Stock Code:2383

(English Translation of Financial Statements and Report Originally Issued in Chinese)

ELITE MATERIAL CO., LTD.

FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015
(With Independent Auditors' Report Thereon)

Address: No.18, Datong 1st Rd., Guanyin Dist., Taoyuan City 328, Taiwan (R.O.C.)

Telephone: (03)483-7937

Table Of Contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Report	3
4. Statements of Financial Position	4
5. Statements of Comprehensive Income	5
6. Statements of Changes in Equity	6
7. Statements of Cash Flows	7
8. Notes to the Financial Statements	
(1) Organization and Business	8
(2) Approval Date and Procedures of the Financial Statements	8
(3) New Standards and Interpretations Not Yet Adopted	8～11
(4) Significant Accounting Policies	11～25
(5) Major Sources of Accounting Assumptions, Judgments and Estimation Uncertainty	25
(6) Summary of Major Accounts	25～50
(7) Related-Party Transactions	50～52
(8) Pledged Assets	52
(9) Significant Contingencies and Commitments	52～53
(10) Significant Catastrophic Losses	53
(11) Significant Subsequent Events	53
(12) Others	53
(13) Additional Disclosures	
a) Information on significant transactions	54～55
b) Information on investees	55～56
c) Information on investment in Mainland China	56～57
(14) Segment Information	57

Independent Auditors' Report

To the Board of Directors of Elite Material Co., Ltd.:

Opinion

We have audited the financial statements of Elite Material Co., Ltd. ("the Company"), which comprise the balance sheets as of December 31, 2016 and 2015, the statements of comprehensive income, changes in equity and cash flows for the year ended December 31, 2016 and 2015, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

1. Revenue recognition

   Refer to Note 4(n) "Revenue" and Note 6(p) "Revenue" to the financial statements.

   Description of key audit matter:

   The recognition of revenue is based on the fact that the Company has transferred all its ownership and the significant risk of its products to the customers. The judgment on the arrival date of the products involves uncertainty under the FOB destination which is stated in the sales contracts between the Company and the customers. The Company still needs to take the risk of the products before they are delivered to customers. Therefore, the recognition of revenue was considered to be one of the key audit matters in the audit.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain key audit procedures that included: assessing the accounting policies on the recognition timing of sales revenue and the appropriateness of related internal controls; testing the effectiveness of implementation of internal control ; performing cut-off test for recognition of revenue on the period before and after the balance sheet date to assess the rationality to the recognition timing of sales revenue.

2. Valuation of accounts receivable

Please refer to Note (4)(f) “financial instruments” and Note (6)(c) “accounts receivable and other receivables” of the financial statements.

Description of key audit matter:

Assessment of accounts receivable involves uncertainty due to the credit risk resulting from characteristics of industry and industrial economic situation. In addition, the recognition on impairment loss of accounts receivable was based on the policy of the Company and the assessment of the management. The assessment is based on the subjective judgment of the management, which was also why the reason on the assessment of accounts receivable involved uncertainty. Therefore, the assessment on impairment of accounts receivable was considered to be one of the key audit matters in our audit.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain key audit procedures that included: understanding the policy、approach and rationality of data on the valuation of accounts receivable; inspecting whether the Company’s management has executed the credit assessment to the top ten newly-added customer; obtaining aging analysis of accounts receivable to verify the completeness and accuracy, and understanding how the management evaluate the collectability of accounts receivable which were past due but not impaired; inspecting the collection situation after balance sheet date in order to make sure the rationality to allowance for accounts receivable that has been assessed by the Company’s management on balance sheet date; evaluating the reasonableness and the completetness of disclosure of impairment loss if the carrying amount of accounts receivable exceeds the amount to be recovered.

3. Allowance for Inventory Valuation

Please refer to Note (4)(g) "Inventories" and Note (6)(d)”Inventories” of the financial statements.

Description of key audit matter:

The printed circuit board and other electronic components are the major products of the Company. Inventories have specific life cycle due to their attributes. Apart from this, the Company prepared certain amounts of security stock to meet the delivery date required by the customers. Inventories are stated at the lower of cost or net realizable value. Consquently, there may be situations that the net realizable value of inventory will exceed its cost. In addition, the Company would purchase the materials in advance for the expected sales orders. The cancellation or the change of orders, and the change of the material used or quantities of the material may lead to product obsolescence. Therefore, the recognition on allowance for inventory valuation and obsolescence loss was considered to be one of the key audit matters in the audit.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain key audit procedures that included: assessing the allowance for loss due to price decline, obsolete, and slow moving inventories to determine whether policy of the Company is applied; selecting samples to examine their net realizable values to verify the accuracy and completeness of inventory aging report; reassessing the accuracy of allowance for inventory valuation and obsolescence loss according to the Company's accounting policy; performing a retrospective review to evaluate the completeness of disclosure for allowance for inventories

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

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on thisfinancial statements. We are responsible for the direction, supervision and performance of the 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 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.

The engagement partners on the audit resulting in this independent auditors' report are Liu-Fong Yang and Ying-Ju Chen.

KPMG

Taipei, Taiwan (Republic of China)
March 16, 2017

Notes to Readers

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

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

(English Translation of Financial Statements and Report Originally Issued in Chinese)

ELITE MATERIAL CO., LTD.

STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

		2016.12.31		2015.12.31	
	ASSETS	**Amount**	**%**	**Amount**	**%**
	Current Assets:				
1100	Cash and cash equivalents (Notes (6)(a))	$ 644,037	4	653,223	5
1150	Notes receivable, net (Notes (6)(c))	227,753	2	200,240	2
1170	Accounts receivable, net (Notes (6)(c))	1,743,912	12	1,691,920	12
1181	Accounts receivable-related parties	32,481	-	16,878	-
1200	Other receivables, net	4,190	-	15,534	-
1310	Inventories (Notes (6)(d))	546,535	4	457,668	3
1470	Other current assets	30,640	-	24,108	-
		3,229,548	22	3,059,571	22
	Non-Current Assets:				
1550	Investments accounted for using equity method, net (Note (6)(e))	9,480,104	65	9,146,840	66
1600	Property, plant and equipment (Note (6)(f))	1,839,614	13	1,494,447	11
1780	Intangible assets	2,591	-	1,794	-
1840	Deferred tax assets (Note (6)(l))	36,433	-	10,820	-
1900	Other non-current assets	100,924	-	89,806	1
1920	Guarantee deposits paid	5,449	-	5,429	-
		11,465,115	78	10,749,136	78
	Total assets	**$ 14,694,663**	**100**	**13,808,707**	**100**

		2016.12.31		2015.12.31	
	LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
	Current Liabilities:				
2100	Short-term borrowings (Notes (6)(g))	$ 22,022	-	8,329	-
2120	Current financial liabilities at fair value through profit or loss (Note (6)(b))	1,968	-	-	-
2170	Accounts payable	1,359,977	9	1,314,145	9
2180	Accounts payable-related parties (Note (7))	36,180	-	76,218	1
2200	Other payables	725,731	5	487,225	4
2230	Current tax liabilities	205,477	2	205,738	1
2250	Current provisions (Note (6)(j))	18,641	-	3,892	-
2322	Long-term borrowings, current portion (Note (6)(h))	350,000	3	312,500	2
2399	Other current liabilities, others	4,311	-	4,645	-
		2,724,307	19	2,412,692	17
	Non-Current liabilities:				
2540	Long-term borrowings (Notes (6)(h))	870,900	6	1,219,700	9
2551	Non-current provisions for employee benefits (Note (6)(k))	31,080	-	7,971	-
2570	Deferred tax liabilities (Note (6)(l))	556,942	4	477,179	4
2645	Guarantee deposits received	10,521	-	10,547	-
		1,469,443	10	1,715,397	13
	Total liabilities	4,193,750	29	4,128,089	30
	Equity attributable to owners of parent (Note (6)(m)):				
3100	Share capital	3,189,211	22	3,175,051	24
3200	Capital surplus	443,632	3	432,549	3
	Retained earnings:				
3310	Legal reserve	979,661	6	740,737	5
3351	Accumulated profit and loss	6,014,995	41	4,876,106	35
3400	Other equity	(126,586)	(1)	456,175	3
	Total equity	10,500,913	71	9,680,618	70
	Total liabilities and equity	**$ 14,694,663**	**100**	**13,808,707**	**100**

