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

DYNAMIC ELECTRONICS CO., LTD.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH AUDIT REPORT OF INDEPENDENT ACCOUNTANTS
AS OF DECEMBER 31, 2016 AND 2015
AND FOR THE YEARS THEN ENDED

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

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

MANAGEMENT REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Dynamic Electronics Co., LTD. as of December 31, 2016 and for the year then ended under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard No. 10, "Consolidated 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

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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.

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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.

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

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

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China 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)

Code	Items	Equity Attributable to Shareholders of the Parent								Non-controlling Interests	Total Equity
				Retained Earnings			Other Components of equtiy				
		Capital	Capital Surplus	Legal Reserve	Special Reserve	Accmulated profit or loss	Exchange differences arising on translation of foreign operations	Treasury Stock	Total		
		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.

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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	2016 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)

			Transaction Details				Abnormal Transaction		Notes/Accounts Payable or		
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%	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.