CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2016 AND 2015

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR16003429

To the Board of Directors and Shareholders of Chicony Power Technology Co., Ltd.

Opinion

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

In our opinion, based on our audits and the report of other independent accountants (please refer to "other matters"), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparations of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Appropriateness of Warehouse Operating Revenue Cut-off

The Group has two types of sales delivery forms: Factory direct shipment and Warehouse sales. Warehouse sales revenue is recognized when the goods are dispatched from the warehouses (transfer of significant risk and rewards of ownership) and is based on the reports and other relevant information provided by the warehouse custodians.

The Group has warehouses located in multiple countries, and the recognition of warehouse sales revenue involves a lot of manual works. Thus, we determine the warehouse sales revenue cut off as one of the key audit matters for this fiscal year's audit.

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

We performed the following audit procedures in respect of the above key audit matter:

1. We evaluated the internal controls for regular reconciliation between the Group and its warehouse custodians.
2. We performed the revenue recognition cut-off tests, including obtaining of sufficient appropriate audit evidences from custodians and reviewing the reconciliations of the Group's accounting records.
3. We conducted warehouse inventory audit by using physical counts or using confirmation letters to validate inventory balances with the warehouse custodians.

Impairment Loss of Available-for-sale Financial Assets

Please refer to Notes 4(10), 5(1), and 6(3) for description of accounting policy, use of judgement on accounting policy, and details of evaluation on impairment loss of available-for-sale financial assets.

Fair value of available-for-sale financial assets which the Group owned are stated at quoted prices from direct or indirect active markets. Management has evaluated that the fair value of individual equity investment is below its cost other than temporary, financial conditions of investees are poor, operations incurred recurring losses, etc. Considering that the Group's evaluation of individual equity investment indicates objective evidence of impairment, impairment loss of NT$546,906 thousand was recognized this year.

The individual equity investments impairment loss mentioned above involves significant accounting judgment by management, and the amount is material to the consolidated financial statements. Thus, we determined the impairment loss of available-for-sale financial assets as one of the key matters for this year's audit.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

1. Understood and assessed whether the Group's policy on available-for-sale financial assets impairment loss and procedures adopted are appropriate. The assessment shall consider the following factors:
   a) Gathering the related documents of individual equity investments from both internally and externally;
   b) Analyzing important financial ratios;
   c) Evaluating business forecast in the short-term; and
   d) The technological changes of the industry.
2. We evaluated the reasonableness of fair value calculation adopted by management to identified objective evidences of the impairment loss and verified the impairment loss is disclosed appropriately.

Other Matters

We did not audit the financial statements of a wholly-owned consolidated subsidiary, with assets of NT$338,136 thousand and NT$ 271,732 thousand as of December 31, 2016 and 2015, constituting 1.74% and 1.49% of total consolidated assets. Additionally, the subsidiary had operating income amounting to NT$684,710 thousand and NT$ 518,938 thousand, for the year ended December 31, 2016 and 2015, constituting 2.50% and 1.96% of total consolidated operating income, respectively. Those financial statements and information disclosed in Note 13 were audited by other independent accountants whose report thereon have been furnished to us, and our opinion expressed herein is based solely on the audit report of the other independent accountants.

We have audited and expressed an unqualified opinion on the parent company only financial statements of Chicony Power Technology Co., Ltd. as of and for the years ended December 31, 2016 and 2015.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including supervisors, are responsible for overseeing the Group's financial reporting process.

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 ROC GAAS 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 ROC GAAS, 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 Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. 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 Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, 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 Group 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 the consolidated financial statements of the current period 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.

Lin, Chun-Yao	Weng, Shih-Jung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 1, 2017

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2016 AMOUNT	%	December 31, 2015 AMOUNT	%
	CURRENT ASSETS					
1100	Cash and cash equivalents	6(1)	$ 911,718	5	$ 712,881	4
1110	Financial assets at fair value through profit or loss - current	6(2)	36,811	-	15,581	-
1125	Available-for-sale financial assets - current	6(3)	1,306,785	7	813,915	4
1144	Financial assets carried at cost - current	6(6)	-	-	10,617	-
1150	Notes receivable, net		28,987	-	4,947	-
1170	Accounts receivable, net	6(4)	7,217,924	37	7,159,670	39
1180	Accounts receivable - related parties	7	1,423,006	7	1,220,498	7
1200	Other receivables		258,847	2	189,639	1
1210	Other receivables - related parties	7	793	-	367	-
130X	Inventories, net	6(5)	4,067,376	21	3,211,377	18
1410	Prepayments		607,783	3	351,040	2
1470	Other current assets	8	23,178	-	73	-
11XX	**CURRENT ASSETS**		15,883,208	82	13,690,605	75
	NON-CURRENT ASSETS					
1523	Available-for-sale financial assets - noncurrent	6(3)	73,323	-	618,959	3
1543	Financial assets carried at cost - noncurrent	6(6)	186,393	1	152,119	1
1550	Investments accounted for under equity method	6(7)	280,824	1	298,923	2
1600	Property, plant and equipment, net	6(8)	2,335,096	12	2,657,578	15
1780	Intangible assets	6(9)	210,488	1	217,891	1
1840	Deferred income tax assets	6(26)	91,177	1	70,062	-
1900	Other non-current assets	6(10) and 8	402,926	2	526,535	3
15XX	**NON-CURRENT ASSETS**		3,580,227	18	4,542,067	25
1XXX	**TOTAL ASSETS**		$ 19,463,435	100	$ 18,232,672	100

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CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2016 AMOUNT	%	December 31, 2015 AMOUNT	%
	CURRENT LIABILITIES					
2100	Short-term borrowings	6(11)	$ -	-	$ 1,210,316	7
2120	Financial liabilities at fair value through profit or loss - current	6(2)	30,368	-	-	-
2150	Notes payable		430	-	1,818	-
2170	Accounts payable	6(12)	9,644,094	50	8,483,069	46
2200	Other payables	6(13)	2,008,667	10	1,611,516	9
2220	Other payables - related parties	7	7,673	-	1,885	-
2230	Current income tax liabilities	6(26)	297,480	1	144,295	1
2300	Other current liabilities		147,126	1	83,693	-
21XX	**CURRENT LIABILITIES**		12,135,838	62	11,536,592	63
	NON-CURRENT LIABILITIES					
2540	Long-term borrowings	6(14)	100,000	1	-	-
2600	Other non-current liabilities		75,769	-	71,618	1
25XX	**NON-CURRENT LIABILITIES**		175,769	1	71,618	1
2XXX	**TOTAL LIABILITIES**		12,311,607	63	11,608,210	64
	EQUITY ATTRIBUTABLE TO OWNERS OF PARENT					
	SHARE CAPITAL	6(17)				
3110	Share capital - common stock		3,757,446	19	3,683,191	20
	CAPITAL SURPLUS	6(18)				
3200	Capital surplus		1,489,983	8	1,332,487	8
	RETAINED EARNINGS	6(19)				
3310	Legal reserve		557,445	3	442,031	2
3320	Special reserve		399,950	2	263,095	1
3350	Unappropriated retained earnings	6(26)	1,918,591	10	1,701,538	9
	ORHER EQUITY INTEREST	6(20)				
3400	Other equity interest		(504,174)	(2)	(462,593)	(2)
3500	**TREASURY STOCKS**	6(17)	(513,950)	(3)	(389,825)	(2)
31XX	**EQUITY ATTRIBUTABLE TO OWNERS OF PARENT**		7,105,291	37	6,569,924	36
36XX	**NON-CONTROLLING INTEREST**		46,537	-	54,538	-
3XXX	**TOTAL EQUITY**		7,151,828	37	6,624,462	36
	COMMITMENTS AND CONTINGENT LIABILITIES	9				
	SIGNIGICANT SUBSEQUENT EVENTS	11				
3X2X	**TOTAL LIABILITIES AND EQUITY**		$ 19,463,435	100	$ 18,232,672	100

The accompanying notes are an integral part of these consolidated financial statements.

CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands of New Taiwan dollars, except earnings per share amounts)

	Items	Notes	2016 AMOUNT	2016 %	2015 AMOUNT	2015 %
4000	**SALES REVENUE**	7	$ 27,419,463	100	$ 26,518,732	100
5000	**OPERATING COSTS**	6(5)(24)(25) and 7	(22,841,190)	(83)	(22,398,400)	(84)
5900	**GROSS PROFIT**		4,578,273	17	4,120,332	16
	OPERATING EXPENSES	6(24)(25) and 7				
6100	Selling expenses		(1,057,513)	(4)	(887,085)	(3)
6200	General & administrative expenses		(738,446)	(3)	(768,307)	(3)
6300	Research and development expenses		(1,344,503)	(5)	(1,241,657)	(5)
6000	**TOTAL OPERATING EXPENSES**		(3,140,462)	(12)	(2,897,049)	(11)
6900	**OPERATING PROFIT**		1,437,811	5	1,223,283	5
	NON-OPERATING INCOME AND EXPENSES					
7010	Other income	6(21)	133,286	-	111,500	-
7020	Other gains and losses	6(22)	192,679	1	131,185	-
7050	Finance costs	6(23)	(38,001)	-	(41,576)	-
7060	Share of loss of associates and joint ventures accounted for under equity method		(14,763)	-	(19,397)	-
7000	**TOTAL NON-OPERATING INCOME AND EXPENSES**		273,201	1	181,712	-
7900	**PROFIT BEFORE INCOME TAX**		1,711,012	6	1,404,995	5
7950	Income tax expense	6(26)	(373,981)	(1)	(255,747)	(1)
8200	**PROFIT FOR THE YEAR**		$ 1,337,031	5	$ 1,149,248	4
	OTHER COMPREHENSIVE INCOME					
	COMPONENTS OF OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS					
8311	Actuarial loss on defined benefit plan	6(15)	($ 6,561)	-	($ 15,746)	-
	COMPONENTS OF OTHER COMPREHENSIVE INCOME THAT WILL BE RECLASSIFIED TO PROFIT OR LOSS					
8361	Financial statement translation differences of foreign operations	6(20)	(259,078)	(1)	(91,193)	-
8362	Unrealized gain (loss) on valuation of available-for-sale financial assets	6(20)	174,624	1	(46,676)	-
8370	Share of other comprehensive income of associates and joint ventures accounted for under equity method	6(20)	(3,336)	-	(1,525)	-
8300	**TOTAL OTHER COMPREHENSIVE LOSS FOR THE YEAR**		($ 94,351)	-	($ 155,140)	-
8500	**TOTAL COMPREHENSIVE INCOME FOR THE YEAR**		$ 1,242,680	5	$ 994,108	4
	PROFIT (LOSS), ATTRIBUTABLE TO:					
8610	Owners of the parent		$ 1,340,653	5	$ 1,154,140	4
8620	Non-controlling interest		($ 3,622)	-	($ 4,892)	-
	COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:					
8710	Owners of the parent		$ 1,250,681	5	$ 1,001,540	4
8720	Non-controlling interest		($ 8,001)	-	($ 7,432)	-
	EARNINGS PER SHARE (NT$)	6(27)				
9750	**BASIC EARNINGS PER SHARE**		$	3.71	$	3.20
9850	**DILUTED EARNINGS PER SHARE**		$	3.64	$	3.15

Years ended December 31.

The accompanying notes are an integral part of these consolidated financial statements.

CHICONY POWER TECHNOLOGY CO., LTD.AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In thousands of New Taiwan dollars)

		Equity attributable to owners of the parent											
				Retained Earnings			Other equity interest						
	Notes	Share Capital - Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Retained Earnings	Financial Statement Translation Differences of Foreign Operations	Unrealized Gain or Loss on Available-for-sale Financial Assets	Other Equity - Others	Treasury Stocks	Total	Non-Controlling Interest	Total Equity
Year 2015													
BALANCE AT JANUARY 1, 2015		$ 3,588,533	$ 1,129,321	$ 329,173	$ 236,024	$ 1,546,379	$ 145,661	($ 408,757)	$ -	$ -	$ 6,566,334	$ 61,970	$ 6,628,304
Distribution of 2015 earnings	6(19)												
Legal reserve		-	-	112,858	-	(112,858)	-	-	-	-	-	-	-
Special reserve		-	-	-	27,071	(27,071)	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	(825,363)	-	-	-	-	(825,363)	-	(825,363)
Stock dividends	6(17)	17,943	-	-	-	(17,943)	-	-	-	-	-	-	-
Appropriation of employee bonuses	6(16)(17)	76,715	203,166	-	-	-	-	-	(62,643)	-	217,238	-	217,238
Profit (loss) for the year		-	-	-	-	1,154,140	-	-	-	-	1,154,140	(4,892)	1,149,248
Other comprehensive loss for the year	6(20)	-	-	-	-	(15,746)	(90,178)	(46,676)	-	-	(152,600)	(2,540)	(155,140)
Acquisition of treasury stock		-	-	-	-	-	-	-	-	(389,825)	(389,825)	-	(389,825)
BALANCE AT DECEMBER 31, 2015		$ 3,683,191	$ 1,332,487	$ 442,031	$ 263,095	$ 1,701,538	$ 55,483	($ 455,433)	($ 62,643)	($ 389,825)	$ 6,569,924	$ 54,538	$ 6,624,462
Year 2016													
BALANCE AT JANUARY 1, 2016		$ 3,683,191	$ 1,332,487	$ 442,031	$ 263,095	$ 1,701,538	$ 55,483	($ 455,433)	($ 62,643)	($ 389,825)	$ 6,569,924	$ 54,538	$ 6,624,462
Distribution of 2016 earnings	6(19)												
Legal reserve		-	-	115,414	-	(115,414)	-	-	-	-	-	-	-
Special reserve		-	-	-	136,855	(136,855)	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	(846,754)	-	-	-	-	(846,754)	-	(846,754)
Stock dividends	6(17)	18,016	-	-	-	(18,016)	-	-	-	-	-	-	-
Appropriation of employee bonuses	6(16)(17)	56,239	157,496	-	-	-	-	-	41,830	-	255,565	-	255,565
Profit (loss) for the year		-	-	-	-	1,340,653	-	-	-	-	1,340,653	(3,622)	1,337,031
Other comprehensive income (loss) for the year	6(20)	-	-	-	-	(6,561)	(258,035)	174,624	-	-	(89,972)	(4,379)	(94,351)
Acquisition of treasury stock		-	-	-	-	-	-	-	-	(124,125)	(124,125)	-	(124,125)
BALANCE AT DECEMBER 31, 2016		$ 3,757,446	$ 1,489,983	$ 557,445	$ 399,950	$ 1,918,591	($ 202,552)	($ 280,809)	($ 20,813)	($ 513,950)	$ 7,105,291	$ 46,537	$ 7,151,828

The accompanying notes are an integral part of these consolidated financial statements.

CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of New Taiwan dollars)

	Notes	Years ended December 31 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Consolidated profit before tax for the year		$ 1,711,012	$ 1,404,995
Adjustments to reconcile profit before tax to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Depreciation expense	6(8)(24)	537,522	547,078
Amortization expense	6(9)(24)	44,418	41,786
Other non-current assets recognized to expenses	6(24)	92,252	113,447
Long-term prepaid rents recognized to expenses	6(24)	3,199	3,328
Reversal of provision for bad debt expense	6(22)	(4,401)	(4,598)
Share-based payments	6(16)	106,379	73,628
Interest income	6(21)	(6,719)	(10,215)
Dividend income	6(21)	(32,838)	(29,537)
Interest expense	6(23)	38,001	41,576
Loss on disposal of property, plant and equipment	6(22)	2,159	14,384
Gain on disposal of investments	6(22)	(659,659)	(97,992)
Reversal of provision for liabilities	6(3)(22)	546,906	-
Net loss on financial assets or liabilities at fair value through profit or loss	6(2)(22)	16,494	9,013
Share of loss of associates and joint ventures accounted for using equity method		14,763	19,397
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets or liabilities held for trading		(7,504)	(49,296)
Notes receivables, net		(24,040)	47,515
Accounts receivable, net		(53,853)	330,636
Accounts receivable - related parties		(202,508)	(565,308)
Other receivables		(110,055)	56,700
Other receivables - related parties		(426)	2,516
Inventories		(855,999)	577,280
Prepayments		(256,743)	107,000
Other current assets		(11)	6,202
Net changes in liabilities relating to operating activities			
Notes payable		(1,388)	1,677
Accounts payable		1,161,025	(118,141)
Other payables		547,416	(258,002)
Other payables - related parties		5,788	(38,084)
Other current liabilities		63,433	16,425
Accrued pension liabilities		818	(3,924)
Cash generated from operations		2,675,441	2,239,486
Interest received		6,834	10,134
Dividends received		33,932	28,478
Interest paid		(39,080)	(41,089)
Income taxes paid	6(26)	(241,911)	(183,208)
Net cash flows by operating activities		2,435,216	2,053,801

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CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of New Taiwan dollars)

	Notes	Years ended December 31 2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of available-for-sale financial assets-current		($ 1,194,482)	($ 919,493)
Proceeds from disposal of available-for-sale financial assets - current		818,949	648,876
Acquisition of financial assets at cost-current		-	(11,589)
Proceeds from disposal of financial assets at cost-current		2,543	1,055
(Increase) decrease in current assets		(23,094)	6,000
Acquisition of available-for-sale financial assets-noncurrent		(210,854)	-
Proceeds from disposal of available-for-sale financial assets-noncurrent		959,938	42,974
Acquisition of financial assets at cost-noncurrent		(34,978)	(152,119)
Acquisition of government subsidies(shown as deduction to land)		11,695	90,683
Acquisition of property, plant and equipment	6(8)	(335,234)	(405,621)
Proceeds from disposal of property, plant and equipment		16,155	123,196
Acquisition of intangible assets	6(9)	(30,651)	(37,973)
Increase in other non-current assets		(59,660)	(277,593)
Net cash flow from acquisition of subsidiaries		-	(210,437)
Net cash used in investing activities		(79,673)	(1,102,041)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) increase in short-tern borrowings		(1,210,316)	546,296
Proceeds from long-term debt		100,000	819,325
Repayments of long-term debt		-	(1,230,385)
(Decrease) increase in other non-current liabilities		(1,842)	2,935
Cash dividends paid	6(19)	(846,754)	(825,363)
Payments to acquire treasury shares		(124,125)	(389,825)
Net cash used in financing activities		(2,083,037)	(1,077,017)
Effect of exchange rate changes on cash and cash equivalents		(73,669)	(47,905)
Net increase (decrease) in cash and cash equivalents		198,837	(173,162)
Cash and cash equivalents at beginning of year	6(1)	712,881	886,043
Cash and cash equivalents at end of year	6(1)	$ 911,718	$ 712,881

The accompanying notes are an integral part of these consolidated financial statements.

CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

Chicony Power Technology Co., Ltd. (the "Company") was incorporated in 2008 as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company became listed on the Taiwan Stock Exchange (TWSE) in November, 2013. The Company and its subsidiaries (collectively referred herein as the "Group") are primarily engaged in developing, manufacturing and sales of switching power supplies, electronic components and LED lighting equipment. Chicony Electronics Co., Ltd. is the Group's ultimate parent company. As of December 31, 2016, Chicony Electronics Co., Ltd. holds 48.94% equity interest in the Company.

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

These consolidated financial statements were authorized for issuance by the Board of Directors on March 1, 2017.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

None.

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

New standards, interpretations and amendments issued by IASB and included in the IFRSs endorsed by the FSC effective from 2017:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortization (amendments to IAS 16 and IAS 38)	January 1, 2016

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and operating result based on the Group's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the 2017 version of IFRSs as endorsed by the FSC:

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

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, ‘Disclosure of interests in other entities’	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, ‘Investments in associates and joint ventures’	January 1, 2018

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

A. IFRS 9, ‘Financial instruments’

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

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

B. IFRS 16, 'Leases'

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities (including derivative instruments) are measured at fair value through profit or loss.

(b) Available-for-sale financial assets are measured at fair value.

(c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in compliance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income 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.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership(%) December 31, 2016	Ownership(%) December 31, 2015	Description
Chicony Power Technology Co., Ltd	Chicony Power Holdings Inc. (CPH)	Investment holdings	100%	100%	
CPH	Chicony Power International Inc. (CPI)	Sales of switching power supplies and other electronic parts	100%	100%	
CPI	Chicony Power USA, Inc. (CPUS)	Sales of switching power supplies and other electronic parts	100%	100%	
"	Chicony Power Technology Hong Kong Limited (CPHK)	Research and development center and investment holdings	100%	100%	
"	WitsLight Technology Co., Ltd. (WTS)	Design, researching and developing, manufacturing and sales of LED lighting module	78.125%	78.125%	
CPHK	Chicony Power Technology (DongGuan) Co., Ltd. (CPDG) (Formerly Hipro Electronics (Dong Guan) Co., Ltd. (HDG))	Manufacturing and sales of switching power supplies and other electronic parts	100%	100%	Note A Note D
"	Chicony Power Technology (Suzhou) Co., Ltd. (CPSZ)	Manufacturing and sales of electronic components and LED lighting eqiupment	100%	100%	
"	Quang Sheng Electronics (Nangchang) Co., Ltd. (GSE)	Manufacturing and sales of electronic components and transformers	100%	100%	
"	Chicony Power Technology (Chong Qing) Co., Ltd. (CPCQ)	Manufacturing and sales of electronic components and LED lighting eqiupment	100%	100%	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership(%) December 31, 2016	Ownership(%) December 31, 2015	Description
CPHK	Chicony Power Technology Trading (Dong Guan) Co., Ltd. (CPDGT)	Importing and exporting of power supplies, LED lighting equipments, and other electronics	100%	100%	
WTS	WitsLight Technology Co., Ltd. (WT)	Design, researching and developing, manufacturing and sales of LED lighting module	100%	100%	
"	WitsLight Technology (Kunshan) Co., Ltd. (WTK)	Manufacturing and sales of LED lighting module	100%	100%	
"	Carlight Technology Co.,Ltd.(CT)	Design, researching and developing and sales of automotive and motorcycle lamps and other components	100%	-	Note C
WTK	Zhuzhou Torch Auto Lamp CO., Ltd.	Production and sales of automotive and motorcycle components, electric machine and device, lamps and plastic products	100%	100%	Note B
CPSZ	Chicony Energy Saving Technology (Shanghai) Co., Ltd. (CPSH)	Sales of LED lighting equipment	100%	100%	

Note A: On March 23, 2015, the Board of Directors has resolved CPDG to increase capital by US$4,000 thousand and increase capital through capitalization of earnings by US$6,000 thousand. The capital increase was reinvestment through CPHK.

As of December 31, 2016, CPDG has completed the capital increase through capitalization of earnings by US$6,000 thousand and the registration has been completed in December 2015.

Note B: WTK has acquired 100% of share ownership in Zhuzhou Torch Auto Lamp CO., Ltd. in April 2015 and Zhuzhou Torch Auto Lamp CO., Ltd. has been included in consolidated entities since the date WTK took control.

Note C: Established in June 2016.

Note D: On July 20, 2016, the Board of Directors has resolved that Hipro Electronics (DongGuan) Co., Ltd. (HDG) would be renamed Chicony Power Technology (DongGuan) Co., Ltd. (CPDG).

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

(a) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognized in other comprehensive income.

(b) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realized within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are expected to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to 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. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

A. Financial assets at fair value through profit or loss are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges.

Financial assets that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

(a) Hybrid (combined) contracts; or

(b) They eliminate or significantly reduce a measurement or recognition inconsistency; or

(c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.

C. Financial assets at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.

(8) Available-for-sale financial assets

A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

B. On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognized using trade date accounting.

C. Available-for-sale financial assets are initially recognized at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in ‘financial assets measured at cost’.

(9) Accounts receivable

Receivables are non-derivative financial assets originated from the ordinary course of business. Accounts receivable are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as effect of discounting is immaterial.

(10) Impairment of financial assets

A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

B. The criteria that the Group uses to determine whether there is objective evidence of impairment loss is as follows:

   (a) Significant financial difficulty of the issuer or debtor;

   (b) Breach of contract, such as a default or delinquency in interest or principal payments;

   (c) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

   (d) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;

   (e) The disappearance of an active market for that financial asset because of financial difficulties;

   (f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

   (g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

   (h) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

   (a) Financial assets carried at amortized cost

   The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(b) Financial assets carried at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market return rate for a similar financial asset, and is recognised in profit or loss. Impairment loss recognised for this category shall not be reversed subsequently. Impairment loss is recognised by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(c) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, then such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(11) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(12) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(13) Investments accounted for using equity method / Associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.

B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. When changes in an associate's equity that are not recognized in profit or loss or other comprehensive income of the associate and such changes not affecting the Group's ownership percentage of the associate, the Group recognizes change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.

D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. When the Group disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(14) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are to be capitalized.

B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment are depreciated using the straight-line method to allocate their costs over their estimated useful lives. 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 must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives for the plant and buildings are 20 years and for the other fixed assets are 1-10 years.

(15) Operating leases (lessee)

Payments made under an operating lease (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the lease term.

(16) Intangible assets

A. Trademark, right, patent and computer software, are amortized on a straight-line basis over their estimated useful lives of 1-10 years.

B. Goodwill arises in a business combination accounted for by applying the acquisition method.

C. Other intangible asset, mainly expertise, is amortized on a straight-line basis over its estimated useful lives of 4-14 years.

(17) Impairment of non-financial assets

A. At each balance sheet date, the Group assesses the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

B. The recoverable amounts of goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use shall be evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognized in profit or loss shall not be reversed in the following years.

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(18) Borrowings

A.Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

B. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

(19) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as effect of discounting is immaterial.

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

A. Financial liabilities at fair value through profit or loss are financial liabilities held for trading or financial liabilities designated as at fair value through profit or loss on initial recognition. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges.

Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

(a) Hybrid (combined) contracts; or

(b) They eliminate or significantly reduce a measurement or recognition inconsistency; or

(c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

B. Financial liabilities at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognized in profit or loss.

(21) Derecognition of financial liabilities

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

(22) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(23) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.

ii. Remeasurement arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past service costs are recognised immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognizes expense as it can no longer withdraw an offer of termination benefits or it recognizes relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees', directors' and supervisors' remuneration

Employees' remuneration and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(24) Employee share-based payment

A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

B. Restricted stocks:

(a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period.

(b) For restricted stocks where those stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Group recognizes the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.

(c) For restricted stocks where employees do not need to pay to acquire those stocks, if employees resign during the vesting period, the Company will redeem at no consideration and retire those stocks.