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

(English Translation of Financial Statements and Report Originally Issued in Chinese)

ELITE MATERIAL CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

		2016 Amount	%	2015 Amount	%
4000	**Operating revenue (Note (6)(p))**	$ 6,025,659	100	5,852,231	100
5000	**Operating costs (Note (6)(d))**	(4,713,871)	(78)	(4,629,473)	(79)
	Gross profit (loss) from operations	1,311,788	22	1,222,758	21
5910	Less: Unrealized gains	1,046	-	973	-
5920	Add: Realized gains	973	-	1,489	-
	Gross profit from operations, net	1,311,715	22	1,223,274	21
	Operating expenses:				
6100	Selling expenses	(228,190)	(4)	(224,776)	(4)
6200	Administrative expenses	(322,831)	(5)	(217,967)	(4)
6300	Research and development expenses	(92,184)	(2)	(74,330)	(1)
6300	**Total operating expenses**	643,205	11	517,073	9
	Net operating income	668,510	11	706,201	12
	Non-operating income and expenses:				
7010	Other income (Note (6)(r))	2,460	-	1,452	-
7020	Other gains and losses (Note (6)(r))	(17,300)	-	28,190	-
7370	Share of profit of associates and joint ventures accounted for using equity method	2,793,523	46	2,220,063	38
7050	Finance costs (Note (6)(r))	(27,005)	-	(30,393)	(1)
	Total non-operating income and expenses	2,751,678	46	2,219,312	37
7900	**Profit before income tax**	3,420,188	57	2,925,513	49
7951	**Less: Tax expense**	(649,833)	(11)	(536,274)	(9)
	Profit	2,770,355	46	2,389,239	40
	Other comprehensive income:				
8310	**Items that will not be reclassified subsequently to profit or loss**				
8311	Remeasurement from defined benefit plans	(29,655)	-	22,110	-
8349	Income tax expense related to components of other comprehensive income that will not be reclassified to profit or loss	5,042	-	(3,758)	-
		(24,613)	-	18,352	-
8360	**Items that will be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation of foreign statements	(702,122)	(12)	(157,847)	(3)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	119,361	2	26,833	-
	Total items that will be reclassified subsequently to profit or loss	(582,761)	(10)	(131,014)	(3)
	Other comprehensive income after tax	(607,374)	(10)	(112,662)	(3)
	Total comprehensive income	**$ 2,162,981**	**36**	**2,276,577**	**37**
	Basic earnings per share (Note (6)(o)) (dollars)	**$**	**8.70**		**7.55**
	Diluted earnings per share (Note (6)(o)) (dollars)	**$**	**8.65**		**7.46**

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

(English Translation of Financial Statements and Report Originally Issued in Chinese)

ELITE MATERIAL CO., LTD.

STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

	Share capital		Retained Earnings		Other Equity	
	Ordinary Shares	Capital Surplus	Legal Reserve	Unappropriated Retained Earnings	Exchange Differences on Translation of Foreign Statements	Total
Balance as of January 1, 2015	$ 3,159,941	419,305	586,867	3,412,810	587,189	8,166,112
Profit for the year ended December 31, 2015	-	-	-	2,389,239	-	2,389,239
Other comprehensive income for the year ended December 31, 2015	-	-	-	18,352	(131,014)	(112,662)
Total comprehensive income for the year ended December 31, 2015	-	-	-	2,407,591	(131,014)	2,276,577
Earnings distribution:						
Legal reserve	-	-	153,870	(153,870)	-	-
Cash dividends	-	-	-	(790,425)	-	(790,425)
Conversion of convertible bonds	-	2,168	-	-	-	2,168
Conversion of certificates of bonds-to-ordinary shares	1,600	(584)	-	-	-	1,016
Due for repayment of convertible bonds	-	(1,224)	-	-	-	(1,224)
Issuance of shares for exercise of employee stock options	13,510	11,144	-	-	-	24,654
Recognized compensation costs on employee stock option	-	1,740	-	-	-	1,740
Balance as of December 31, 2015	3,175,051	432,549	740,737	4,876,106	456,175	9,680,618
Profit for the year ended December 31, 2016	-	-	-	2,770,355	-	2,770,355
Other comprehensive income for the year ended December 31, 2016	-	-	-	(24,613)	(582,761)	(607,374)
Total comprehensive income for the year ended December 31, 2016	-	-	-	2,745,742	(582,761)	2,162,981
Earnings distribution:						
Legal reserve	-	-	238,924	(238,924)	-	-
Cash dividends	-	-	-	(1,367,929)	-	(1,367,929)
Issuance of shares for exercise of employee stock options	14,160	11,031	-	-	-	25,191
Recognized compensation costs on employee stock option	-	52	-	-	-	52
Balance as of December 31, 2016	**$ 3,189,211**	**443,632**	**979,661**	**6,014,995**	**(126,586)**	**10,500,913**

Note: For the years ended December 31, 2016 and 2015, rewards of directors of $35,627 and $30,474 and employees of $106,881 and $91,422, respectively, were estimated and recognized as current expense.

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

(English Translation of Financial Statements and Report Originally Issued in Chinese)

ELITE MATERIAL CO., LTD.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

		2016	2015
Cash flows from operating activities:			
Profit before tax	$	3,420,188	2,925,513
Adjustments:			
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation		149,662	165,755
Amortization		1,537	1,339
Provision for doubtful accounts		6,519	(2,185)
Loss (profit) on financial assets or liabilities at fair value through profit or loss		1,968	-
Investment gains (losses) recognized under equity method		(2,793,523)	(2,220,063)
Interest expenses		27,005	30,310
Interest income		(2,460)	(1,452)
(Gains) loss from disposal and retirement of property, plant and equipment, net		(544)	2,395
Share-based payment		52	1,740
Discount amortization on convertible bonds convert to Interest expense		-	83
Gain on repayment of convertible bonds		-	(1,224)
Total adjustments to reconcile net income to net cash provided by operating activities		(2,609,784)	(2,023,302)
Changes in operating assets and liabilities:			
Changes in operating assets, net:			
Notes receivable		(27,511)	10,246
Accounts receivable		(74,116)	(176,713)
Other receivables		11,298	49,377
Inventories		(88,867)	121,181
Deferred revenues		(20)	(1,174)
Other current assets		(6,532)	231
Other assets		(11,118)	(7,726)
Total changes in operating assets, net		(196,866)	(4,578)
Changes in operating liabilities, net:			
Accounts payable		5,794	43,690
Other payable		89,458	66,058
Provision		14,749	(1,554)
Other current liabilities		(334)	652
Net defined benefit liabilities		(6,546)	(5,756)
Total changes in operating liabilities, net		103,121	103,090
Total changes in operating assets and liabilities, net		(93,745)	98,512
Total Adjustments		(2,703,529)	(1,924,790)
Cash inflow generated from operations		716,659	1,000,723
Interest received		2,506	1,457
Dividends received		1,758,157	414,262
Interests paid		(27,071)	(30,109)
Income taxes paid		(471,541)	(89,126)
Net cash provided by operating activities		1,978,710	1,297,207
Cash flows from investing activities:			
Aquisition of property, plant and equipment		(347,106)	(70,710)
Disposal of property, plant and equipment		1,935	316
Aquisition of intangible assets		(2,334)	(2,056)
Increase in guarantee deposits paid		(20)	(3,253)
Net cash used in investing activities		(347,525)	(75,703)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings		13,693	(381,714)
Decrease in short-term notes and bills payable		-	(199,626)
Repayment of convertible bonds		-	(6,700)
Proceeds from long-term borrowings		-	1,535,481
Repayments from long-term borrowings		(311,300)	(1,237,500)
Increase in guarantee deposits paid		(26)	(4,832)
Dividends paid		(1,367,929)	(790,425)
Exercise of employee stock options		25,191	24,654
Net cash used in financing activities		(1,640,371)	(1,060,662)
Net increase in cash and cash equivalents		(9,186)	160,842
Cash and cash equivalents, beginning of year		653,223	492,381
Cash and cash equivalents, end of year	$	**644,037**	**653,223**

