investment in Mainland China:

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2016	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2016	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as of December 31, 2016	Accumulated Inward Remittance of Earnings as of December 31, 2016	Accumulated Outflow of Investment from Taiwan as of December 31, 2016	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
					Outflow	Inflow									
Dynamic Electronics (Kunshan) Co., Ltd.	Manufacturing and selling of PCB	$2,576,000 (Note 2, 3, 6)	(Note 1)	$2,260,265	$-	$-	$2,260,265	$103,563 (Note 2)	100%	$104,497 (Note 2, 4, 5)	$3,376,846 (Note 2, 4, 5)	$1,304,100 (Note 2)	$2,260,265	$2,260,265	No upper limit (Note 11)
Dynamic Electronics (Huangshi) Co., Ltd.	Manufacturing and selling of PCB	$805,000 (Note 2, 7, 8)	(Note 9)	$-	$292,330	$-	$292,330	$(3,837)	100%	$(3,837) (Note 2, 4,10)	$762,527 (Note 2, 4, 10)	$-	$292,330	$292,330	

Note 1: Investment in Mainland China through companies in the third area established Dynamic Electronics (Kunshan) Co. Ltd

Note 2: Foreign currencies were converted into New Taiwan dollars based on exchanged rate of balance sheet date.

Note 3: Total amount of paid-in capital is USD80,000 thousand.

Note 4: The investment income (loss) recognized under equity method and by calculation was based on audited financial statements.

Note 5: Recognized investment income and carrying value by WINTEK (MAURITIUS) CO., LTD.

Note 6: The difference between investmants remitted from Taiwan in amount of USD69,500 thousand and the received paid-in capital of USD80,000 thousand was a result of a capital injection of USD10,500 thousand made by WINTEK (MAURITIUS) CO., LTD.

Note 7: The difference between the original investment of USD9,000 thousand remitted from Taiwan and the paid-in capital of USD25,000 thousand is a capital injection of USD16,000 thousand by using cash dividends received from Dynamic Electronics (Kunshan) Co. Ltd.

Note 8: Total amount of paid-in capital is USD25,000 thousand.

Note 9: The Company indirectly invested in its China subsidiary, Dynamic Electronics (Huangshi) Co. Ltd., through WINTEK (MAURITIUS) CO., LTD. and Dynamic Holding Pte. Ltd.

Note 10: WINTEK (MAURITIUS) CO., LTD. indirectly, through the holding on Dynamic Holding Pte. Ltd., recognized the investment loss of Dynamic Electronics (Huangshi) Co. Ltd.

Note 11: The Company meets the conditions of corporate operation headquarter in the Principle of Evaluation for Investment and Technical Cooperation in Mainland China. Thus, there is no upper limit on investment amount.

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

b. Purchase and accounts payable with the related parties:

	Purchase		Accounts payable	
	Amount	%	Amount	%
Dynamic PCB Electronics Co., Ltd.	$3,459,169	80.38%	$978,935	72.19%

As the specifications of merchandise purchased from the subsidiaries are different from those from other third-party companies, the purchasing prices to subsidiaries were not comparable. Payment terms for subsidiaries were 90~100 days after monthly closing while 60~120 days after monthly closing for general suppliers.

c. Sales and accounts receivable with the related parties: None.

d. The profit and loss produced by transaction of the property:

Type of Assets	Name of Related Parties	Book Value	Selling price	Gain	Price reference
2016					
Machinery	Dynamic Electronics (Kunshan) Co., Ltd.	$-	$8,472	$8,472 (Note)	Negotiated

Note: The gain was recorded as unrealized profit.

e. The purpose and balance of a note guarantee and a guarantee endorsement or providing for secure:

As of December 31, 2016, the Company provided Endorsement/Guarantee to Dynamic Electronics (Kunshan) Co., Ltd. amounted to NT$579,600 thousand.

f. The amount of maximum financing, the balance interest rates, and lump sum interest expense: None.

g. The other events impact over current profit or loss or have the significant influence over the financial conditions, such as provided service or received service:

The Company recognized operating revenue of processing performed for Dynamic Electronics (Kunshan) Co., Ltd. amounting to NT$34,134 thousand for the year of 2016. As of December 31, 2016, accounts receivable amounted to NT$6,601 thousand.