(25) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

F. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(26) Share capital

A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(27) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(28) Revenue recognition

The Group revenue is measured at the fair value of the consideration received or receivable taking into account of value-added tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods should be recognized when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

(29) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes expenses for the related costs for which the grants are intended to compensate. Government grants related to property, plant and equipment are presented by deducting the grants from the asset's carrying amount and are amortized to profit or loss over the estimated useful lives of the related assets as reduced depreciation expenses.

(30) Business combinations

A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognized and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognized directly in profit or loss on the acquisition date.

(31) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Chief Operating Decision-Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group’s accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. The information is addressed below:

(1) Critical judgements in applying the Group’s accounting policies

The Group follows the guidance of IAS 39 to determine whether a financial asset—equity investment is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an equity investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If the decline of the fair value of an individual equity investment below cost was considered significant or prolonged, the Group would recognize an adjustment to transfer the accumulated fair value adjustments in other comprehensive income on the impaired available-for-sale financial assets to profit or loss or to recognize the impairment loss on the impaired financial assets measured at cost in profit or loss.

(2) Critical accounting estimates and assumptions

A. Impairment assessment of goodwill

The impairment assessment of goodwill relies on the Group’s subjective judgement, including identifying cash-generating units, allocating assets and liabilities as well as goodwill to related cash-generating units, and determining the recoverable amounts of related cash-generating units.

B. Impairment assessment of investments accounted for using equity method

The Group assesses the impairment of an investment accounted for using equity method as soon as there any indication that it might have been impaired and its carrying amount cannot be recoverable. The Group assesses the recoverable amounts of an investment accounted for under the equity method based on the present value of the Group’s share of expected future cash flows of the investee, and analyses the reasonableness of related assumptions.

C. Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2016		December 31, 2015	
Cash on hand and petty cash	$	5,339	$	5,526
Checking accounts and demand deposits		818,622		687,440
Time deposits		87,757		19,915
Total	$	911,718	$	712,881

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. Details of the Group’s cash and cash equivalents pledged to others as collateral are provided in Note 8.

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

Items	December 31, 2016		December 31, 2015	
Financial assets held for trading				
Derivatives				
Forward foreign exchange contracts	$	68	$	7,257
Exchange rate swap contracts		36,743		-
Futures contracts		-		8,324
Total	$	36,811	$	15,581
Financial liabilities held for trading				
Derivatives				
Forward foreign exchange contracts	$	30,368	$	-

A. The Group recognized net loss of $16,494 and $9,013 on financial assets and liabilities held for trading for the years ended December 31, 2016 and 2015, respectively.

B. The non-hedging derivative instruments transaction and contract information are as follows:

	December 31, 2016		
Current Items	Contract Amount (Notional Principal) (In thousands)		Due Date
Exchange rate swap contracts			
- Buy USD / Sell NTD	USD	73,000	2017.01.03~ 2017.03.03
Forward foreign exchange contracts			
- Buy NTD / Sell USD	USD	81,000	2017.02.02~ 2017.06.27

Current Items	December 31, 2015 Contract Amount (Notional Principal) (In thousands)		Due Date
Financial assets held for trading			
Forward foreign exchange contracts			
- Buy USD / Sell NTD	USD	36,000	2016.01.04~ 2016.12.30
Futures contracts	USD	5,792	2012.01.06

(a) Forward foreign exchange contracts / Exchange rate swap contracts

The Group entered into forward foreign exchange contracts and exchange rate swap contracts to buy (sell) to hedge exchange rate risk of import and export proceeds. However, these forward foreign exchange contracts and exchange rate swap contracts are not accounted for under hedge accounting.

(b) Futures contracts

The Group entered into future contracts to hedge price risk of raw materials. However, these futures are not accounted for under hedge accounting.

C. None of the Group's financial assets at fair value through profit or loss are pledged as collateral.

(3) Available-for-sale financial assets

Items	December 31, 2016	December 31, 2015
Current items:		
Listed stocks	$ 1,422,950	$ 906,448
Convertible bonds	251,250	258,285
Beneficiary certificates	51,523	52,474
Subtotal	1,725,723	1,217,207
Valuation adjustment	(277,689)	(403,292)
Accumulated impairment	(141,249)	-
Total	$ 1,306,785	$ 813,915
Non-current items:		
Listed stocks	$ 422,100	$ 422,100
Beneficiary certificates	60,000	249,000
Subtotal	482,100	671,100
Valuation adjustment	(3,120)	(52,141)
Accumulated impairment	(405,657)	-
Total	$ 73,323	$ 618,959

A. The above listed stocks of available-for-sale financial assets – non-current were private placements that could not be sold during the private lock-up in accordance with the R.O.C. Securities Exchange Law. These private placements are remeasured and stated at value adjusted by the same item's fair value in active markets considering the effect of the restrictions.

B. The above available-for-sale financial assets-non-current beneficiary certificates were private fund investments, the invested shares of the fund are all listed. As the stock has quoted market price in the active market, it was reclassified from financial assets measured at cost to available-for-sale financial assets – non-current beneficiary certificates.

C. Certain stocks held by the Group had quoted market price in an active market starting the second quarter of 2016, they were reclassified from financial assets measured at cost to available-for-sale financial assets-current listed stocks.

D. The Group recognized $286,786 and $51,233 in other comprehensive income for fair value changes and reclassified ($659,068) and ($97,909) from equity to profit or loss for the years ended December 31, 2016 and 2015, respectively.

E. Certain stocks held by the Group in 2016 the recoverable amounts of those assets where there is an indication that they are impaired; accordingly, the Group recognized impairment lost of $546,906 on equity investment and reclassified the same amount from equity to profit or loss for the year ended December 31, 2016.

F. The Group's counterparties of investments in debt instruments the Group invests in have good credit quality.

G. None of the Group's available-for-sale financial assets are pledged to others.

(4) Accounts receivable

	December 31, 2016	December 31, 2015
Accounts receivable	$ 7,223,270	$ 7,169,771
Less: allowance for bad debts	(5,346)	(10,101)
	$ 7,217,924	$ 7,159,670

A. The Group does not hold any collateral as security.

B. For details of the credit quality information of accounts receivable, please see Note 12(3) C(b).

(5) Inventories

	December 31, 2016		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 1,045,407	($ 94,127)	$ 951,280
Work in process	573,841	(29,729)	544,112
Finished goods	2,588,653	(161,878)	2,426,775
Inventory in transit	145,209	-	145,209
Total	$ 4,353,110	$ (285,734)	$ 4,067,376

	December 31, 2015		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 765,313	($ 84,196)	$ 681,117
Work in process	435,583	(25,863)	409,720
Finished goods	2,187,933	(141,683)	2,046,250
Inventory in transit	74,290	-	74,290
Total	$ 3,463,119	$ (251,742)	$ 3,211,377

The cost of inventories recognized as cost or expense:

	Years ended December 31,	
	2016	2015
Cost of inventories sold	$ 22,782,970	$ 22,382,866
Provision for inventory obsolescence and market price decline	49,055	2,318
Others	9,165	13,216
	$ 22,841,190	$ 22,398,400

(6) Financial assets measured at cost

Items	December 31, 2016	December 31, 2015
Current items:		
Emerging stocks	$ -	$ 10,617
Non-current items:		
Unlisted stocks	$ 161,630	$ 161,630
Beneficiary certificates	71,873	37,599
Subtotal	233,503	199,229
Accumulated impairment	(47,110)	(47,110)
Total	$ 186,393	$ 152,119

A. Based on the Group's intention, its investment in stocks and beneficiary certificates should be classified as available-for-sale financial assets. However, the investment targets are not traded in active market, and no sufficient industry information of companies similar to investee company is available. Therefore, the fair value of the investment targets cannot be measured reliably. The Group classified those stocks as 'financial assets measured at cost'.

B. For details of the financial assets measured at cost reclassified to available-for-sale financial assets, please see Note Note 6(3).

C. The Group has accumulated impairment loss of $47,110 on equity investments as of December 31, 2016 and 2015.

D. None of the Group's financial assets measured at cost are pledged as collateral.

(7) Investments accounted for under the equity method

A. Details of investments accounted for under the equity method are as follows:

	December 31, 2016	December 31, 2015
Associates:		
Newmax Technology Co., Ltd (Newmax)	$ 280,824	$ 298,923

B. The basic information of the associates that are material to the Group is as follows:

		Shareholding ratio			
Company name	Principal place of business	December 31, 2016	December 31, 2015	Nature of relationship	Methods of measurement
Newmax	Taiwan	2.73%	2.72%	Associates	Equity method

C. The summarized financial information of the associates that are material to the Group is as follows:

	Newmax	
Balance sheet	December 31, 2016	December 31, 2015
Current assets	$ 1,658,730	$ 1,794,080
Non-current assets	1,362,113	2,167,778
Current liabilities	(1,407,054)	(1,683,455)
Non-current liabilities	(27,035)	(26,345)
Total net assets	$ 1,586,754	$ 2,252,058
Share in associate's net assets (Note)	$ 43,318	$ 61,256

Note: Differences in share in associate's net assets were mainly arising from the difference of initial investment cost less the fair value of acquired identifiable net assets.

	Newmax	
	Years ended December 31,	
Statement of comprehensive income	2016	2015
Revenue	$ 1,107,502	$ 985,961
Loss-net of tax	($ 541,990)	($ 713,211)
Other comprehensive loss, net of tax	(123,314)	(58,067)
Total comprehensive loss for the year	($ 665,304)	($ 771,278)

D. The parent company of the Group jointly holds more than 20% of the shares of Newmax Corporation and has significant influence on the investee. As a result, the investment is accounted for under the equity method.

E. The Group's material associate Newmax Corporation has quoted market prices. As of December 31, 2016 and 2015, the fair value was $58,018 and $46,967, respectively.

(8) Property, plant and equipment

	Buildings	Machinery	Test equipment	Others	Total
January 1, 2016					
Cost	$939,813	$2,389,097	$ 1,451,037	$1,102,212	$5,882,159
Accumulated depreciation	(376,790)	(1,120,652)	(1,030,290)	(696,849)	(3,224,581)
	$563,023	$1,268,445	$ 420,747	$ 405,363	$2,657,578
2016					
Balance, beginning of year	$563,023	$1,268,445	$ 420,747	$ 405,363	$2,657,578
Additions	-	52,441	43,640	239,153	335,234
Disposals	-	(1,546)	(1,070)	(15,698)	(18,314)
Reclassifications	-	30,121	182	41,839	72,142
Depreciation charge	(43,256)	(197,057)	(138,832)	(158,377)	(537,522)
Net exchange differences	(38,299)	(85,646)	(22,420)	(27,657)	(174,022)
Balance, end of year	$481,468	$1,066,758	$ 302,247	$ 484,623	$2,335,096
December 31, 2016					
Cost	$872,275	$2,284,641	$ 1,384,906	$1,268,245	$5,810,067
Accumulated depreciation	(390,807)	(1,217,883)	(1,082,659)	(783,622)	(3,474,971)
	$481,468	$1,066,758	$ 302,247	$ 484,623	$2,335,096

	Buildings	Machinery	Test equipment	Others	Total
January 1, 2015					
Cost	$960,612	$2,283,699	$ 1,401,851	$ 908,966	$5,555,128
Accumulated depreciation	(339,672)	(1,004,723)	(906,016)	(555,772)	(2,806,183)
	$620,940	$1,278,976	$ 495,835	$ 353,194	$2,748,945
2015					
Balance, beginning of year	$620,940	$1,278,976	$ 495,835	$ 353,194	$2,748,945
Additions	-	174,330	89,359	141,932	405,621
Acquired through business combinations	-	47,531	-	2,191	49,722
Disposals	-	(11,384)	(1,858)	(1,447)	(14,689)
Reclassifications	-	-	10,806	55,469	66,275
Depreciation charge	(45,001)	(193,505)	(165,354)	(143,218)	(547,078)
Net exchange differences	(12,916)	(27,503)	(8,041)	(2,758)	(51,218)
Balance, end of year	$563,023	$1,268,445	$ 420,747	$ 405,363	$2,657,578
December 31, 2015					
Cost	$939,813	$2,389,097	$ 1,451,037	$1,102,212	$5,882,159
Accumulated depreciation	(376,790)	(1,120,652)	(1,030,290)	(696,849)	(3,224,581)
	$563,023	$1,268,445	$ 420,747	$ 405,363	$2,657,578

None of the Group’s property, plant and equipment are pledged as collateral.