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

ELITE MATERIAL CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Organization and Business

ELITE MATERIAL CO., LTD. (the "Company") was incorporated on March 24, 1992 as a company limited by shares under the Company Act of the Republic of China (R.O.C.). The main operating activities are the manufacturing and selling of copper clad laminates, electronic-industrial specialty chemical and raw materials, work-in-process, and finished goods of electronic components. The manufacturing and selling of printed circuit board is the main source of sales revenue.

The Company's common shares were traded on the Taipei Exchange (TPEx) on December 26, 1996, and its shares were publicly listed and traded on the Taiwan Stock Exchange (TSE) on November 27, 1999. The Company's registered office is on No.18, Datong 1st Rd., Guanyin Dist., Taoyuan City 328, Taiwan (R.O.C.).

The major operating item of the Company and its subsidiaries please refer to Note 14.

(2) Approval Date and Procedures of the Financial Statements

The Board of Directors approved and issued the financial statements on March 16, 2017.

(3) New Standards and Interpretations Not Yet Adopted

(a) Impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") but not yet in effect

According to Ruling No. 1050026834 issued on July 18, 2016, by the FSC, public entities are required to conform to the IFRSs which were issued by the International Accounting Standards Board (IASB) before January 1, 2016, and were endorsed by the FSC on January 1, 2017 in preparing their financial statements. The related new standards, interpretations and amendments are as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual improvements to IFRS cycles 2010-2012 and 2011-2013	July 1, 2014
Annual improvements to IFRS cycle 2012-2014	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

The Company assessed that the initial application of the above IFRSs would not have any material impact on the financial statements.

(b) Newly released or amended standards and interpretations not yet endorsed by the FSC

A summary of the new standards and amendments issued by the IASB but not yet endorsed by the FSC. The FSC announced that the Company should apply IFRS 9 and IFRS 15 starting January 1, 2018. As of the date the Company's financial statements were issued, the FSC has yet to announce the effective dates of the other IFRSs. As of the end of reporting date is as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendment to IFRS 15 "Clarifications of IFRS 15"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IFRS 4 "Insurance Contracts" (Applicable for IFRS 9 "Financial Instruments" and IFRS 4 "Insurance Contracts")	January 1, 2018
Annual Improvements to IFRS Standards 2014-2016 Cycle:	
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2017
IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 28 "Investments in Associates and Joint Ventures"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018
Amendments to IAS 40 Investment Property	January 1, 2018

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

The Company is still currently determining the potential impact of the standards listed below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
May 28, 2014 April 12, 2016	IFRS 15 "Revenue from Contracts with Customers"	IFRS 15 establishes a five-step model for recognizing revenue that applies to all contracts with customers, and will supersede IAS 18 "Revenue," IAS 11 "Construction Contracts," and a number of revenue-related interpretations. Final amendments issued on April 12, 2016, clarify how to (i) identify performance obligations in a contract; (ii) determine whether a company is a principal or an agent; (iii) account for a license for intellectual property (IP); and (iv) apply transition requirements.
November 19, 2013 July 24, 2014	IFRS 9 "Financial Instruments"	The standard will replace IAS 39 "Financial Instruments: Recognition and Measurement", and the main amendments are as follows: • Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial assets' contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore, there is a requirement that "own credit risk" adjustments be measured at fair value through other comprehensive income. • Impairment: The expected credit loss model is used to evaluate impairment. • Hedge accounting: Hedge accounting is more closely aligned with risk management activities, and hedge effectiveness is measured based on the hedge ratio.

Issuance / Release Dates	Standards or Interpretations	Content of amendment
January 13, 2016	IFRS 16 "Leases"	The new standard of accounting for lease is amended as follows: ・For a contract that is, or contains, a lease, the lessee shall recognize a right-of-use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right-of use asset during the lease term. ・A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.

The Company is evaluating the impact on its financial position and financial performance of the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Company completes its evaluation.

(4) Significant Accounting Policies

The significant accounting policies adopted in the financial statements are as follows. Except for those described individually.

(a) Statement of compliance

The financial statements have been prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers (the Guidelines).

(b) Basis of preparation

1.Basis of measurement

The financial statements have been prepared on a historical cost basis except for the following material items in the statement of financial position:

1) Financial assets and liabilities at fair value through profit or loss in fair value measurement;

2) The net defined benefit liabilities (or assets) is recognized as the fair value of plan assets, net of aggregation of the present value of the defined benefit obligation, with a limit based on a defined benefit assets as disclosed in Note 4(o).

2.Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. The financial statements are presented in New Taiwan Dollars, which is the Company's functional currency. All financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

(c) Foreign Currency

1.Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation. Those foreign currency differences arising on retranslation are recognized in profit or loss.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for those differences relating to the following which are recognized in other comprehensive income:

1) available-for-sale equity investment;

2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

3) qualifying cash flow hedges to the extent the hedge is effective.

2.Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Company's functional currency at the exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Company's functional currency at the average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity.

However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Company disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes of only part of investment in an associate of a joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(d) Assets and liabilities classified as current and non-current

An entity shall classify an asset as current when:

1.It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;

2.It holds the asset primarily for the purpose of trading;

3.It expects to realize the asset within twelve months after the reporting period; or

4.The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

An entity shall classify a liability as current when:

1.It expects to settle the liability in its normal operating cycle;

2.It holds the liability primarily for the purpose of trading;

3.The liability is due to be settled within twelve months after the reporting period; or

4.It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash, cash in bank, and short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial instruments

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

1.Financial assets

The Compay classifies financial assets into the following categories: financial assets at fair value through profit or loss, and loans and receivables.

1) Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is classified as held for trading or is designated as such on initial recognition.

Financial assets are classified as held for trading if it they are acquired principally for the purpose of selling in the short term. The Compay designates financial assets, other than those classified as held for trading, as at fair value through profit or loss at initial recognition under one of the following situations:

A.Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;

B.Performance of the financial asset is evaluated on a fair value basis;

C.A hybrid instrument contains one or more embedded derivatives.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss, and included in statement of comprehensive income. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade-date accounting.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at amortized cost, and included in financial assets measured at cost.

2) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables and other receivables. Such assets are recognized initially at fair value, plus any directly attributable transaction costs.

Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses other than insignificant interest on short-term receivables. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

Interest income is recognized in profit or loss, and it is included in statement of comprehensive income account.