14. Segment information

The Company has provided the operating segments disclosure in the consolidated financial statements.

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD.

Financing provided to others

For the year ended December 31, 2016

Attachment 1

(In Thousands of New Taiwan Dollars)

NO. (Note1)	Lender	Counter-party	Financial accounting account	Related Party	Maximum balance for the period	Ending balance	Actual amount provided	Interest rate	Nature of financing (Note 2)	Amount of sales to(purchases from) counter-party	Reason for financing	Allowance for doubtful accounts	Collateral		Limit of financing amount for individual counter-party (Note 3)	Limit of total financing amount (Note 3)
													Item	Value		
0	Dynamic Electronics Co., Ltd.	Abon Touchsystems Inc.	Other receivables -related parties	Yes (Note 5)	$20,000	$-	$-	-%	1	$-	Business turnover	$-	-	$-	$854,919 (Note 3)	$1,709,837 (Note 3)
1	Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	Other receivables -related parties	Yes	$49,240	$45,920	$22,501	4.35%	2	$-	Business turnover	$-	-	$-	$337,685 (Note 4)	$675,370 (Note 4)

Note 1: Dynamic Electronics Co., Ltd. and subsidiaries are coded as follows:

1. Dynamic Electronics Co., Ltd. is coded "0".
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Nature of financing is coded as follows:

1.Need for operating is coded "1".

2.Need for short term financing is coded "2".

Note 3: Limit of total financing amount shall not exceed 40% of the lender's net assets of value as of December 31, 2016.

Limit of financing amount for individual counter-party shall not exceed 20% of the lender's net assets value as of December 31, 2016.

Note 4: Limit of total fiancing amount shall not exceed 20% of the lender's net assets of value as of December 31, 2016.

Limit of financing amount for individual counter-party shall not exceed 10% of the lender's net assets value as of December 31, 2016.

Note 5: The Company's board of directors resolved to sell its 51.13% share interest on Abon Touch Systems Inc. in a meeting held on February 25, 2016. The Company derecognized Abon Touch Systems Inc.'s financial accounts from the consolidated financial statements starting the date when losing the control power.

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD.

Endorsement/Guarantee Provided to Others

For the Year Ended December 31, 2016

Attachment 2

(In Thousands of New Taiwan Dollars)

Endorsement/ Guarantee Provider		Guaranteed Party											
No. (Note 1)	Name	Name	Relationship (Note2)	Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 3)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee secured by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowed (Note 3)	Endorsement provided by parent company to subsidiaries	Endorsement provided by subsidiaries to parent company	Endorsement provided to entities in China
0	Dynamic Electronics Co., Ltd.	Abon Touchsystems Inc.	1	$4,274,593	$372,000	$182,000	$144,652	$-	4.26%	$4,274,593	N	N	N
0	Dynamic Electronics Co., Ltd.	Dynamic Eelectronics Co., Ltd. (Seychelles)	2	$4,274,593	$167,000	$161,000	$-	$-	3.77%	$4,274,593	Y	N	N
0	Dynamic Electronics Co., Ltd.	Dynamic Eelectronics (Kunshan) Co., Ltd.	3	$4,274,593	$1,982,855	$579,600	$289,800	$-	13.56%	$4,274,593	Y	N	Y

Note 1: Dynamic Electronics Co., Ltd. and subsidiaries are coded as follows:

1. Dynamic Electronics Co., Ltd. is coded "0".
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: The six categories of between the Company and endorsees as follows:

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

Note 3: According to the procedures of Endorsement and Guarantee, the limitation of endorsement or guarantee for other subsidiaries shall not exceed the current net value of the Company. Also, the limitation of endorsement or guarantee for one of the subsidiaries shall not exceed the current net value of Company.