(9) Intangible assets

	Trademarks and patents	Software	Goodwill	Others	Total
January 1, 2016					
Cost	$ 23,579	$ 60,452	$139,281	$ 60,549	$283,861
Accumulated amortisation	(10,072)	(25,666)	-	(30,232)	(65,970)
	$ 13,507	$ 34,786	$139,281	$ 30,317	$217,891
2016					
Balance, beginning of year	$ 13,507	$ 34,786	$139,281	$ 30,317	$217,891
Additions	9,673	20,978	-	-	30,651
Disposals-cost	(10,098)	(18,639)	-	(2,600)	(31,337)
Disposals-amortisation	10,098	18,639	-	1,213	29,950
Reclassifications	-	15,676	-	-	15,676
Amortisation charge	(11,741)	(27,531)	-	(5,146)	(44,418)
Net exchange differences	-	(778)	(6,880)	(267)	(7,925)
Balance, end of year	$ 11,439	$ 43,131	$132,401	$ 23,517	$210,488
December 31, 2016					
Cost	$ 23,154	$ 76,638	$132,401	$ 57,301	$289,494
Accumulated amortisation	(11,715)	(33,507)	-	(33,784)	(79,006)
	$ 11,439	$ 43,131	$132,401	$ 23,517	$210,488

	Trademarks and patents	Software	Goodwill	Others	Total
January 1, 2015					
Cost	$ 39,661	$ 120,482	$ 56,981	$ 66,904	$284,028
Accumulated amortisation	(29,512)	(96,408)	-	(32,502)	(158,422)
	$ 10,149	$ 24,074	$ 56,981	$ 34,402	$125,606
2015					
Balance, beginning of year	$ 10,149	$ 24,074	$ 56,981	$ 34,402	$125,606
Additions	13,336	23,887	-	750	37,973
Acquired through business combinations	-	-	79,964	-	79,964
Disposals-cost	(29,418)	(97,150)	-	(8,382)	(134,950)
Disposals-amortisation	29,418	97,150	-	8,382	134,950
Reclassifications	-	13,324	-	-	13,324
Amortisation charge	(9,978)	(26,433)	-	(5,375)	(41,786)
Net exchange differences	-	(66)	2,336	540	2,810
Balance, end of year	$ 13,507	$ 34,786	$139,281	$ 30,317	$217,891
December 31, 2015					
Cost	$ 23,579	$ 60,452	$139,281	$ 60,549	$283,861
Accumulated amortisation	(10,072)	(25,666)	-	(30,232)	(65,970)
	$ 13,507	$ 34,786	$139,281	$ 30,317	$217,891

A. Goodwill is allocated to the Group's cash-generating units identified according to operating segment as follows:

	December 31, 2016	December 31, 2015
Asia	$ 74,311	$ 80,119
America	58,090	59,162
	$ 132,401	$ 139,281

B. For details of goodwill acquired through business combination in April 2015, please see Note 6(28).

C. After assessing impairment losses of the goodwill, the recoverable amount that the Group calculated is over the book value. Therefore, no impairment loss has occurred.

(10) Other non-current assets

	December 31, 2016	December 31, 2015
Long-term prepaid rents	$ 125,588	$ 134,576
Guarantee deposits paid	20,956	21,652
Prepayments for business facilities	88,789	91,104
Others	167,593	279,203
	$ 402,926	$ 526,535

A. In June 2011 and March 2013, the Group signed the land use rights contracts with Bureau of Land Resources for use of the land in municipality of Chongqing City with term of 50 years. All rentals had been paid on the contract date. However, the local government of Chongqing City had an agreement which terminated part of the land use rights and returned related funds to the Group in October, 2014.

B. In June 2009, the group signed the land use rights contracts with Bureau of Land Resources for use of the land in municipality of Dongguan City with term of 50 years. All rentals had been paid on the contract date.

C. The above mentioned costs of land use rights deducted the government grants as a reward for the local investment are shown as "Long-term prepaid rents".

(11) Short-term borrowings

A. At December 31, 2016, there were no short-term borrowings.

B. Details of short-term borrowings are as follows:

Type of borrowings	December 31, 2015	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	$ 1,210,316	1.17%～1.33%	None

(12) Accounts payable

	December 31, 2016	December 31, 2015
Accounts payable	$ 7,663,999	$ 7,129,836
Estimated accounts payable	1,980,095	1,353,233
	$ 9,644,094	$ 8,483,069

(13) Other payables

	December 31, 2016	December 31, 2015
Salaries payable	$ 555,096	$ 534,765
Commissions payable	373,390	193,679
Compensation due to directors and supervisors	246,707	166,191
Consumption goods expense payable	219,454	267,079
Processing fee payable	132,095	62,090
Others	481,925	387,712
	$ 2,008,667	$ 1,611,516

(14) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2016
Unsecured borrowings	Borrowing period is from September 20, 2016 to January 26, 2017; interest is repayable until the principal is matured. (Note)	1.797%	None	$ 100,000

Note: Revolving credit in five years starting from the first drawdown, each credit period is limited from 90 to 180 days.

A. As of December 31, 2015, the balance of long-term borrowings was $0.

B. A long-term syndicated loan facility amounting to $4,500,000 (can be drawdown in United States Dollars or New Taiwan Dollars within the total credit facility) for five years was signed by the Company, with Taiwan Cooperative Bank as the lead bank in October 2015. It is to be used for the operations.

The main contents of the contract are as follows:

(a) Annual consolidated financial reports should maintain financial ratios as follows:

i. Current ratio is above 100%,

ii. Financial liabilities which divided by net tangible assets is under 250%,

iii. Time interest earned is above 300%,

iv. Net tangible assets are above $4,000,000, The above financial ratios are based on the annual financial statements. If the Company does not conform to the contract, the Company should increase capital by cash or by other means. From the next day of the managing bank's notification till the next interest payment date after comforming to the contract, the lending rates will be increased by 0.125% of the used but unsettled amount of this contract, it is not a breach of contract. If the financial ratios could not be adjusted by next inspection day (subjected to the consolidated financial statements audited by independent accountants), the borrower violates the contract.

(b) The Company should maintain appropriate accounts receivable ratio (include the drawn amount) above 50% in each withdrawal. If the Company's qualified accounts receivable is overdue (remains unpaid after 15 days of the due date of accounts receivable), or specific transaction parties did not deposit the accrued amount to the specific compensation accounts instructed by the payment notice, the total amount of that specific transaction parties' qualified accounts receivable will be deducted immediately. If the above situation incurs the appropriate accounts receivable ratio lower than 50%, the Company should choose any of the following actions to make the accounts receivable ratio comply with the contract:

i. Provide other qualified accounts receivable, or,

ii. Repay or deposit in compensation accounts to maintain appropriate accounts receivable ratio above (or equal to) 50%.

(c) As part of the contract, the commitment fee should be calculated every three months, which begins six months after the Company's first drawdowns of the credit. During the commitment fee calculation period, if the average drawdown amounts are less than 50% of the total loan facility, the commitment fee should be calculated seasonally, using the difference of actual drawdown amounts and 50% of the total loan facility, multiplied by 0.1%, the annual fee rate, and then pay the managing bank every three months.

C. A long-term syndicated loan facility amounting to $5,000,000 (can be drawdown in United States Dollars or New Taiwan Dollars within the total credit facility) for three years was signed by the Company, with Taiwan Cooperative Bank as the lead bank in May 2012. It is to be used for the repayment of 2009 syndicated loan and mid-term operations. The Company had applied for deducting credit facility from $5,000,000 to $3,000,000 on June 30, 2014. Additionally, according to the contract, the credit facility had been reduced to $2,650,000, $2,300,000, $1,950,000 and $0 on September 29, 2014, December 29, 2014, March 29, 2015 and June 29, 2015, respectively. Abovementioned borrowing has been repaid in June 2015.

D. The Group has the following undrawn borrowing facilities:

	December 31, 2016	December 31, 2015
Floating rate:		
Expiring within one year	$ -	$ -
Expiring beyond one year	4,400,000	4,500,000
	$ 4,400,000	$ 4,500,000

(15) Pensions

A. (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes an amount equal to 4% of the employees' monthly salaries and wages to the pension fund deposited in the Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.

(b) The amounts recognized in the balance sheet are as follows:

	December 31, 2016	December 31, 2015
Present value of funded defined benefit obligations	($ 71,189)	($ 65,662)
Fair value of plan assets	26,898	28,750
Net defined benefit liability	($ 44,291)	($ 36,912)

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2016			
Balance at January 1	($ 65,662)	$ 28,750	($ 36,912)
Current service cost	(398)	-	(398)
Interest (expense) income	(1,067)	469	(598)
	(67,127)	29,219	(37,908)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(267)	(267)
Change in demographic assumptions	(2,539)	-	(2,539)
Change in financial assumptions	(2,245)	-	(2,245)
Experience adjustments	(1,510)	-	(1,510)
	(6,294)	(267)	(6,561)
Pension fund contribution	-	178	178
Paid pension	2,232	(2,232)	-
Balance at December 31	($ 71,189)	$ 26,898	($ 44,291)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2015			
Balance at January 1	($ 72,759)	$ 47,669	($ 25,090)
Current service cost	(796)	-	(796)
Interest (expense) income	(1,364)	897	(467)
	(74,919)	48,566	(26,353)
Remeasurements:			
Return on plan assets	-	346	346
(excluding amounts included in interest income or expense)	(3,314)	-	(3,314)
Change in demographic assumptions	(2,076)	-	(2,076)
Experience adjustments	(10,702)	-	(10,702)
	(16,092)	346	(15,746)
Pension fund contribution	-	383	383
Paid pension	25,349	(20,545)	4,804
Balance at December 31	($ 65,662)	$ 28,750	($ 36,912)

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2016 and 2015 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	2016	2015
Discount rate	1.375%	1.625%
Future salary increases	2.500%	2.500%

Assumptions regarding future mortality experience are set based on actual advice in accordance with published statistics and experience in each territory.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2016				
Effect on present value of defined benefit obligation	($ 2,309)	$ 2,414	$ 2,349	($ 2,259)
December 31, 2015				
Effect on present value of defined benefit obligation	($ 2,174)	$ 2,274	$ 2,219	($ 2,133)

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2017 amounts to $179.

(g) As of December 31, 2016, the weighted average duration of that retirement plan is 13.1 years.

B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The Company's mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.

(c) The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2016 and 2015 were $170,941 and $170,091, respectively.

(16) Share-based payment

A. For the years ended December 31, 2016 and 2015, the Company's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (thousand shares)	Contract period	Vesting conditions
Restricted stocks to employees	2015.8.28	4,008	2 years	Note
"	2016.3.16	1,190	"	"

Note: Vesting conditions:

(a) The Company's overall operating performance in the previous year should meet the following indicators:

i. Consolidated operating revenue shall grow by at least 10% higher than the average amount over past three years.

ii. Consolidated net income shall grow by at least 10% higher than the average amount over past three years.

iii. Return on equity shall be at least 15%.

(b) For the employees who have met the vesting conditions since the allocation of restricted stocks, the ratio of vested shares is as follows:

Vesting conditions	Ratio of vested shares
A month after the restricted stocks are kept at the trust	40% of the shares
September 30, 2016	30% of the shares
September 30, 2017	30% of the shares

The restricted shares issued by the Company cannot be sold, pledged, transferred, donated, collateralised, or disposed in any other method during the vesting period. Other rights including but not limited to dividends, the distribution rights of bonuses and capital surplus, and share options and voting rights of cash capital, etc., are the same as the Company's issued ordinary shares. At the date of resignation, retirement or termination, the restricted shares are considered as not meeting the vesting conditions if employees resign, retire or are terminated during the vesting period. The Company redeems at no consideration and retires the shares which do not meet the vesting condition. Employees are not required to return the dividends received.

B. The restricted stocks issued by the Company were measured at their fair value which is the closing price of the Company's share at NT$34 and NT$37.85 on August 28, 2015 and March 16, 2016, respectively.

C. Liabilities arising from share-based payment transactions are shown below:

	Year ended December 31, 2016	Year ended December 31, 2015
Equity-settled	$ 106,379	$ 73,628

(17) Share capital

A. As of December 31, 2016, the Company's authorized capital was $4,000,000, and the paid-in capital was $3,757,446 with a par value of $10 (in dollars) per share, and the outstanding common stock was 400,000 thousand shares.

Changes in the number of the Company's ordinary shares outstanding are as follows:

(Unit:shares in thousands)	2016	2015
Balance, beginning of year	358,580	358,853
Stock dividends	1,801	1,794
Employee bonuses	3,942	3,664
Employee restricted shares	1,910	4,008
Employee restricted shares retired	(227)	-
Treasury shares repurchased	(2,515)	(9,739)
Balance, end of year	363,491	358,580

B. On June 15, 2016, the stockholder at the annual stockholders' meeting had approved to issue common stock dividends amounting to $18,016. The Board of Directors' meeting had approved the employees' stock bonus amounting to $149,186 based on the Company's closing price at a price of $37.85 (in dollars) per share on the day before the Board of Directors' meeting (March 14, 2016) totalling 3,942 thousand shares. This capitalization had issued a total of 5,743 thousand shares and was approved by the appropriate authorities. The issuance date was set on August 2, 2016, and the Company had completed the registration on August 18, 2016.

C. The Board of Directors' meeting on March 10, 2014 adopted a resolution to issue employee restricted ordinary shares (please refer to Note 6(16)), the registration on August 28, 2015 and March 16, 2016. The subscription price is $0 (in dollars) per share. The employee restricted ordinary shares issued are subject to certain transfer restrictions before their vesting conditions are met. Other than these restrictions, the rights and obligations of these shares issued are the same as other issued ordinary shares.

D. On March 15, 2016, June 15, 2016, August 8, 2016 and November 7, 2016, the Board of Directors adopted a resolution to retire the employee restricted shares amounted to 169 thousand shares, 33 thousand shares, 21 thousand shares and 4 thousand shares, respectively. The Company had completed the registration on March 30, 2016, June 30, 2016, September 9, 2016 and November 24, 2016, respectively.