3) Impairment of financial assets

Except for financial assets at fair value through profit or loss, financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment 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 that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is considered objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by Companying together assets with similar risk characteristics. In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than the those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset is deducted from the carrying amount except for accounts receivable, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses on available for sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

If, in a subsequent period, the amount of impairment loss on a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before impairment was recognized at the reversal date.

Impairment losses recognized on an available for sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available for sale equity security is recognized in other comprehensive income, and accumulated in other equity. If, in a subsequent period, the fair value of an impaired available for sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

Impairment losses and recoveries of accounts receivable are recognized in profit or loss; impairment losses and recoveries of other financial assets are recognized in statement of comprehensive income.

4) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the assets are terminated, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in "other equity – unrealized gains or losses on available-for-sale financial assets" in profit or loss is included in statement of comprehensive income.

The Compay separates the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income shall be recognized in profit or loss.

2.Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

Compound financial instruments issued by the Company comprise convertible notes that can be converted to share capital at the option of the holder when the number of shares to be issued is fixed.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest related to the financial liability is recognized in profit or loss, and included in non-operating income and expenses.

On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

2) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if it is classified as held for trading or is designated as such on initial recognition.

Financial liabilities are classified as held for trading if acquired principally for the purpose of selling in the short term. The Compay designates financial liabilities, other than those classified as held for trading, as at fair value through profit or loss at initial recognition under one of the following situations:

A.Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses thereon on a different basis;

B.Performance of the financial liabilities is evaluated on a fair value basis; or

C.A hybrid instrument contains one or more embedded derivatives.

Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss, and included in statement of comprehensive income.

A financial liability at fair value through profit or loss is measured at cost if it is a short sale of unquoted equity investment whose fair value cannot be reliably measured and the short seller is obligated to deliver the equity instrument.

The Compay issues financial guarantee contracts and loan commitments and designates them as at fair value through profit or loss. Any gains and losses are recognized in profit or loss, under non operating income and expenses.

3) Other financial liabilities

Financial liabilities not classified as held for trading, or designated as at fair value through profit or loss, which comprise loans and borrowings, and trade and other payables, are measured at fair value, plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in the statement of comprehensive income.

4) Derecognizing of financial liabilities

The Compay derecognizes a financial liability when its contractual obligation has been discharged or cancelled or expires. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in the statement of comprehensive income.

5) Offsetting of financial assets and liabilities

The Compay presents financial assets and liabilities on a net basis when the Company has the legally enforceable right to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

6) Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract not designated as at fair value through profit or loss issued by the Company is recognized initially at fair value plus any directly attributable transaction costs. After initial recognition, it is measured at the higher of (a) the contractual obligation amount determined in accordance with IAS 37, or (b) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with IAS 18.

3.Derivative financial instruments, including hedge accounting

The Compay holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are recognized initially at fair value, and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss and included in (statement of comprehensive income). When a derivative is designated as a hedging instrument, its timing of recognition in profit or loss is determined based on the nature of the hedging relationship. When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

Embedded derivatives are separated from the host contract and accounted for separately when the economic characteristics and risk of the host contract and of the embedded derivatives are not closely related.

(g) Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories consists of all costs of purchase and other costs incurred in bringing the inventories to a salable and useable location and condition. Inventory cost is calculated using the weighted-average-cost formula.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition, less any accumulated impairment losses.

The financial statements include the Company's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align their accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases. The Company recognizes any changes, proportionately with the shareholding ratio under additional paid in capital, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual controlling power.

Unrealized profits resulting from transactions between the Company and an associate are eliminated to the extent of the Company's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Company's share of losses exceeds its interests in an associate, the carrying amount of the investment, including any long term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent the Company has an obligation or has made payments on behalf of the associate.

(i) Investment in subsidiaries

The subsidiaries in which the Company holds controlling interest are accounted for under equity method in the non-consolidated financial statements. Under equity method, the net income, other comprehensive income and equity in the non-consolidated financial statement are the same as those attributable to the owners of parent in the consolidated financial statements.

The changes in ownership of the subsidiaries are recognized as equity transaction.

(j) Property, plant, and equipment

1.Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of a self constructed asset comprises material, labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization. Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. The cost of software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

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 shall be depreciated separately unless the useful life and depreciation method of that significant part are the same as those of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized in profit or loss, under net other income and expenses.

2.Subsequent cost

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Company. The carrying amount of those parts of fixed assets that are replaced is derecognized. Ongoing repairs and maintenance is expensed as incurred.

3.Depreciation

The depreciable amount of an asset is determined after deducting its residual amount, and it shall be allocated on a systematic basis over its useful life. Items of property, plant and equipment with the same useful life may be Companyed in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

1) Buildings	3 ~56years
2) Machineries	3 ~19years
3) Miscellaneous equipment	2 ~14years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the change(s) is accounted for as a change in an accounting estimate.

(k) Intangible assets

Software that is acquired by the Company is measured at cost less accumulated amortization and any accumulated impairment losses.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

The depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Software	2 ~ 5 years

The residual value, amortization period and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any changes shall be accounted for as changes in accounting estimates.

(l) Impairment – non financial assets

To ensure inventories, deferred tax assets, and assets arising from employee benefits are carried at no more than their recoverable amount, and to define how the recoverable amount is determined, if it is not possible to determine the recoverable amount (fair value less cost to sell and value in use) for the individual asset, then the Company will have to determine the recoverable amount for the asset's cash-generating unit (CGU).

The recoverable amount for individual asset or a cash-generating unit is the higher of its fair value less costs to sell or its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss shall be recognized immediately in profit or loss.

The Compay should assess at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset.

An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount. That increase is a reversal of an impairment loss.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets with indefinite useful lives or those not yet in use is required to be tested at least annually. Impairment loss is recognized if the recoverable amount is less than the carrying amount.

(m) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

The provision of sales discounts from defective products is recognized when selling. The provision is estimated and measured on related probabilities of historical experience data and all possible results.

(n) Revenue

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. For international shipments, transfer occurs upon loading the goods onto the relevant carrier at the client's designated location. Generally for such products, the customer has no right of return.

(o) Employee benefits

1.Defined contribution plans

Obligations for contributions to the defined contribution pension plans are recognized as employee benefit expense in profit or loss in the periods during which services are rendered by the employees.

2.Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Compay's net obligation with respect to the defined benefit pension plans is calculated separately for each plan by estimating the amount of the future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

Any fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are amended, the relating expenses, resulting from the portion of the increased benefit relating to past services provided by the employees, are recognized immediately in profit or loss to the extent that the benefits are vested immediately.

Remeasurement of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest) and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Compay can reclassify the amounts recognized in other comprehensive income to retained earnings or other equity. If the amounts recognized in other comprehensive income are transferred to other equity, they shall not be reclassified to profit or loss or recognized in retained earnings in a subsequent period.

Net interest expense and other expenses related to the defined benefit plans are recognized in retained earnings.

The Compay recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets and any change in the present value of the defined benefit obligation.

3.Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(p) Share-based payment

Under equity-settled share-based payment transactions, the Company measures the intrinsic value of the equity instruments at the date the employee renders service and recognizes it as compensation expense during the vesting period. The change in intrinsic value is recognized in profit or loss at the balance sheet date and at the date of final determination. The intrinsic value is the difference between the fair value of the equity instruments to which the employee has the right to subscribe, and the price the employee is required to pay for those equity instruments. The fair value of the equity instruments is measured based on the net assets of the Company.

(q) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

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

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the below exceptions:

1.Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.

2.Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

3.Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to be applied to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

1.the entity has the legal right to settle tax assets and liabilities on a net basis; and

2.the taxing of deferred tax assets and liabilities fulfill one of the below scenarios:

1) levied by the same taxing authority; or

2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry-forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(r) Earnings per share

The Compay discloses the Company’s basic and diluted earnings per share attributable to ordinary equity holders. The basic earnings per share are calculated as the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding.