Note 4: The Company's board of directors resolved to sell its 51.13% share interest on Abon Touch Systems Inc. in a meeting held on February 25, 2016. As a result, the Company has set aside and submitted to its Audit Committee a rectification plan regarding endorsement/guarantee provided to others and will implement the plan as scheduled and report to the board of directors.

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD.

Related Party Transactions for Purchases and Sales Amounts exceeding the lower of NT$100 Million or 20% of Capital Stock

For the Year Ended December 31, 2016

Attachment 3

(In Thousands of New Taiwan Dollars)

			Transaction Details				Abnormal Transaction		Notes/ Accounts Payable or Receivable		
Company Name	Related Party	Nature of Relationship	Purchase/ Sale	Amount	% to Total	Payment/ Collection Term	Unit Price	Payment/ Collection Term	Ending Balance	% to Total	Note
Dynamic Electronics Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	Subsidiary	Purchase	$3,459,169	80.38%	90~100 days after monthly closing	Specs of goods purchased are different from others. Cannot be reasonably compared.	Non relative parties are 60~120 days after monthly closing	Accounts payable $978,935	72.19%	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD.

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

As of December 31, 2016

Attachment 4

(In Thousands of Foreign Currency / New Taiwan Dollars)

Investor	Investee	Address	Main Business and Product	Original Investment Amount		Balance as of December 31, 2016			Net Income (Loss) of the Investee	Share of Income (Loss) of the Investee	Note
				As of December 31, 2016	As of December 31, 2015	Shares	%	Carrying Value			
Dynamic Electronics Co., Ltd.	WINTEK (MAURITIUS) CO., LTD.	Suite 802, St James Court, St Denis Street, Port Louis, Mauritius	The business of PCB	$2,564,496	$2,272,166	7,850,000	100.00%	$4,131,609	$101,326	$111,752 (Note 1)	
Dynamic Electronics Co., Ltd.	Dynamic Electronics Europe GmbH	Moraenenhoehe 45 47533 Kleve Germany	PCB and business which relates to import and export	$873	$873	-	100.00%	$(67,041)	$-	$-	
Dynamic Electronics Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	1st Floor, #5 DEKK House, De Zippora Street, P.O. Box 456, Providence Industrial Estate, Mahe, Republic of Seychelles	PCB and business which relates to import and export	$1,555	$1,555	50,000	100.00%	$2,113	$125	$125	
Dynamic Electronics Co., Ltd.	Dynamic Electronics Co., Ltd. (Seychelles)	1st Floor, #5 DEKK House, De Zippora Street, P.O. Box 456, Providence Industrial Estate, Mahe, Republic of Seychelles	PCB and business which relates to import and export	$224,005	$224,005	7,200,000	100.00%	$126,060	$47,256	$47,256	
Dynamic Electronics Co., Ltd.	Dynamic Electronics Trading Pte. Ltd.	151 CHIN SWEE ROAD #01-48 MANHATTAN HOUSE SINGAPORE(169876)	Management operations services	$1,541	$1,541	50,000	100.00%	$1,783	$178	$178	
WINTEK (MAURITIUS) CO., LTD.	Dynamic Electronics Holding Pte. Ltd.	151 CHIN SWEE ROAD #01-48 MANHATTAN HOUSE SINGAPORE(169876)	Investing activities	$793,290	$-	25,000,002	100.00%	USD 23,668	USD (126)	USD (126)	

Note1: Including investment gain recognized under equity method amounted to NT$101,326 thousand, realized profit on transaction between subsidiaries amounted to NT$21,150 thousand and unrealized profit on transaction between subsidiaries amounted to NT$(10,724) thousand.

DYNAMIC ELECTRONICS CO., LTD.

Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of capital stock

For the Year Ended December 31, 2016

Attachment 5

(In Thousands of USD Dollars)

Company Name	Type and Name of Securities	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Carrying Value	Gain/Loss on Disposal	Shares/Units	Amount
WINTEK (MAURITIUS) CO., LTD.	Dynamic Electronics Holding Pte. Ltd.	Investments accounted for using the equity method	- (Note 1)	Subsidiary	2	$(6)	25,000,000	$23,674 (Note 3)	-	$-	$-	$-	25,000,002	$23,668
Dynamic Electronics Holding Pte. Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	Investments accounted for using the equity method	- (Note 2)	Subsidiary	-	$-	-	$23,681 (Note 4)	-	$-	$-	$-	-	$23,681

Note 1: The remittance amounted to USD 25,000 thousand and acquired 25,000,000 shares of Dynamic Electronics Holding Pte. Ltd with 100%.

Note 2:The remittance amounted to USD 25,000 thousand and acquired Dynamic Electronics (Huangshi) Co., Ltd. with 100%.

Note 3: Including Increase investment USD 25,000 thousand, investment loss recognized under equity method amounted to USD 126 thousand and decrease in exchange differences resulting from translating the financial statements of a foreign operation amounted to USD 1,200 thousand.

Note 4: Including Increase investment USD 25,000 thousand, investment loss recognized under equity method amounted to USD 119 thousand and decrease in exchange differences resulting from translating the financial statements of a foreign operation amounted to USD 1,200 thousand.

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD.

Related Party Transactions for Purchases and Sales Amounts exceeding the lower of NT$100 Million or 20% of Capital Stock

For the Year Ended December 31, 2016

Attachment 6

(In Thousands of Foreign Currency)

			Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		
Company Name	Related Party	Nature of Relationship	Purchase/ Sale	Amount	% to Total	Payment/ Collection Term	Unit Price	Payment/ Collection Term	Ending Balance	% to Total	Note
Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	Subsidiary	Sales	RMB 1,483,892	79.70%	90 days after monthly closing.	Specs of goods sold are different from others. Cannot be reasonably compared.	Non relative parties are 60~150 days after monthly closing.	Accounts receivable RMB 392,204	68.78%	
Dynamic Electronics (Kunshan) Co., Ltd.	Palwonn Electronics (Suzhou) Co., Ltd.	Other related parties	Purchases	RMB 76,792	7.62%	120 days after monthly closing.	Specs of goods purchased are different from others. Cannot be reasonably compared.	Non relative parties are 90~120 days after monthly closing.	Accounts payable RMB 33,122	8.38%	
Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics Co., Ltd. (Seychelles)	Subsidiary	Sales	USD 115,539	51.79%	90 days after monthly closing.	Not comparable.	No non-related parties to be compared with.	Accounts receivable USD 26,232	46.40%	
Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics Co., Ltd.	Subsidiary	Sales	USD 107,555	48.21%	90 days after monthly closing.	Not comparable.	No non-related parties to be compared with.	Accounts receivable USD 30,307	53.60%	
Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics (Kunshan) Co., Ltd.	Subsidiary	Purchases	USD 223,094	100.00%	90 days after monthly closing.	Not comparable.	No non-related parties to be compared with.	Accounts payable USD 56,539	100.00%	
Dynamic Electronics Co., Ltd. (Seychelles)	Dynamic PCB Electronics Co., Ltd.	Subsidiary	Purchases	USD 115,539	92.17%	90 days after monthly closing.	Specs of goods purchased are different from others. Cannot be reasonably compared.	Non relative parties are 90 days after monthly closing.	Accounts payable USD 26,232	89.48%	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD.

Receivables from Related Parties with Amounts exceeding the lower of NT$100 Million or 20% of Capital Stock