E. Treasury stocks:

(a) Reasons for stocks reacquisition and movements in the number of the Company's treasury stocks are as follows:

		December 31, 2016	
Name of company holding the shares	Reason for reacquisition	Number of stocks (in thousand)	Carrying amount
The Company	To be reissued to employees	12,254	$ 513,950

		December 31, 2015	
Name of company holding the shares	Reason for reacquisition	Number of stocks (in thousand)	Carrying amount
The Company	To be reissued to employees	9,739	$ 389,825

(b) Pursuant to the R.O.C. Securities and Exchange Law, the number of stocks bought back as treasury stock should not exceed 10% of the number of the Company's issued and outstanding stocks and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.

(c) Pursuant to the R.O.C. Securities and Exchange Law, treasury stocks should not be pledged as collateral and is not entitled to dividends before it is reissued.

(d) Pursuant to the R.O.C. Securities and Exchange Law, treasury stocks should be reissued to the employees within three years from the reacquisition date and shares not reissued within the three-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.

(18) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	Share premium	Employee restricted shares	Employee stock option	Total
Balance, beginning of 2016	$ 1,126,248	$ 96,191	$ 110,048	$ 1,332,487
Share-based payment transactions				
Employee bonuses	109,770	-	-	109,770
Restricted stocks to employees	-	53,189	-	53,189
Restricted stocks to employees retired	-	(5,463)	-	(5,463)
Balance, end of 2016	$ 1,236,018	$ 143,917	$ 110,048	$ 1,489,983

	Share premium	Employee restricted shares	Employee stock option	Total
Balance, beginning of 2015	$ 1,019,273	$ -	$ 110,048	$ 1,129,321
Share-based payment transactions				
Employee bonuses	106,975	-	-	106,975
Restricted stocks to employees	-	96,191	-	96,191
Balance, end of 2015	$ 1,126,248	$ 96,191	$ 110,048	$ 1,332,487

(19) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses; and then 10% of the remaining amount shall be set aside as legal reserve until it reaches the Company's paid-up capital; and then set aside special reserve in accordance with relevant regulations when necessary; and the remainder, if any, to be appropriated shall be resolved by the stockholders at the stockholders' meeting.

B. The Company's dividend policy is summarized below: the Company is in the development stage of the electronics industry. The dividend policy should be formulated by considering the capital requirements of the new products and promoting the return on equity simultaneously. Therefore the total amounts of stockholders' dividends should not exceed 90% of the total distributable earnings, and then the cash dividend should not be less than 10% of the total amounts of stockholders’ dividends. The above mentioned restrictions will not to be applicable if total amounts of stockholders’ dividends are less than $0.5(in dollars) per share.

C. The appropriation for legal capital reserve shall be made until the reserve equals the Company’s paid-in capital. The reserve may be used to offset a deficit, or be distributed as dividends in cash or stocks for the portion in excess of 25% of the paid-in capital if the Company incurs no loss.

D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amounts of $205,324, previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Order No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

E. (a) The appropriation of 2015 and 2014 earnings has been approved at the annual stockholders’ meeting on June 15, 2016 and 2015, respectively, and the details are summarized below:

	Years ended December 31,			
	2015		2014	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 115,414		$ 112,858	
Special reserve	136,855		27,071	
Cash dividends	846,754	NT$ 2.35	825,363	NT$ 2.30
Stock dividends	18,016	0.05	17,943	0.05

(b) Subsequent events: The appropriation of 2016 earnings had been proposed at the Board of Directors’ meeting on March 1, 2017. Details are summarized below:

	Year ended December 31, 2016	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 134,065	
Special reserve	83,411	
Cash dividends	1,022,347	NT$ 2.75
Stock dividends	18,588	0.05

F. For information relating to employees’ compensation (bonuses) and directors’ and supervisors’ remuneration, please refer to Note 6(25).

(20) Other equity items

	Currency translation	Available-for-sale investments	Others-unearned employee salary	Total
Balance, beginning of 2016	$ 55,483	($ 455,433)	($ 62,643)	($ 462,593)
Currency translation differences:				
–Group	(254,699)	-	-	(254,699)
–Associates	(3,336)	-	-	(3,336)
Revaluation				
–Group	-	286,786	-	286,786
–Transfer out	-	(112,162)	-	(112,162)
Employee restricted shares				
–Current issue	-	-	(72,287)	(72,287)
–Current retired	-	-	7,738	7,738
–Current transferred to expenses	-	-	106,379	106,379
Balance, end of 2016	($ 202,552)	($ 280,809)	($ 20,813)	($ 504,174)

	Currency translation	Available-for-sale investments	Others-unearned employee salary	Total
Balance, beginning of 2015	$ 145,661	($ 408,757)	$ -	($ 263,096)
Currency translation differences:				
–Group	(88,653)	-	-	(88,653)
–Associates	(1,525)	-	-	(1,525)
Revaluation				
–Group	-	51,233	-	51,233
–Transfer out	-	(97,909)	-	(97,909)
Employee restricted shares				
–Current issue	-	-	(136,271)	(136,271)
–Current transferred to expenses	-	-	73,628	73,628
Balance, end of 2015	$ 55,483	($ 455,433)	($ 62,643)	($ 462,593)

(21) Other income

	Years ended December 31,	
	2016	2015
Dividend income	$ 32,838	$ 29,537
Interest income:		
Interest income from bank deposits	5,019	5,996
Other interest income	1,700	4,219
Other income	93,729	71,748
Total	$ 133,286	$ 111,500

(22) Other gains and losses

	Years ended December 31, 2016	Years ended December 31, 2015
Net losses on financial assets and liabilities at fair value through profit or loss	($ 16,494)	($ 9,013)
Net currency exchange gains	97,913	58,356
Losses on disposal of property, plant and equipment	(2,159)	(14,384)
Gains on disposal of investments	659,659	97,992
Impairment loss	(546,906)	-
Gains on doubtful debt recoveries	4,401	4,598
Others	(3,735)	(6,364)
Total	$ 192,679	$ 131,185

(23) Finance costs

	Years ended December 31, 2016	Years ended December 31, 2015
Interest expense:		
Bank borrowings	$ 38,001	$ 41,576

(24) Personnel expenses, depreciation and amortization

	Year ended December 31, 2016		
	Operating cost	Operating expense	Total
Employee benefit expenses	$ 2,227,570	$ 1,490,916	$ 3,718,486
Depreciation expense	395,471	142,051	537,522
Amortization expense	2,758	41,660	44,418
Other non-current assets recognized as expenses	68,235	24,017	92,252
Long-term prepaid rents recognized as expenses	-	3,199	3,199

	Year ended December 31, 2015		
	Operating cost	Operating expense	Total
Employee benefit expenses	$ 2,190,349	$ 1,399,873	$ 3,590,222
Depreciation expense	395,400	151,678	547,078
Amortization expense	1,974	39,812	41,786
Other non-current assets recognized as expenses	88,895	24,552	113,447
Long-term prepaid rents recognized as expenses	-	3,328	3,328

(25) Employee benefit expense

	Year ended December 31, 2016		
	Operating cost	Operating expense	Total
Salaries and wages	$ 2,004,474	$ 1,334,539	$ 3,339,013
Insurance	50,565	61,797	112,362
Pension	120,350	51,587	171,937
Others	52,181	42,993	95,174
Total	$ 2,227,570	$ 1,490,916	$ 3,718,486

	Year ended December 31, 2015		
	Operating cost	Operating expense	Total
Salaries and wages	$ 1,961,336	$ 1,246,020	$ 3,207,356
Insurance	50,889	62,979	113,868
Pension	120,276	51,078	171,354
Others	57,848	39,796	97,644
Total	$ 2,190,349	$ 1,399,873	$ 3,590,222

A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 10% for employees' compensation and shall not be higher than 1% for directors' and supervisors' remuneration.

B. For the years ended December 31, 2016 and 2015, employees' compensation was accrued at $229,000 and $155,804, respectively; directors' and supervisors' remuneration was accrued at $17,707 and $10,387, respectively. The aforementioned amounts were recognised in salary expenses.

   The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 12.93% and 1% of distributable profit for the year ended December 31, 2016. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were $229,000 and $17,707, and the employees' compensation will be distributed in the form of cash and stocks.

C. Employees' compensation and directors' and supervisors' remuneration of 2015 as resolved by the meeting of Board of Directors were in agreement with those amounts recognized in the 2015 financial statements. Actual number of shares distributed as employees' compensation for 2015 is 3,942 thousand shares.

   Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(26) Income tax

A. Components of income tax expense:

	Years ended December 31, 2016	Years ended December 31, 2015
Income tax payable, end	$ 297,480	$ 144,295
Income tax payable, beginning	(144,295)	(118,826)
Income tax paid	241,911	183,208
Net change in deferred tax asset	(21,115)	47,070
Income tax expense	$ 373,981	$ 255,747

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31, 2016	Years ended December 31, 2015
Tax calculated based on profit before tax and statutory tax rate	$ 427,669	$ 368,020
Effects from items allowed by tax regulation	(87,373)	(107,845)
Effect from tax credit of investment	(2,000)	(19,000)
Effect of Alternative Minimum Tax	42,533	-
Tax on undistributed surplus earnings	2,136	13,822
Adjustment in respect of prior years	(8,984)	750
Income tax expense	$ 373,981	$ 255,747

C. Amounts of deferred tax assets or liabilities as a result of temporary difference, loss carryforward and investment tax credit are as follows:

	Year ended December 31, 2016		
	January 1	Recognised in profit or loss	December 31
Temporary differences:			
－Deferred tax assets (liabilities):			
Provision for inventory price decline and obsolescence	$ 14,343	$ 2,718	$ 17,061
Impairment loss	565	-	565
Unrealized exchange gain	(5,879)	(5,537)	(11,416)
Unrealized gain on financial assets	(1,025)	(5,221)	(6,246)
Unrealized commissions expense	32,925	30,551	63,476
Unrealized intercompany profit (loss)	(552)	552	-
Unfunded pension expense	1,976	138	2,114
Unrealized government grants	23,062	(2,637)	20,425
Others	4,647	551	5,198
Total	$ 70,062	$ 21,115	$ 91,177

	Year ended December 31, 2015		
	January 1	Recognised in profit or loss	December 31
Temporary differences:			
—Deferred tax assets (liabilities):			
Provision for inventory price decline and obsolescence	$ 15,171	$ (828)	$ 14,343
Impairment loss	565	-	565
Unrealized exchange gain	(11,760)	5,881	(5,879)
Unrealized year-end bonus	410	(410)	-
Unrealized loss (gain) on financial assets	904	(1,929)	(1,025)
Unrealized commissions expense	80,550	(47,625)	32,925
Unrealized intercompany profit (loss)	622	(1,174)	(552)
Unfunded pension expense	1,826	150	1,976
Unrealized government grants	24,095	(1,033)	23,062
Others	4,749	(102)	4,647
Total	$ 117,132	($ 47,070)	$ 70,062

D. The Tax Authorities have examined the income tax returns of the Company through 2014.

E. Unappropriated retained earnings:

	December 31, 2016	December 31, 2015
Earnings generated in and after 1998	$ 1,918,591	$ 1,701,538

F. As of December 31, 2016 and 2015, the balance of the imputation tax credit account was $68,842 and $89,490, respectively. The creditable tax ratio was 6.80% for the year ended December 31, 2015 and is estimated to be 3.59% for 2016.

G. CPCQ applied for the Enterprise Income Tax Law of the People's Republic of China and the State Administration of Taxation on Tax Policy Issues Concerning Further Implementing China's Western Development Strategy, which refers to an enterprise whose main business falls within the scope of industry projects set out in the Catalogue of Encouraged Industries in China's Western Territory and whose revenues generated from its main business accounts for 70% or more of its gross income. The applications have been authorized, and CPCQ's income tax shall be paid at the reduced tax rate of 15% before 2020.

(27) Earnings per share

	Year ended December 31, 2016			
	Amount after tax	Weighted-average number of ordinary shares outstanding (In thousands)	Earnings per share (in NT$)	
Basic earnings per share				
Profit attributable to ordinary shareholders of the parent	$ 1,340,653	361,745	$ 3.71	
Diluted earnings per share				
Assumed conversion of all dilutive potential ordinary shares				
-Employees' bonus	-	5,377		
-Employees' restricted shares	-	1,199		
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 1,340,653	368,321	$ 3.64	

	Year ended December 31, 2015		
	Amount after tax	Weighted-average number of ordinary shares outstanding (In thousands)	Earnings per share (in NT$)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 1,154,140	360,700	$ 3.20
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares			
-Employees' bonus	-	5,462	
-Employees' restricted shares	-	790	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 1,154,140	366,952	$ 3.15

The above weighted-average outstanding shares of common stock in 2015 have been adjusted according to the earnings distribution approved by the Board of Directors and stockholders.

(28) Business combinations

A. In April, 2015, the Group acquired 100% of the share capital of Zhuzhou Torch Auto Lamp CO., Ltd. for $221,755 (RMB￥44,612 thousand) through WTK and obtained control of Zhuzhou Torch.