The diluted earnings per share are calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as employee stock bonus. The Compay's potential diluted ordinary shareholders include convertible bonds and stock option giving to employee.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(s) Operating segments

Please refer to the consolidated financial report of Elite Material Co., Ltd. for the years ended December 31, 2016 and 2015 for operating segments information.

(5) Major Sources of Accounting Assumptions, Judgments and Estimation Uncertainty

The preparation of the financial statements in conformity with the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Impairment of trade receivable

When there is objective evidence of impairment loss, the Company takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding possible future credit losses) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. Refer to note (6)(c) for further description of the impairment of trade receivable.

(b) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to note (6)(d) for further description of the valuation of inventories.

(6) Summary of Major Accounts

(a) Cash and cash equivalents

		2016.12.31	2015.12.31
Cash on hand	$	425	506
Savings accounts		594,612	603,717
Time deposits		49,000	49,000
Cash and cash equivalents in statement of cash flows	$	**644,037**	**653,223**

Please refer to Note 6(s) for the interest analysis of financial assets and liabilities.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(b) Financial assets and liabilities

1.Financial assets measured at cost:

	2016.12.31	2015.12.31
Financial liabilities at fair value through profit or loss		
Held for trading		
Foward exchange agreement-USD	$ **1,968**	**-**

2.Derivative financail instruments not used for hedging:

The Compay uses derivative financial instruments to hedge certain foreign exchange and interest risk arising from its operating activities. The following are the transactions that do not qualify for hedge accounting which are presented as held-for-trading financial assets as of December 31, 2016 and 2015:

Foreign exchange:

	2016.12.31		
	Contract Amount	**Currency**	**Contract Period**
Foreign exchange	USD 5,000	USD:TWD	2017.01-2017.02

The Compay's credit currency and interest risk were disclose in Note 6(s).

As of December 31, 2016 and 2015, the aforesaid financial assets were not pledged as collateral.

(c) Notes and accounts receivable and other receivables, net

	2016.12.31	2015.12.31
Notes receivable	$ 227,757	200,246
Accounts receivable-related parties	32,481	16,878
Accounts receivable-non-related parties	1,750,585	1,692,072
Other receivables	4,190	15,576
Less: Allowance for impairment loss	(6,677)	(200)
	$ **2,008,336**	**1,924,572**

The accounts receivables, notes receivable and other receivables were as follows:

	2016.12.31	2015.12.31
Not overdue	$ 1,991,630	1,915,927
Overdue 0-30 days	14,046	7,379
Overdue 31-120 days	2,853	297
Overdue 121 days and more	6,484	1,169
	$ **2,015,013**	**1,924,772**

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

The movement in the allowance for impairment loss with respect to notes receivable, accounts receivable and other receivables for the years ended December 31, 2016 and 2015, was as follows:

	Individually assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2016	$ 42	158	200
Impairment loss recognized	6,433	86	6,519
Amount of write-off	(42)	-	(42)
Balance at December 31, 2016	**$ 6,433**	**244**	**6,677**
Balance at January 1, 2015	$ 13	2,385	2,398
Impairment loss recognized	42	(2,227)	(2,185)
Amount of write-off	(13)	-	(13)
Balance at December 31, 2015	**$ 42**	**158**	**200**

(d) Inventories

	2016.12.31	2015.12.31
Materials	$ 320,792	240,880
Work-in-process	30,669	29,022
Finished goods	187,456	184,374
Inventory in-transit	7,618	3,392
	$ 546,535	**457,668**

As of December 31, 2016 and 2015, the details of operating cost were as follows:

	2016	2015
Cost of goods sold	$ 4,767,331	4,652,514
Loss on disposal of scrap	1,174	4,103
Losses (gains) on inventory valuation and obsolescence	(21,891)	22,797
Revenue from sales of scraps	(32,743)	(49,941)
	$ 4,713,871	**4,629,473**

As of December 31, 2016 and 2015, the Company's inventories were not pledged as collateral.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(e) Investments accounted under equity method

		2016.12.31	2015.12.31
Subsidiaries	$	9,480,104	9,146,840
Associates		-	-
	$	**9,480,104**	**9,146,840**

1.Subsidiaries

Please refer to the consolidated financial statements of the year ended 2016.

2.Associates

The Compay's investee company, Licheng Technology (Stock) Company, (formerly ELITE IONERGY CO., Ltd., with an investment of $173,694) closed down at the end of year 2005, with liabilities exceeding its assets. Because the investment value had been impaired, the Company recognized all losses and the book value was offset to zero.

(f) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Company for the years ended December 31, 2016 and 2015, were as follows:

		Land	Buildings	Machinery	Other equipment	Equipment under installation and construction in progress	Total
Cost:							
Balance at January 1, 2016	$	470,621	650,330	2,288,386	430,816	38,300	3,407,832
Additions		-	-	-	-	496,220	496,220
Disposals		-	(3,200)	(122,785)	(8,419)	-	(134,404)
Reclassification		-	2,000	45,101	63,019	(110,120)	-
Balance at December 31, 2016	$	**470,621**	**649,130**	**2,210,702**	**485,416**	**424,400**	**3,769,648**
Balance at January 1, 2015	$	470,621	642,667	2,276,987	415,502	36,117	3,371,273
Additions		-	-	-	-	70,566	70,566
Disposals		-	(2,185)	(21,671)	(10,151)	-	(34,007)
Reclassification		-	9,848	33,070	25,465	(68,383)	-
Balance at December 31, 2015	$	**470,621**	**650,330**	**2,288,386**	**430,816**	**38,300**	**3,407,832**
Depreciation:							
Balance at January 1, 2016	$	-	283,473	1,777,776	322,757	-	2,384,006
Depreciation for the year		-	22,074	89,182	38,406	-	149,662
Disposals		-	(2,791)	(121,816)	(8,406)	-	(133,013)
Balance at December 31, 2016	$	**-**	**302,756**	**1,745,142**	**352,757**	**-**	**2,400,655**
Balance at January 1, 2015	$	-	263,733	1,687,305	298,509	-	2,249,547
Depreciation for the year		-	21,925	109,431	34,399	-	165,755
Disposals		-	(2,185)	(18,960)	(10,151)	-	(31,296)
Balance at December 31, 2015	$	**-**	**283,473**	**1,777,776**	**322,757**	**-**	**2,384,006**

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

	Land	Buildings	Machinery	Other equipment	Equipment under installation and construction in progress	Total
Carrying amounts:						
At December 31, 2016	$ 470,621	346,374	465,560	132,659	424,400	1,368,993
At January 1, 2015	$ 470,621	378,934	589,682	116,993	36,117	1,121,726
At December 31, 2015	$ 470,621	366,857	510,610	108,059	38,300	1,023,826

As of December 31, 2016 and 2015, the property, plant and equipment were pledged as collateral for long-term debt and financing, please refer to Note (8).

(g) Short-term borrowings

	2016.12.31	2015.12.31
Unsecured bank loans	$ 22,022	8,329
Unsecured credit	$ 1,601,134	1,899,994
Range of interest rates	1.84%~2.5%	1.18%

(h) Long-term borrowings

	2016.12.31	2015.12.31
Unsecured bank loans	$ 743,750	987,500
Secured bank loans	481,250	550,000
Less: Discount on long-term borrowings	(4,100)	(5,300)
Current portion	(350,000)	(312,500)
Total	$ 870,900	1,219,700
Unsecured credit	$ 600,000	462,500
Range of interest rates	1.8%	1.8%
Due year	109	109

For the exposure information of the Company's rate foreign currency and current risk, please refer to note (6)(s).