As of December 31, 2016

Attachment 7

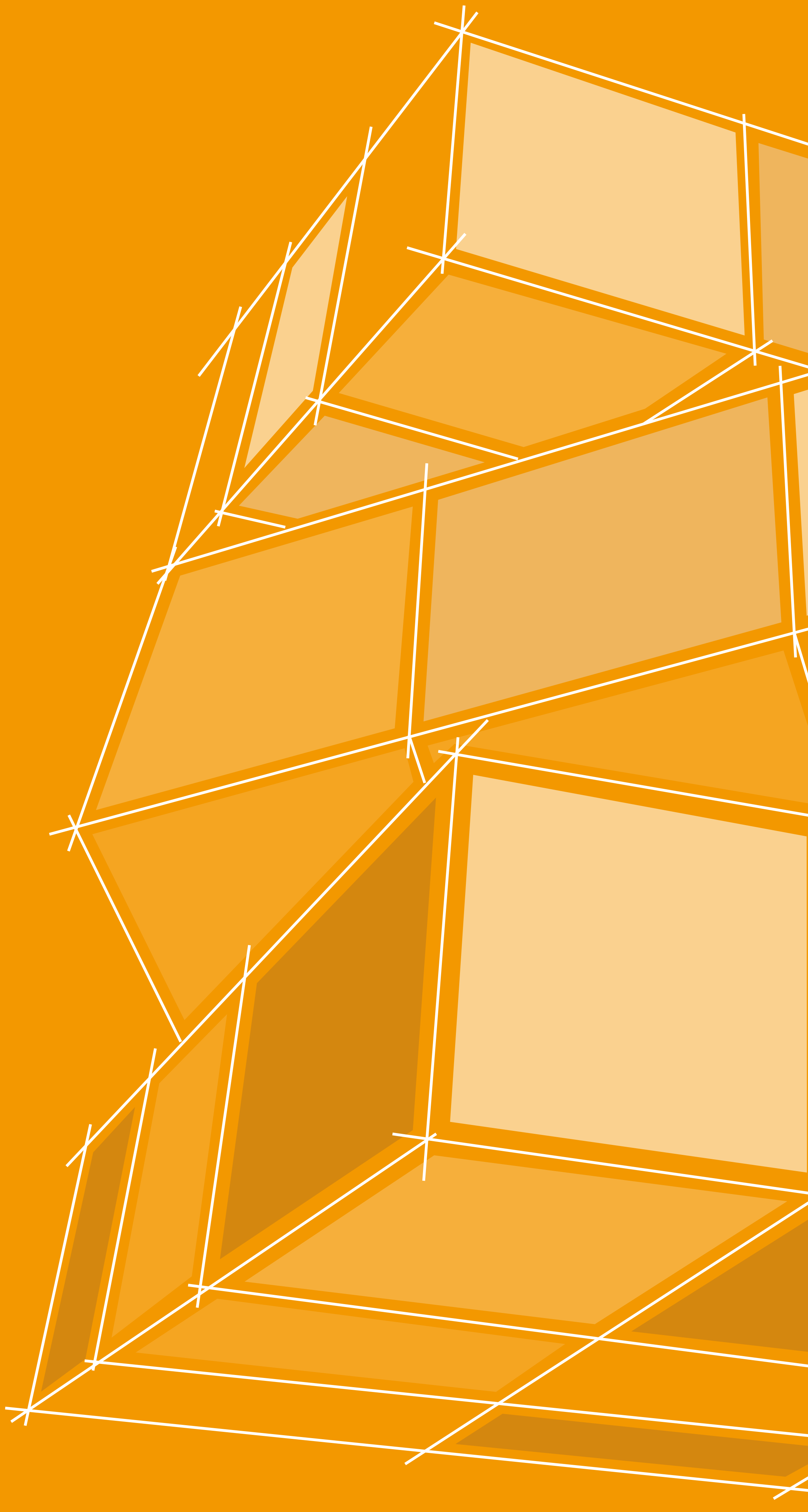
(In Thousands of Foreign Currency)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Ratio	Overdue		Amount Received in Subsequent Periods	Allowance for Doubtful Debts
					Amount	Action Taken		
Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	Subsidiary	RMB 392,204 (Note 1)	3.56	$-	-	$-	$-
Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics Co., Ltd.	Subsidiary	USD 30,307 (Note 1)	3.18	$-	-	$-	$-
Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics Co., Ltd. (Seychelles)	Subsidiary	USD 26,232 (Note 1)	4.10	$-	-	$-	$-

Note1 : Accounts receivable.

Dynamic Electronics Co., Ltd.

Chairman : Ken Huang



dynamic