B. The following table summarizes the consideration paid for WTS Company and the fair values of the assets acquired and liabilities assumed at the acquisition date:

		Year ended December 31, 2015
Purchase consideration		
Cash paid	$	221,755
Fair value of the identifiable assets acquired and liabilities assumed		
Cash	$	11,318
Accounts receivable		156,292
Inventories		46,796
Prepaid expense		1,949
Property, plant and equipment		49,722
Other assets		2,267
Accounts payable	(	67,382)
Other payables	(	56,576)
Other current liabilities	(	2,595)
Total identifiable net assets		141,791
Goodwill (shown as intangible assets)	$	79,964

C. The operating revenue included in the consolidated statement of comprehensive income since the Group's acquisition of Zhuzhou Torch Auto Lamp CO., Ltd., contributed by Zhuzhou Torch was $94,570. Zhuzhou Torch also contributed profit before income tax of $10,007 over the same period. Had Zhuzhou Torch been consolidated from January 1, 2015, the operating revenue and profit before income tax would have been as follows:

		Year ended December 31, 2015
Operating revenue	$	26,599,105
Profit before tax	$	1,373,666

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The ultimate parent of the Company is Chicony Electronics Co., Ltd. which owns 48.94% of the Company's shares.

(2) Significant related party transactions and balances

A. Sales of goods

	Years ended December 31, 2016	Years ended December 31, 2015
Sales of goods:		
Entities with joint control or significant influence over the entity	$ 2,409,724	$ 1,739,061
Other related parties	413,213	303,554
The parent company	65,234	22,043
Total	$ 2,888,171	$ 2,064,658

The terms of the sales to related parties were not significantly different from those of sales to third parties.

B. Purchases of goods

	Years ended December 31, 2016	Years ended December 31, 2015
Purchases of goods:		
-Other related parties	$ 1,174	$ 33

The terms of the purchases from related parties were not significantly different from those of purchases to third parties.

C. Purchases of services

	Years ended December 31, 2016	Years ended December 31, 2015
-Entities with joint control or significant influence over the entity	$ 19,849	$ 15,782
-The parent company	24,045	23,703
	$ 43,894	$ 39,485

The purchases from related parties arise mainly from providing the service management to the Group.

D. Receivables from related parties

	December 31, 2016	December 31, 2015
Accounts receivable:		
-Entities with joint control or significant influence over the entity	$ 1,156,848	$ 1,065,773
-Other related parties	246,356	143,694
-The parent company	19,802	11,031
Subtotal	1,423,006	1,220,498
Other receivable:		
-Entities with joint control or significant influence over the entity	793	367
Total	$ 1,423,799	$ 1,220,865

The accounts receivable arise mainly from sale transactions. The receivables are unsecured in nature and bear no interest. Other receivables are raised from payments on behalf of others.

E. Payables to related parties

	December 31, 2016	December 31, 2015
Other payables:		
-Entities with joint control or significant influence over the entity	$ 1,201	$ 258
-The parent company	6,472	1,627
Total	$ 7,673	$ 1,885

The other payables arise mainly from services, collections, and operating leases.

F. Property transactions

(a) Disposal of property, plant and equipment:

	Year ended December 31, 2016	
	Disposal proceeds	Gain (loss) on disposal
-Entities with joint control or significant influence over the entity	$ 500	$ 379

No such issue for the year ended December 31, 2015.

(b) Acquisition of financial assets:

	Accounts	No. of shares	Objects	Year ended December 31, 2016
Other related parties	Available-for-sale financial assets-non current	9,000,000	Fuh Hwa Securitied Investment Trust Fund	$ 150,854

No such issue for the year ended December 31, 2015.

G. Operating leases:

(a) Rental expense arising from leases in office and plants from related parties is as follows:

	Years ended December 31,	
	2016	2015
Rental expense:		
-Entities with joint control or significant influence over the entity	$ 32,774	$ 34,097
-The parent company	1,380	1,124
Total	$ 34,154	$ 35,221

(b) As of December 31, 2016, the main lease contracts between the Company and related parties are as follows:

Lessor	Lease subject	Rental calculation and payment
—Entities with joint control or significant influence over the entity	Property, plant and equipment	RMB￥6,768 (in thousands) per year
—The parent company	Property, plant and equipment	$115 per month

(3) Remuneration information of key management

	Years ended December 31,	
	2016	2015
Salaries and other short-term employee benefits	$ 162,551	$ 105,204
Post-employment benefits	1,325	1,222
Total	$ 163,876	$ 106,426

8. DETAILS OF PLEDGED ASSETS

The Company's assets pledged as collateral are as follows:

	Book value		
Pledged asset	December 31, 2016	December 31, 2015	Purpose
Time deposits (shown as other current assets)	$ 23,094	$ -	Customs Tariff
Refundable deposits (shown as non-current assets)	12,837	13,005	Guarantee for rentals
〃	8,119	8,647	Others
	$ 44,050	$ 21,652	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1). As of December 31, 2016, for financing forward exchange contracts and for bill purchased purposes, the Group provided standby promissory notes totaling $14,074,978 as security.

(2). As of December 31, 2016 and 2015, due to the Group's leasing of plants, offices and parking lots, the Group shall pay rental expense as follows:

	December 31, 2016	December 31, 2015
Not later than one year	$ 121,303	$ 48,957
Later than one year but not later than five years	66,630	7,735
	$ 187,933	$ 56,692

(3). Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

December 31, 2016	December 31, 2015
$ 33,203	$ 17,132

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The appropriation of 2016 earnings and proposal of employees' compensation and supervisors' and directors' remuneration distribution have been resolved by the Board of Directors on March 1, 2017, please see Note 6(19) and (25).

12. OTHERS

(1)A. In March 2012, an insurance company in America exercised the right of insurance subrogation to file an indictment case against Hipro Electronics Ltd. (HEC) in an Arizona Court to request for compensation for fire damage and related losses due to the failure of the laptop computer's power adapter produced by HEC. This case has been handled by the Company.
The above mentioned insurance company withdrew the lawsuit in November, 2016.

B. In December 2009, The Company's customer had sued for damages at a Florida Court. The consumer of the Company's customer had claimed that the laptop computer which was produced by the Company's customer had caused the fire and physical injury. During the lawsuit process, the Company's customer had sued the Company to indemnify the losses of its consumer and related loss and expense caused by the lawsuit, The Company had notified the insurance company and hired a lawyer through the insurer.
In the above case, the plaintiff (a consumer) has reached a settlement with the Company's customer. However, as at the date of this report, the Company has not incurred any related damages.

C. In January 2012, Dell Products (Manufacturing) Limited (abbreviated as Dell) had filed an indictment case with the Ireland Supreme Court to charge the Company as a co-defendant. In the case, the plaintiff (Thomas McDonagh & Sons) had claimed that Dell's customer, which is ICI Dulux Paint Limited (abbreviated as ICI,) had produced paint mixing machines (which contained Dell's brand-name desktop computers and also Dell desktop power adapters produced by the Company) that had caused the fire in its factory and caused the related losses. Therefore, the plaintiff (Thomas McDonagh & Sons) had claimed its loss of EUR 1,273 thousand dollars from the defendant. During the lawsuit process, ICI had claimed Dell as the third party in this lawsuit, and Dell therefore also had claimed the Company as the fourth party in this lawsuit. Additionally, Dell had filed a declaratory judgment with the Williamson County, Texas District Court to charge Hipro Electronics Ltd. (HEC), and Chicony Power USA, Inc. (CPUS). Dell claimed that the Company, HEC, and CPUS should compensate the losses and attorneys' fees for the Ireland lawsuit in accordance with to Master Purchase Agreement which was signed with HEC in 1995. Dell withdrew the lawsuit in February, 2015, the Company also paid related settlement in December, 2014, and February, 2015, and the total amount was $20,603 (US$ 673 thousand), and recognized the related losses.

(2) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

(3) Financial instruments

A. Fair value information of financial instruments

Except for those listed in the table below, the carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term loans, notes payable, accounts payable and other payables) are approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(4).

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and financial performance.

(b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

ii. The Group's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2016		
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 246,282	32.235	$ 7,938,900
USD:RMB	240,036	6.9773	7,737,560
Financial liabilities			
Monetary items			
USD:NTD	$ 218,594	32.235	$ 7,046,378
USD:RMB	185,532	6.9773	5,980,624

	December 31, 2015		
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 228,614	32.83	$ 7,505,398
USD:RMB	197,231	6.5924	6,475,094
Financial liabilities			
Monetary items			
USD:NTD	$ 189,301	32.83	$ 6,214,752
USD:RMB	226,620	6.5924	7,439,935

iii. Total exchange gain (loss), including realised and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended

December 31, 2016 and 2015, amounted to $97,913 and $58,356, respectively.

iv. Analysis of foreign currency market risk arising from significant foreign exchange variation:

	Year ended December 31, 2016		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 79,389	$ -
USD:RMB	1%	77,376	-
Financial liabilities			
Monetary items			
USD:NTD	1%	$ 70,464	$ -
USD:RMB	1%	59,806	-

	Year ended December 31, 2015		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 75,054	$ -
USD:RMB	1%	64,751	-
Financial liabilities			
Monetary items			
USD:NTD	1%	$ 62,148	$ -
USD:RMB	1%	74,399	-

Price risk

i. The Group's equity securities, which are classified on the consolidated balance sheet as either available-for-sale or at fair value through profit or loss, are exposed to price risk. The Group diversifies its portfolio to manage the price risk arising from its investments. Diversification of the portfolio is done within the restrictions set by the Group.

ii. The Group invests mainly in listed stocks. The prices of equity securities would change due to the changes of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, the Group's shareholders' equity would have increased/decreased for the years ended December 31, 2016 and 2015 by $11,327 and $11,823, respectively, as a result of unrealized gain or loss on available-for-sale financial assets.

Interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. During the years ended December 31, 2016 and 2015, the Group's borrowings at variable rates were denominated in NTD and USD.

As of December 31, 2016 and 2015, if interest rates on USD-denominated borrowings had been 0.25% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2016 and 2015 would have been $250 and $0 lower/higher, respectively.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by its clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each internal operating entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial positions, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with restrictions set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables.

ii. For the years ended December 31, 2016 and 2015, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

iii. The credit quality information of accounts receivable (including related parties) that are neither past due nor impaired is as follows:

	December 31, 2016	December 31, 2015
Group 1	$ 5,020,864	$ 4,088,009
Group 2	3,608,431	4,131,235
	$ 8,629,295	$ 8,219,244

Group 1: Low-risk customers which have larger scale of operations.

Group 2: Other normal-risk customers.

iv. The aging analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2016	December 31, 2015
Up to 30 days	$ 7,128	$ 136,848
31 to 120 days	4,507	24,076
	$ 11,635	$ 160,924

vii. The analysis of the Group's accounts receivable that were impaired is as follows:

Individual provision	2016	2015
At January 1	$ 10,101	$ 2,598
Reversal of impairment	(4,401)	(4,598)
Acquired from business combinations	-	12,161
Effect of exchange rate changes	(354)	(60)
At December 31	$ 5,346	$ 10,101

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 6(14)) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal financial ratio targets and, if applicable external regulatory or legal requirements.

ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As of December 31, 2016 and 2015, the Group held money market position of $2,213,164 and $1,521,270, respectively, which are expected to generate sufficient cash inflows to cover liquidity risk.

iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

December 31, 2016	Less than 1 year	Over 1 year
Notes payable	$ 430	$ -
Accounts payable	9,644,094	-
Other payables (including related parties)	2,016,340	-
Long-term borrowings	-	100,098

Non-derivative financial liabilities:

December 31, 2015	Less than 1 year	Over 1 year
Short-term borrowings	$ 1,212,737	$ -
Notes payable	1,818	-
Accounts payable	8,483,069	-
Other payables (including related parties)	1,613,401	-

(4) Fair value estimation

A. Details of the fair value of the Group's financial assets and financial liabilities not measured at fair value are provided in Note 12(3).

B. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks, convertible bonds and beneficiary certificates is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in private placement of listed shares and most derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in certain derivative instruments is included in Level 3.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2016 and 2015 is as follows:

December 31, 2016	Level 1	Level 2	Level 3	Total
Financial assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Forward exchange contracts	$ -	$ 68	$ -	$ 68
Futures contracts	-	36,743	-	36,743
Available-for-sale financial assets				
Equity securities	1,020,490	16,443	-	1,036,933
Debt seurities	247,375	-	-	247,375
Beneficiary certificates	95,800	-	-	95,800
Total	$ 1,363,665	$ 53,254	$ -	$ 1,416,919
Financial liabilities：				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	$ -	$ 30,368	$ -	$ 30,368

December 31, 2015	Level 1	Level 2	Level 3	Total
Financial assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Forward exchange contracts	$ -	$ 7,257	$ -	$ 7,257
Futures contracts	-	-	8,324	8,324
Available-for-sale financial assets				
Equity securities	518,197	52,982	-	571,179
Debt seurities	250,603	-	-	250,603
Beneficiary certificates	611,092	-	-	611,092
Total	$ 1,379,892	$ 60,239	$ 8,324	$ 1,448,455

D. The methods and assumptions the Group used to measure fair value are as follows:

(a) The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Listed shares	Open-end fund	Convertible bond
Market quoted price	Closing price	Net asset value	Closing price

(b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes.

E. For the years ended December 31, 2016 and 2015, there was no transfer between Level 1 and Level 2.

F. For the years ended December 31, 2016 and 2015, there was no transfer into or out from Level 3.

G. Financial segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: Please refer to table 4.

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to table 5.

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to table 6.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Note 6(2).

J. Significant inter-company transactions during the reporting periods: Please refer to table 7.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 8.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 9.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to Note 13(1).