1.Collateral for Bank Loans

Please refer to Note (8) for details of the related assets pledged as collateral.

2.Contract of bank loans

Under these agreements, the financial statements of the Company on the balance sheet date (June 30 and December 31) shall maintain certain financial ratios such as current ratios, liability ratios and interest coverage ratios of the secured loans in the contract period or before paying off all debts. The Compay did not act against the restriction of these financial covenants.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(i) Unsecured convertible bonds

	2016.12.31	2015.12.31
Total convertible corporate bonds issued	$ -	400,000
Cumulative redeemed amount	-	(6,700)
Cumulative converted amount	-	(393,300)
Corporate bonds issued balance at year-end	$ -	-
Equity component – conversion options (included in paid-in capital – stock options)	$ -	-

	2016	2015
Interest expense	$ -	83

The Company issued the third unsecured 5-year convertible bonds which bear no interest on June 22, 2010, with the maturity date on June 22, 2015. The total convertible corporate bonds issued amounted to TWD400,000, with an effective interest rate of 1.85%. The Holders have the right to require the Company to redeem their convertible bonds in cash at an amount equal to the principal amount of the Bonds (with interest) at any time during the thirty days after June 22, 2012 and 2013. The conversion price of the convertible bonds were set based on the issued regulation.

1.The date and approach on redemption

Unless the Bonds have been previously redeemed, those repurchased or converted into common stocks will be redeemed at par value on the maturity date in cash.

2.Conversion price and adjustment

The conversion price was NT$28.50 per share when issued. The price would be adjusted when there are changes in the Company’s total ordinary shares or when the Company issues other convertible securities with convertible price being lower than the current market price per share. According to the Company’s third unsecured convertible bonds regulations (11), the convertible price has been adjusted from NT$21.10 per share to NT$20 per share because the Company granted stocks on September 9, 2014 . The Company will not amend the said clause above.

3.Redemption at the option of the Company

1) At any time during July 22, 2010 (the 31st day following the issuance date) and June 12, 2013 (the 40th day prior to the maturity date), the Company may send each Holder a "Notice of Redemption" (The record date of redemption is based on the maturity date which is the 30th day following the postal date) and redeems the Bonds on maturity date in the following situation:

A.Closing price of the common shares on each trading day in Taipei Exchange within a period of 30 consecutive trading dates, exceeding 30% of the conversion price ;

B.Total amount of outstanding bonds is lower than 10% of offering amount after the Company has been required by the Holders to convert their Bonds.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

2) Redemption Yield:

The Company will redeem convertible bonds at an amount equal to the principal amount of the Bonds at any time during July 22, 2010 (the 31st day following the issuance date) and June 12, 2013 (the 40th day prior to the maturity).

3) The Company may convert the Bonds into common shares at convertible price on the record date of conversion if the Shareholding agency did not receive any response from the Holders before the record date of redemption stated in the "Notice of Redemption" .

4.Redemption at the option of the Holder

The Holders have the right to require the Company to redeem their convertible bonds at an amount equal to the principal amount of the Bonds with a yield-to-maturity of 2.01% and 3.0301% per annum in cash, at any time during thirty days after June 22, 2012 and 2013. The Company has to redeem the convertible bonds in cash at any time during five days following the record date of redemption.

Total redemption amount for the year ended 2015 was $6,700, and Gain on redemption amounted to $1,224.

(j) Provisions

	Allowance for sales return and discount
Balance at January 1, 2016	$ 3,892
Provisions made during the year	14,749
Balance at December 31, 2016	**$ 18,641**
Balance at January 1, 2015	$ 5,446
Provisions reversed during the year	(1,554)
Balance at December 31, 2015	**$ 3,892**

The management estimated the possibility of sales return and discount with judgement, historic experience and other a known information and recognized the numbers into the deduction of related products' operating revenue.

(k) Employee benefits

1.Defined benefit plans

The Compay determined the movement in the present value of the defined benefit obligations and fair value of plan assets as follows:

	2016.12.31	2015.12.31
Present value of defined benefit obligation	$ 143,465	114,438
Fair value of plan assets	(112,385)	(106,467)
Net defined benefit liabilities	**$ 31,080**	**7,971**

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

The Compay makes defines benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive an annual payment based on years or service and average salary for the six months prior to retirement.

1) Composition of plan assets

The Compay sets aside pension funds in accordance with the regulations of the Council of Labor Affairs, and the pension funds are managed by the Pension Supervisory Committee. The annual budget for the allocation of the minimum income cannot be lower than the income calculated based on the interest rate of the banks' two-year time deposit in accordance with the Management and Utilization of Labor Pension Funds regulations.

The Compay's Bank of Taiwan pension reserve account balance amounted to $112,385 at the end of the reporting period. The information used to calculate pension fund assets includes the asset allocation and yield of the fund. Please refer to the information published on the website of the Council of Labor Affairs and the Labor Pension Supervisory Committee.

2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Company were as follows:

	2016	2015
Defined benefit obligation at January 1	$ 114,438	136,110
Current service costs and interest	3,425	3,497
Remeasurement on the net defined benefit liabilities (assets)		
－Actuarial losses (gains) arising from experience adjustments	11,864	(8,254)
－Actuarial losses (gains) arising from changing in population assumption	-	973
－Actuarial losses (gains) arising from changes in financial assumptions	16,503	(13,656)
Benefit pay under the plan	(2,765)	(4,232)
Defined benefit obligation at December 31	**$ 143,465**	**114,438**

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Company were as follows:

	2016	2015
Fair value of plan assets at January 1	$ 106,467	100,273
Interest income	2,055	1,504
Remeasurement on the net defined benefit liabilities (assets)		
－Return on plan assets (excluding current interest)	(1,288)	1,174
Contribution made	7,916	7,748
Benefit which has paid by the plan assets	(2,765)	(4,232)
Fair value of plan assets at December 31	**$ 112,385**	**106,467**

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

	2016	2015
Current service costs	$ 1,290	1,455
Net interest of net defined benefit liabilities	80	538
	$ 1,370	**1,993**

	2016	2015
Operating costs	$ 1,064	1,594
Selling expenses	64	94
Administrative expenses	173	204
Research and development expenses	69	101
	$ 1,370	**1,993**

5) Remeasurement on the net defined benefit liabilities recognized in other comprehensive income

The Compay's remeasurement on the net defined benefit liabilities recognized in other comprehensive income as at December 31, 2016 and 2015 were as follows:

	2016	2015
Cumulative amount at January 1	$ (16,037)	6,073
Recognized during the period	29,655	(22,110)
Cumulative amount at December 31	**$ 13,618**	**(16,037)**

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

6) Actuarial assumptions

The following are the Company's principal actuarial assumptions of Present Value of defined benefit obligations:

	2016.12.31	**2015.12.31**
Discount rate	1.38 %	1.88 %
Future salary increases	1.50 %	1.00 %

The Compay will pay the defined benefit plans amounting to $1,755 within 1 year after the reporting date in December 31, 2016.

The weighted average duration of the defined benefit obligation is 16.61 years.

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Influences of defined benefit obligations	
	Increased 0.25%	**Decreased 0.25%**
December 31, 2016		
Discount rate	(4,404)	4,593
Future salary increasing rate	4,503	(4,339)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2016 and 2015, respectively.

2.Defined contribution plans

The Compay set aside 6% of the employees' monthly wages to the Labor Pension personal accounts at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act.

The Compay set aside a fixed amount to the Bureau of the Labor Insurance without the payment of additional legal or constructive obligations.

For the years ended December 31, 2016 and 2015, the Company set aside $23,153 and $20,715, respectively, under the pension plan to the Bureau of the Labor Insurance.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(l) Income taxes (profits)

1.Income tax expense recognized in profits or losses

The amount of income tax was as follows:

		2016	2015
Current income tax expense:			
Current period	$	470,265	230,001
Adjustment for prior periods		1,015	1,212
		471,280	231,213
Deferred tax expense (benefit):			
Origination and reversal of temporary differences		178,553	305,061
Income tax expense	$	**649,833**	**536,274**

Income tax expense (benefit) recognized in other comprehensive income:

		2016	2015
Items that will not be reclassified subsequently to profit or loss:			
Actuarial losses and gains on defined benefit plans	$	**5,042**	**(3,758)**
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign financial statements	$	**119,361**	**26,833**

The reconciliation of income tax and profit before tax was as follows:

		2016	2015
Profit excluding income tax	$	**3,420,188**	**2,925,513**
Income tax using the Company's domestic tax rate	$	581,432	497,337
Non-deductible expenses		3	(189)
Tax-exempt income		(12,691)	(22,904)
Prior years income tax adjustment		1,015	1,212
Undistributed earnings additional tax at 10%		80,074	60,818
Total	$	**649,833**	**536,274**

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

2.Deferred tax assets and liabilities

1) Unrecognized Deferred Tax Liabilities

For the years ended December 31, 2016 and 2015, deferred tax liabilities are not recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The relevant amounts are as follow:

	2016.12.31	2015.12.31
Consolidated amount of taxable temporary differences associated with investments in subsidiaries	$ 5,074,438	5,074,438
Amounts are not recognized as deferred tax liabilities	$ 862,654	862,654

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2016 and 2015 are as follows:

	Defined Benefit Plans	Cumulative translation adjustment	Unrealized gain on investment income	Others	Total
Deferred Tax Liabilities:					
Balance at January 1, 2016	$ -	(96,462)	(379,862)	(855)	(477,179)
Debited (Credited) in income statement	-	-	(176,012)	(213)	(176,225)
Exchange differences on translation of foreign operations	-	96,462	-	-	96,462
Balance at December 31, 2016	$ -	-	(555,874)	(1,068)	(556,942)
Balance at January 1, 2015	$ (3,327)	(123,295)	(72,876)	(117)	(199,615)
Debited (Credited) in income statement	1,452	-	(306,986)	(738)	(306,272)
Debited (Credited) in equity	1,875	-	-	-	1,875
Exchange differences on translation of foreign operations	-	26,833	-	-	26,833
Balance at December 31, 2015	$ -	(96,462)	(379,862)	(855)	(477,179)

	Defined Benefit Plans	Current provisions	Unrealized losses on investories	Cumulative translation adjustment	Total
Deferred Tax Assets:					
Balance at January 1, 2016	$ 2,666	663	7,491	-	22,836
Debited (Credited) in income statement	(1,113)	2,506	(3,721)	-	(2,328)
Debited (Credited) in equity	5,042	-	-	-	5,042
Exchange differences on translation of foreign operations	-	-	-	22,899	22,899
Balance at December 31, 2016	$ 6,595	3,169	3,770	22,899	48,449
Balance at January 1, 2015	$ 10,699	927	3,616	-	27,257
Debited (Credited) in income statement	(2,400)	(264)	3,875	-	1,211
Debited (Credited) in equity	(5,633)	-	-	-	(5,633)
Balance at December 31, 2015	$ 2,666	663	7,491	-	22,835

3.The Compay's tax returns for the years through 2014 were examined and approved by the Taipei National Tax Administration.

4.The Compay's information related to the inappropriate earnings and tax deduction ratio is summarized below:

	2016.12.31	2015.12.31
Unappropriated earnings of 1998 and after	$ 6,014,995	4,876,106
Balance of imputation credit account (ICA)	$ 341,917	165,344

	2016 (estimated)	2015 (actual)
Tax deduction ratio for earnings distribution to ROC residents	9.10 %	7.62 %

The above-mentioned information of the unappropriated earnings and tax deduction ratio have been prepared in accordance with the permit No.10204562810 issued by the Ministry of Finance on October 17, 2013.

(m) Capital and other equity

1. Issuance of common stock

As of December 31, 2016 and 2015, the total value of nominal ordinary shares amounted to $4,000,000. The face value of each share is $10. In total, there were 318,921 and 317,505 in thousands of ordinary shares, respectively, issued. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding for the years ended December 31, 2016 and 2015 was as follows:

	Ordinary shares (in thousands of shares)	
	2016	**2015**
Balance at January 1	$ 317,505	315,994
Exercise of employee stock options	1,416	1,351
Conversion of convertible bonds	-	160
Balance at December 31	**$ 318,921**	**317,505**

For the years ended December 31, 2016 and 2015, new common shares of stock totaling 1,416 and 1,351 were issued with denomination from the exercise of employee stock options. The total new issued employee stock were accounted as $25,191and $24,654, and the capital that rose from the shares had all been retrieved. The registration procedures were completed.

For the years ended December 31, 2015, new common shares of stock totaling 160 were issued with denomination from convertible bonds. The total new issued stock were accounted as $3,200. The registration procedures were completed.

2. Capital surplus

The balance of additional paid-in capital was as follows:

	2016.12.31	**2015.12.31**
Share capital	$ 89,226	69,049
Prieum from convertible bonds	349,553	349,553
Employee share option	4,853	13,947
	$ 443,632	**432,549**

Capital reserves can only be reclassified as share capital or be distributed as cash dividends after offsetting against losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital reserves to be reclassified under share capital shall not exceed 10 percent of the actual share capital amount.

3. Retained earnings

The Company's article of incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders’ meeting for approval.

Taking into account the characteristics of industrial growth and stabilizing the financial structure of the Company, the Company will not distribute dividends when in deficit.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Under the policy of dividend distribution, the Company shall first take into consideration its future development, financial situation and shareholders' rewards, as well as its programs to meet its capital expenditure budget in determining the cash in need. After the aforementioned consideration, the Company will distribute the cash dividends to its shareholders. Cash dividends shall not be more than 20% of the total dividends.

Surplus distributed should be, on principle, 10% to 70% of distributable surplus. Distributable surplus is accounted for as profit, after setting aside reserves, plus, prior-year undistributed earnings. Any remaining profit shall be distributed according to the stockholders' meeting for approval.

1) Legal reserve

10 percent of net income should be set aside as statutory earnings reserve until it is equal to share capital. If the Company experienced profit for the year, the meeting of shareholders shall decide on the distribution of the statutory earnings reserve, either by new shares or by cash, of up to 25 percent of the actual share capital.

2) Earnings distribution

The earnings distribution for 2015 and 2014 was decided by the general meeting of shareholders held on June 30, 2016, and June 15, 2015.