14. SEGMENT INFORMATION

(1) General information

The Chief Operating Decision-Maker considers the business from a geographic and product type perspective; geographically, the Group currently focuses on wholesale in Taiwan, Mainland China and US.

The Group's company organization, basis of department segmentation and principles for measuring segment information for the period were not significantly changed.

(2) Measurement of segment information

A. The accounting policies of operating departments are the same as the accounting policies summarized in Note 4.

B. The Group evaluates performance based on external revenue and segment income which had already eliminated the effect of segment transactions.

(3) Information about segment profit or loss, assets and liabilities

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

Year ended December 31, 2016	Taiwan	Mainland China	US	Total
Revenue from external customers	$24,419,909	$ 770,214	$ 2,229,340	$27,419,463
Segment profit	$ 564,370	$ 1,112,159	$ 501,005	$ 2,177,534

Year ended December 31, 2015	Taiwan	Mainland China	US	Total
Revenue from external customers	$24,142,680	$ 1,337,058	$ 1,038,994	$26,518,732
Segment profit	$ 625,334	$ 1,231,866	$ 64,365	$ 1,921,565

(4) Reconciliation for segment income

A. The revenue from external parties reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the statement of comprehensive income.

B. A reconciliation of reportable segment profit to the profit before tax for the years ended December 31, 2016 and 2015 is provided as follows:

	Years ended December 31, 2016	Years ended December 31, 2015
Reportable segment profit	$ 2,177,534	$ 1,921,565
Unclassified related profit and loss	(739,723)	(698,282)
Non-operating revenue and expense	273,201	181,712
Profit before tax	$ 1,711,012	$ 1,404,995

(5) Information on products and services

Revenue from third parties is mainly derived from the sale of electronic component products, consumer electronic products and other electronic products as follows:

	Years ended December 31, 2016	Years ended December 31, 2015
Electronic component products	$ 18,288,256	$ 16,354,058
Consumer electronic products	9,032,108	10,116,290
Others	99,099	48,384
Total	$ 27,419,463	$ 26,518,732

(6) Geographical information

Geographical information for the years ended December 31, 2016 and 2015 is as follows:

	Year ended December 31, 2016		Year ended December 31, 2015	
	Revenue	Non-current assets	Revenue	Non-current assets
Asia	$ 23,479,014	$ 2,827,705	$ 21,318,523	$ 3,290,166
US	3,449,679	99,849	4,759,405	90,186
Europe	469,342	-	419,252	-
Others	21,428	-	21,552	-
Total	$ 27,419,463	$ 2,927,554	$ 26,518,732	$ 3,380,352

Non-current assets include property, plant and equipment, intangible assets and other non-current assets, but exclude financial instruments and deferred income tax assets.

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2016 and 2015 is as follows:

	Year ended December 31, 2016	
	Revenue	Segment
Company A	$ 4,361,388	Taiwan
Company C	3,042,355	"

	Year ended December 31, 2015	
	Revenue	Segment
Company A	$ 4,035,240	Taiwan
Company B	2,869,753	"

CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Loans to others

Year ended December 31, 2016

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2016 (Note 2)	Balance at December 31, 2016 (Note 3)	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 6)	Ceiling on total loans granted (Note 6)	Footnote
													Item	Value			
0	The Company	CT	Other receivables - related parties	YES	$ 15,000	$ 15,000	$ 4,000	1.5	2	$ -	working capital	$ -	None	None	$ 2,842,116	$ 2,842,116	-
1	CPI	WT	Other receivables - related parties	YES	67,100	32,235	24,176	1.3	2	-	working capital	-	None	None	1,385,473	1,385,473	-
1	CPI	CT	Other receivables - related parties	YES	6,447	6,447	-	-	2	-	working capital	-	None	None	1,385,473	1,385,473	-
1	CPI	CPUS	Other receivables - related parties	YES	177,293	177,293	161,175	1.6	2	-	working capital	-	None	None	2,131,587	2,842,116	-
1	CPI	CPHK	Other receivables - related parties	YES	1,358,775	1,321,635	1,192,695	1.6	2	-	working capital	-	None	None	2,131,587	2,842,116	-
2	CPSZ	Zhuzhou Torch Auto Lamp CO., Ltd	Other receivables - related parties	YES	95,860	92,400	69,300	1.6	2	-	working capital	-	None	None	598,991	598,991	-
2	CPSZ	CPCQ	Other receivables - related parties	YES	178,255	161,700	161,700	1.6	2	-	working capital	-	None	None	2,131,587	2,842,116	-
2	CPSZ	WTK	Other receivables - related parties	YES	40,744	36,960	23,100	1.6	2	-	working capital	-	None	None	598,991	598,991	-
3	WTS	WT	Other receivables - related parties	YES	16,118	16,118	16,118	1.3	2	-	working capital	-	None	None	84,933	84,933	-

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1) The Company is ‘0’.

(2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: Fill in the maximum outstanding balance of loans to others during the year ended December 31, 2016.

Note 3: The amounts of funds to be loaned to others which have been approved by the board of directors of a public company in accordance with Article 14, Item 1 of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” should be included in its published balance of loans to others at the end of the reporting period to reveal the risk of loaning the public company bears, even though they have not yet been appropriated. However, this balance should exclude the loans repaid when repayments are done subsequently to reflect the risk adjustment. In addition, if the board of directors of a public company has authorized the chairman to loan funds in instalments or in revolving within certain lines and within one year in accordance with Article 14, Item 2 of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”, the balance of loans to others at the end of the reporting period should also include these lines of loaning approved by the board of directors, and these lines of loaning should not be excluded from this balance even though the loans are repaid subsequently, for taking into consideratior they could be loaned again thereafter.

Note 4: The numbers filled in the column of ‘Nature of loan are as follows:

(1) The business transaction is ‘1’.

(2) The short-term financing is ‘2’.

Note 5: Fill in the amount of business transactions when nature of the loan is related to business transactions, which is the amount of business transactions occurred between the creditor and borrower in the current year.

Note 6: (1) Total financing amount should not exceed the Company’s stockholders’ equity and

a. the total financing amount to any individual party should not exceed 40% of the Company’s stockholders’ equity for the purpose of short-term financing.

b. the total financing amount to any individual party should not exceed 50% of the Company’s stockholders’ equity and the amount of sales/purchase during the year for the purpose of business.

(2) Total financing amount should not exceed 40% of the subsidiary’s stockholders’ equity and

a. the total financing amount to any individual party should not exceed 40% of the subsidiary’s stockholders’ equity for the purpose of short-term financing.

b. the total financing amount to any individual party should not exceed 50% of the subsidiary’s stockholders’ equity and the amount of sales/purchase during the year for the purpose of business.

(3) Loans for foreign companies whose voting rights are 100% directly or indirectly held by the Company are not limited to the restriction of 40% of the lending company's net assets based on the latest audited or reviewed financial statements. However, limit on loans granted to a single company is 30% of the Company's net assets based on the latest audited or reviewed financial statements, or the higher of sales and purchases during the year. Ceiling on total loans is 40% of the Company's net assets based on the latest audited or reviewed financial statements, and the financing period should not exceed 3 years.

(4) Except for (3), the financing period should not exceed one year.

CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

Year ended December 31, 2016

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

		Party being endorsed/guaranteed												
Number (Note 1)	Endorser/ guarantor	Company name	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2016	Outstanding endorsement/ guarantee amount at December 31, 2015	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 3)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 3)	Provision of endorsements/ guarantees to the party in Mainland China (Note 3)	Footnote
0	The Company	CPI	Subsidiary	$ 2,785,274	$ 167,750	$ -	$ -	$ -	-	$ 3,481,593	Y	-	-	-

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1) The Company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following categories; fill in the number of category each case belongs to:

(1) The Company is the subsidiary of the party.

(2) The Company have business dealings with the party.

(3) The party is the subsidiary of the Company.

(4) Subsidiaries which the Company has shares exceeding 90% directly or indirectly.

(5) The party which own the Company's shares exceeding 50% directly or indirectly.

Note 3:(1) Total guarantee amount of the Company is limited to 49% of the Company's stockholders' equity. The Company's guarantee to each individual entity is limited to 80% of the total guarantee amount.

(2) Total guarantee amount is limited to subsidiaries' stockholders' equity. The subsidiaries' guarantee to each individual entity is limited to 50% of the total guarantee amount.

(3) Total guarantee amount of the Group is limited to 49% of the Company's stockholders' equity. The Group's guarantee to each individual entity is limited to 80% of the total guarantee amount.

(4) Total guarantee amount, except the above mentioned restriction, to any individual party should not exceed the amount of sale/purchase during the year for the purpose of business.

(5) Guarantee between the subsidiaries where the Company has shares exceeding 90% directly or indirectly should not exceed 10% of the Company's stockholders' equity, except the subsidiaries that the Company has shares exceeding 100% directly or indirectly.

(6) Total guarantee amount is limited to the Company's stockholders' equity when the Company or its subsidiaries take guarantee procedures to the entity whose stockholder's equity is lower than 50% of its stockholders' equity.

(7) Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Holding of marketable securities at the end of the period(not including subsidiaries, associates and joint ventures)

December 31, 2016

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities		Relationship with the securities issuer	General ledger account	As of December 31, 2016				Footnote
					Number of shares	Book value	Ownership(%)	Fair value	
The Company	Common stock	CLEVO CO.	The Company's chairman is the director of the securities issuer	Available-for-sale financial assets-current	4,538,000	$ 126,156	0.66	$ 126,156	-
The Company	Common stock	Everlight Electronics Co., Ltd.	-	Available-for-sale financial assets - current	300,000	13,830	0.07	13,830	-
The Company	Common stock	KINSUS INTERCONNECT TECHNOLOGY CORP.	-	Available-for-sale financial assets - current	920,000	65,504	0.21	65,504	-
The Company	Common stock	Genesis Photonics Inc.	-	Available-for-sale financial assets - current	11,508,940	30,038	3.63	30,038	-
The Company	Common stock	AcBel Polytech Inc.	-	Available-for-sale financial assets - current	1,908,000	45,887	0.37	45,887	-
The Company	Common stock	GlobalWafers Co., Ltd.	-	Available-for-sale financial assets - current	319	37	-	37	-
The Company	Common stock	CHENG UEI PRECISION INDUSTRY CO., LTD.	-	Available-for-sale financial assets - current	250,000	9,150	0.05	9,150	-
The Company	Common stock	ZIPPY TECHBOLOGY CORP.	-	Available-for-sale financial assets - current	337,000	11,947	0.22	11,947	-
The Company	Common stock	Green Seal Holding Limited	-	Available-for-sale financial assets - current	1,509,000	219,560	1.02	219,560	-
The Company	Common stock	Win Semiconductors Corp.	-	Available-for-sale financial assets - current	300,909	27,353	0.07	27,353	-
The Company	Common stock	Hon Hai Precision Industry Co., Ltd.	-	Available-for-sale financial assets - current	330,000	27,786	-	27,786	-
The Company	Common stock	Flytech Technology Co., Ltd.	-	Available-for-sale financial assets - current	300,000	28,230	0.20	28,230	-
The Company	Common stock	Pegatron Corporation	-	Available-for-sale financial assets - current	700,000	53,900	0.03	53,900	-
The Company	Common stock	SOE CO., LTD.	The Group's parent company is this company's corporate directors	Available-for-sale financial assets - current	1,606,000	44,245	1.26	44,245	-
The Company	Common stock	Laster Tech Corporation Ltd.	-	Available-for-sale financial assets - current	3,329,176	204,744	4.88	204,744	-
The Company	Bond	Everlight Electronics Co., Ltd.	-	Available-for-sale financial assets - current	2,500,000	247,375	5.43	247,375	-
The Company	Private equity	Genesis Photonics Inc.	-	Available-for-sale financial assets - non-current	8,699,899	16,443	2.74	16,443	-
The Company	Beneficiary certificates	Fuh Hwa Securities Investment Trust Fund	-	Available-for-sale financial assets - non-current	6,000,000	56,880	-	56,880	-
The Company	Common stock	LumenMax Optoelectronics Co., Ltd.	-	Investments carried at cost - non-current	234,069	-	1.67	-	-
The Company	Common stock	TAIPEI TECH Venture Capital Co.,Ltd	Corporate director	Investments carried at cost - non-current	1,500,000	15,000	5.00	-	-
The Company	Common stock	WK Venature Capital Management CO. Ltd.	-	Investments carried at cost - non-current	1,000,000	10,000	1.00	-	-
The Company	Common stock	Twi Biotechnology Co., LTD.	-	Investments carried at cost - non-current	220,000	14,520	0.39	-	-
The Company	Common stock	Top Taiwan Venture Capital Management Co. Ltd.	The Company's independent director is the chairman of the securities issuer, and the Company is its supervisor	Investments carried at cost - non-current	7,500,000	75,000	9.38	-	-
CPI	Common stock	Anxin-China Holdings Ltd.	-	Available-for-sale financial assets - current	8,300,000	13,341	0.27	13,341	-
CPI	Common stock	Merrimack Pharmaceuticals, Inc. MACK	-	Available-for-sale financial assets - current	492,282	64,744	0.38	64,744	-
CPI	Common stock	Mobileye N.V.	-	Available-for-sale financial assets - current	27,700	34,038	0.01	34,038	-
CPI	Beneficiary certificates	CSOP FTSE China A50 ETF	-	Available-for-sale financial assets - current	857,000	38,920	-	38,920	-
CPI	Beneficiary certificates	WRV II, L.P	-	Investments carried at cost - non-current	2,229,666	71,873	-	-	-

CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital

Year ended December 31, 2016

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

					Balance as at January 1, 2016		Addition		Disposal				Balance as at December 31,	
Investor	Marketable securities	General ledger account	Counterparty (Note 1)	Relationship with the investor (Note 1)	Number of shares	Amount (Note 2)	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount (Note 2)
The Company	Fuh Hwa secutities Investment Trust Fund	Available-for-sale financial assets - non-current	-	-	24,900,000	$ 249,000	9,000,000	$ 150,854	33,900,000	$ 959,938	$ 399,854	$ 560,084	-	$ -

Note 1: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 2: Carrying amounts, not considering valuation adjustment.

CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more

Year ended December 31, 2016

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes / accounts receivable (payable)	Footnote
The Company	KAPOK	Other related party	Sales	($ 393,132)	2	60days	Note 1	Note 1	$ 210,430	3	-
The Company	Chicony Electronics(Dong Guan)	Affiliate	Sales	(495,544)	2	90days	Note 1	Note 1	193,839	3	-
The Company	Chicony Electronics CEZ s.r.o.	Affiliate	Sales	(129,406)	1	90days	Note 1	Note 1	11,482	-	-
The Company	CPUS	Subsidiary	Sales	(679,173)	3	90days	Note 1	Note 1	155,677	2	-
CPI	The Company	The Company	Sales	(23,020,691)	93	45days	Note 1	Note 1	6,485,634	83	-
CPI	Chicony Electronics(Suzhou)	Affiliate	Sales	(959,865)	4	90days	Note 1	Note 1	533,674	7	-
CPI	Mao-Ray(Dong Guan)	Affiliate	Sales	(276,455)	1	90days	Note 1	Note 1	120,882	2	-
CPI	Chicony Electronics(Chong-Qing)	Affiliate	Sales	(244,394)	1	90days	Note 1	Note 1	176,492	2	-
CPDG	CPI	Subsidiary	Sales	(11,365,386)	99	45days	Note 1	Note 1	2,288,623	82	-
CPSZ	CPI	Subsidiary	Sales	(8,030,388)	95	45days	Note 1	Note 1	3,673,916	95	-
CPSZ	Chicony Electronics(Suzhou)	Affiliate	Sales	(216,821)	3	90days	Note 1	Note 1	111,312	3	-
CPCQ	CPI	Subsidiary	Sales	(4,391,342)	91	45days	Note 1	Note 1	1,374,188	89	-
CPCQ	CPSZ	Subsidiary	Sales	(433,276)	9	60days	Note 1	Note 1	163,088	11	-
GSE	CPDG	Subsidiary	Sales	(542,314)	48	60days	Note 1	Note 1	118,308	36	-
GSE	CPSZ	Subsidiary	Sales	(353,639)	32	60days	Note 1	Note 1	139,130	42	-
GSE	CPCQ	Subsidiary	Sales	(174,516)	16	60days	Note 1	Note 1	61,256	19	-
The Company	CPI	Subsidiary	Purchases	$ 23,020,691	100	45days	Note 2	Note 2	($ 6,485,634)	99	-
CPUS	The Company	The Company	Purchases	679,173	100	90days	Note 2	Note 2	(155,677)	100	-
CPI	CPDG	Subsidiary	Purchases	11,365,386	48	45days	Note 2	Note 2	(2,288,623)	27	-
CPI	CPSZ	Subsidiary	Purchases	8,030,388	34	45days	Note 2	Note 2	(3,673,916)	44	-
CPI	CPCQ	Subsidiary	Purchases	4,391,342	18	45days	Note 2	Note 2	(1,374,188)	16	-
CPDG	GSE	Subsidiary	Purchases	542,314	16	60days	Note 2	Note 2	(118,308)	3	-
CPSZ	CPCQ	Subsidiary	Purchases	433,276	6	60days	Note 2	Note 2	(163,088)	5	-
CPSZ	GSE	Subsidiary	Purchases	353,639	5	60days	Note 2	Note 2	(139,130)	4	-
CPCQ	GSE	Subsidiary	Purchases	174,516	4	60days	Note 2	Note 2	(61,256)	3	-

Note 1：The terms of the sales to related parties were not significantly different from those of sales to third parties.
Note 2：The terms of the purchases to related parties were not significantly different from those of purchases to third parties.

CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more

December 31, 2016

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2016	Turnover rate	Overdue receivables Amount	Overdue receivables Action taken	Amount collected subsequent to the balance	Allowance for Creditor Counterparty doubtful accounts
Financial funds receivable								
CPI	CPHK	Subsidiary	$ 1,193,172	-	-	-	-	-
CPI	CPUS	Subsidiary	163,483	-	-	-	-	-
CPSZ	CPCQ	Subsidiary	163,991	-	-	-	-	-
Accounts receivable								
The Company	CPUS	Subsidiary	$ 155,677	5.66	-	-	-	-
The Company	Chicony Electronics(Dong Guan)	Affiliate	193,839	3.27	-	-	-	-
The Company	KAPOK	Other related party	210,430	2.64	-	-	-	-
CPI	The Company	The Company	6,485,634	3.94	-	-	-	-
CPI	Chicony Electronics(Suzhou)	Affiliate	533,674	2.20	-	-	-	-
CPI	Mao-Ray(Dong Guan)	Affiliate	120,882	4.04	-	-	-	-
CPI	Chicony Electronics(Chong-Qing)	Affiliate	176,492	2.77	-	-	-	-
CPDG	CPI	Subsidiary	2,288,623	5.22	-	-	-	-
CPSZ	CPI	Subsidiary	3,673,916	2.44	-	-	-	-
CPSZ	Chicony Electronics(Suzhou)	Affiliate	111,312	0.89	-	-	-	-
CPCQ	CPI	Subsidiary	1,374,188	3.92	-	-	-	-
CPCQ	CPSZ	Subsidiary	163,088	2.87	-	-	-	-
GSE	CPDG	Subsidiary	118,308	4.83	-	-	-	-
GSE	CPSZ	Subsidiary	139,130	2.95	-	-	-	-

CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Significant inter-company transactions during the reporting periods

Year ended December 31, 2016

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

				Transaction			
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	The Company	CPUS	1	Sales	$ 679,173	Note 4	2
1	CPI	The Company	2	Sales	23,020,691	Note 4	84
1	CPI	The Company	2	Accounts receivable - related-party	6,485,634	Note 4	33
1	CPI	CPHK	3	Other receivables - related-party	1,193,172	Note 5	6
2	CPDG	CPI	3	Sales	11,365,386	Note 4	41
2	CPDG	CPI	3	Accounts receivable - related-party	2,288,623	Note 4	12
3	CPSZ	CPI	3	Sales	8,030,388	Note 4	29
3	CPSZ	CPI	3	Accounts receivable - related-party	3,673,916	Note 4	19
4	CPCQ	CPI	3	Sales	4,391,342	Note 4	16
4	CPCQ	CPI	3	Accounts receivable - related-party	1,374,188	Note 4	7
4	CPCQ	CPSZ	3	Sales	433,276	Note 4	2
5	GSE	CPDG	3	Sales	542,314	Note 4	2
5	GSE	CPSZ	3	Sales	353,639	Note 4	1

Other transactions between the parent company and subsidiaries not exceeding 1% of the consolidated total revenue or total assets are not disclosed. Those transactions are shown in other assets and revenue.

Note 1：The number filled in for the transaction company in respect of inter-company transactions are as follows：

(1) Parent company is‘0’

(2) The subsidiaries are numbered in order starting from‘1’

Note 2：Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belong to (If transactions between parent company and subsidiaries or between refer to the same transactions, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions subsidiaries, if one of the subsidiaries has disclosed the transactions, then the other is not required to disclose the transaction.)：

(1) Parent company to subsidiary.

(2) Subsidiary to parent company

(3) Subsidiary to subsidiary

Note 3：Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on year-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4：Depends on the transaction quantity and the market situation.

Note 5：The terms of related parties loans depend on both parties’operation situation.

CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Information on investees

Year ended December 31, 2016

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2016	Initial investment amount: Balance as at December 31, 2015	Shares held as at December 31, 2016: Number of shares	Shares held as at December 31, 2016: Ownership (%)	Shares held as at December 31, 2016: Book value	Net profit (loss) of the investee for the year ended December 31, 2016	Investment income(loss) recognised by the Company for the year ended December 31, 2016	Footnote
The Company	Chicony Power Holdings Inc. (CPH)	BVI	Investment holdings	$ 326,350	$ 326,350	10,000,000	100	$ 3,404,209	$ 1,025,411	$ 977,649	Subsidiary
The Company	Newmax Technology Co., Ltd.	Taiwan	Manufacturing and sales of lenses	358,590	358,590	2,762,779	2.73	280,824	(541,990)	(14,763)	Investment accounted under equity method
CPH	Chicony Power International Inc. (CPI)	Cayman Island	Sales of switching power supplies and other electronic parts	322,350 (US$ 10,000 thousnd)	322,350 (US$ 10,000 thousnd)	10,000,000	100	3,463,683	1,025,455	-	Subsidiary
CPI	Chicony Power USA, Inc. (CPUS)	U.S.A	Sales of switching power supplies and other electronic parts	42,453 (US$ 1,317 thousnd)	42,453 (US$ 1,317 thousnd)	1,500,000	100	12,164	(4,773)	-	Subsidiary
CPI	Chicony Power Technology Hong Kong Limited (CPHK)	Hong Kong	Research and development center and investment holdings	356,507 (HK$ 85,800 thousnd)	356,507 (HK$ 85,800 thousnd)	46,800,000	100	2,185,922	543,243	-	Subsidiary
CPI	WitsLight Technology Co,. Ltd (WTS)	Samoa	Design, R&D, manufacturing and sales of LED lighting module	290,1115 (US$ 9,000 thousnd)	290,1115 (US$ 9,000 thousnd)	10,000,000	78.125	224,292	(16,557)	-	Subsidiary
WTS	WitsLight Technology Co, Ltd.(WT)	Taiwan	Design, R&D, manufacturing and sales of LED lighting module	5,000	5,000	500,000	100	(75,255)	(8,496)	-	Subsidiary
WTS	Carlight Technology Co., Ltd (CT)	Taiwan	Car and motor light, design and development of other parts and international trading	3,000	-	300,000	100	(2,338)	(5,338)	-	Subsidiary

Note:For the amounts denomimated in foreign currencies, profit and loss amounts are translated into New Taiwan dollars at the yearly average exchange rate of 2016,while others are translated into New Taiwan dollars at the spot exchaenge rates prvailing at the end of the annual reporting peri
reporting period.

CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China

Year ended December 31, 2016

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2016		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Net income of investee as of December 31, 2016	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2016	Basis of recognition of investment income (losses) (Note 2)	Book value of investments in Mainland China as of December 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2016	Footnote
					Remitted to Mainland China	Remitted back to Taiwan								
Chicony Power Technology (DongGuan) Co., Ltd.	Manufacturing and sales of switching power supplies and other electronics parts	$ 593,135	2.(1)	$ 114,408	$ -	$ -	$ 114,408	$ 118,786	100	$ 118,786	$ 1	$ 1,086,807	$ -	-
Chicony Power Technology (Suzhou) Co., Ltd	Manufacturing and sales of electronics components and LED lighting equipment	239,442	2.(1)	45,197	-	-	45,197	251,168	100	251,168	1	1,497,477	-	-
Quang Sheng Electronics (Nangchang) Co., Ltd.	Manufacturing and sales of electronics components and transformers	131,175	2.(1)	33,573	-	-	33,573	11,712	100	9,534	2	218,294	-	-
Chicony Power Technology (Chong Qing) Co., Ltd.	Manufacturing and sales of electronics components and LED lighting equipment	301,744	2.(1)	-	-	-	-	179,307	100	179,307	1	556,638	-	-
Chicony Energy Saving Technology (Shanghai) Co., Ltd.	Sales of LED lighting equipment	44,379	2.(1)	-	-	-	-	2,019	100	2,019	2	46,620	-	-
Chicony Power Technology Trading (Dong Guan) Co., Ltd.	Importing and exporting of power supplies, LED lighting equipment, and other electronics	10,491	2.(1)	-	-	-	-	554	100	554	2	9,972	-	-
WitsLight Technology (Kushun) Co, Ltd.	Manufacturing and sales of LED lighting equipment	331,859	2.(2)	-	-	-	-	7,932	78.125	6,197	2	193,807	-	-
Zhuzhou Torch Auto Lamp CO., Ltd	Production and sales of automotive and motorcycle components, electric machine and device, lamps and plastic products	228,654	2.(2)	-	-	-	-	11,056	78.125	8,638	2	173,304	-	-

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
The Company	$ 193,178	$ 1,097,177	$ 4,263,175

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

1.Directly invest in a company in Mainland China..

2.Through investing in an existing company in the third area, which then invested in the investee in Mainland China. The third areas are as follows:

(1) Chicony Power Technology Hong Kong Limited.

(2) Witslight Technology Co., Ltd.

3.Others

Note 2: Based on the financial statements audited by the parent companies' CPA.

Note 3: The numbers in this table are expressed in New Taiwan Dollars.