The relevant dividend distribution to shareholders is as follows:

	2015		2014	
	Dividend per Share (TWD$)	**Amount**	**Dividend per Share (TWD$)**	**Amount**
Dividends distributed to common shareholders				
Cash	$ 4.30	1,367,929	2.50	790,425

4. Other equity

	Foreign currency translation differences for foreign operations
Balance at January 1, 2016	$ 456,175
Exchange difference on translation of foreign financial statements	(582,761)
Balance at December 31, 2016	**$ (126,586)**
Balance at January 1, 2015	$ 587,189
Exchange difference on translation of foreign financial statements	(131,014)
Balance at December 31, 2015	**$ 456,175**

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(n) Share-based payment

Information on share-based payment transaction as of December 31, 2016 was as follows:

	Equity-settled share-based payment
	Employee stock option plan
Grant date	06/07/2012
Units granted	1,500
Contractual life	5 years
Vesting period	4 years
Actual turnover rate of employees	1.39
Estimated future turnover rate of employee	-

1.Determining the fair value of equity instruments granted

The Compay adopted the Hull & White and Ritchken model to calculate the fair value of the stock option at grant date, and the assumptions adopted in this valuation model were as follows:

	2016	**2015**	
	issued in 2012	**issued in 2012**	**issued in 2011**
Fair value at grant date	9.285	9.285	5.937
Share price at grant date	27.750	27.750	21.350
Exercise price	21.000	22.200	17.100
Dividend rate	-	-	-
Expected volatility (%)	38.08 %	38.08 %	30.67 %
Expected life of the option (year)	5.00	5.00	5.00
Risk-frce interest rate (%)	1.05 %	1.05 %	1.17 %

Expected volatility is based on the Annualized Standard Deviation of daily return rate of the Company's historic share price. Expected life of the portion is the time difference between the measurement date and the matured date which is according to the Company's provision of portion to execute the right. Risk-free rate is based on government bonds. Service and non-market performance conditions attached to the transactions are not taken into account in determining the fair value.

In considering the impact of early exercise of share options by the employees, the Group makes an assumption that the employees will exercise the options after the grant date and that the share price is equivalent to 2.14 times of the exercise price. This assumption is incorporated into the calculation of the fair value.

2.Employee stock options

Details of the employee stock options and the transfer of treasury stock were as follows:

(Amounts Expressed in Thousands)

	2016		2015	
	Weighted-average exercise price	Number of options	Weighted-average exercise price	Number of options
Outstanding at January 1	$ 18.29	1,609	18.80	2,976
Exercised during the year (number)	17.79	(1,416)	18.25	(1,351)
Expired during the year (number)	17.69	(43)	17.10	(16)
Outstanding at December 31		**150**		**1,609**
Exercisable at December 31		**150**		**1,370**

The information of outstanding share of reward employee stock options was as follows:

			Outstanding options as of December 31, 2016			Exercise options	
Approved date	Issued date	Exercise price	Outstand amount	Weight average expected life	Weight average exercise price	Exercisable amounts on December 31, 2016	Weight average exercise price
2011.07.07	2012.07.06	21.00	**150**	7 months	21.00	**150**	21.00

			Outstanding options as of December 31, 2015			Exercise options	
Approved date	Issued date	Exercise price	Outstand amount	Weight average expected life	Weight average exercise price	Exercisable amounts on December 31, 2015	Weight average exercise price
2011.07.07	2011.08.09	$ 17.10	1,233	8 months	17.10	1,233	17.10
2011.07.07	2012.07.06	22.20	376	a year and seven months	22.20	137	22.20
			1,609		18.29	**1,370**	17.61

3.Employee expenses and liabilities

Accrued expense from share-based payments of the Company was as follows:

	2016	2015
Exployee options	**$ 52**	**1,740**

(o) Earnings per share

The Compay calculated the basic and diluted EPS as follows:

1.Basic earnings per share

The calculation of basic earnings per share at December 31, 2016 and 2015, were based on the profit attributable to ordinary shareholders of the Company and the weighted-average number of ordinary shares outstanding, calculated as follows:

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1) Profit attributable to ordinary shareholders

	2016	2015
Profit/(loss) attributable to ordinary shareholders of the Company	**$ 2,770,355**	**2,389,239**

2) Weighted-average number of ordinary shares

Issued ordinary shares at January 1	317,505	315,994
Effect of convertible notes	-	120
Effect of exercise of share options	893	521
Weighted-average number of ordinary shares at December 31	**318,398**	**316,635**

2.Diluted earnings per share

The calculation of diluted earnings per share at December 31, 2016 and 2015, were based on profit attributable to ordinary shareholders of the Company and the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows.

1) Profit attributable to ordinary shareholders of the Company (diluted)

	2016	2015
Profit/(loss) attributable to ordinary shareholders of the Company (basic)	$ 2,770,355	2,389,239
Convertible preference shares dividends	-	69
Profit/(loss) attributable to ordinary shareholders of the Company (basic)	**$ 2,770,355**	**2,389,308**

2) Weighted-average number of ordinary shares (diluted)

Weighted-average number of ordinary shares (basic)	318,398	316,635
Effect of conversion of convertible notes	-	40
Effect of employee shares bonus	1,554	2,009
Effect of issuance of employee share options	470	1,661
Weighted-average number of ordinary shares (diluted) at December 31	**320,422**	**320,345**

For calculation of the dilutive effect of the stock option, the average market value is assessed based on the quoted market price where the Company's option is outstanding.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

3.Earnings per share were as follow:

	2016	2015
Basic earnings per share	$ 8.70	7.55
Diluted earnings per share	$ 8.65	7.46

(p) Revenue

For the years ended December 31, 2016 and 2015, the details of revenue are as follows:

	Continuing Operations	
	2016	2015
Sale of goods	$ 6,025,659	5,852,231

(q) Rewards of employees, directors and supervisors

The employees mentioned before include the employees in the subsidiaries who meet the specific conditions.

For the years ended December 31, 2016 and 2015, rewards of employees of $106,881 and $91,422 and directors of $35,627 and $30,474, respectively, were estimated and recognized as current expense. These amounts were calculated using the Company's profit before tax before rewards of employees and directors for the year ended December 31, 2016 and 2015, and using the earnings allocation method which was stated under the Company's article. These rewards were charged to profit or loss under operating costs or operating expenses for the year ended December 31, 2016 and 2015.

Related information of distributions of remuneration to employees and directors can be accessed from the Market Observation Post System on the website.

There is no difference between the rewards of employees and directors that was decided by the Board of Directors and the financial report's estimated amounts in 2016 and 2015.

(r) Non-operating income and expenses

1. Other revenue

The details of other revenue were as follows:

	2016	2015
Interest income	$ 2,460	1,452

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

2. Other gains and losses, net

The details of other gains and losses were as follows:

	2016	2015
Foreign currency exchange gain (loss)	$ (18,452)	25,261
Disposal loss on property, plant and equipment	544	(2,395)
Financial assets (liabilities) at fair value through profit or loss	(1,968)	-
Other profits	2,576	5,324
	$ (17,300)	**28,190**

3. Finance costs

The details of finance cost were as follows:

	2016	2015
Interest expense	**$ 27,005**	**30,393**

(s) Financial instruments

1.Credit risk

1) Credit risks exposure

As of December 31, 2016 and 2015, the maximum exposure to credit risk arising from failure of performance of the counter-party and from financial guarantee made by the Company were as follows:

A.The carrying amount of financial assets recognized in the financial statements;

B.Financial guarantee made by the Company amounting to USD49,500, TWD70,000, and USD54,500, TWD69,000, respectively.

2.Liquidity risk

The following are the contractual maturities of financial liabilities of the Company, including estimated interest payments and excluding the impact of netting arrangements:

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	More than 2 years
Balance at December 31, 2016						
Non-derivative financial liabilities						
Secured bank loans	$ 477,150	498,093	69,302	69,921	141,694	217,176
Unsecured bank loans	765,772	791,818	129,141	108,060	218,981	335,636
Accounts payable	1,396,157	1,396,157	1,396,157	-	-	-
	$ 2,639,079	**2,686,068**	**1,594,600**	**177,981**	**360,675**	**552,812**

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	More than 2 years
Balance at December 31, 2015						
Non-derivative financial liabilities						
Secured bank loans	$ 544,700	585,337	-	69,925	-	515,412
Unsecured bank loans	995,829	1,051,021	146,410	108,065	-	796,546
Accounts payable	1,390,363	1,390,363	1,390,363	-	-	-
	$ 2,930,892	**3,026,721**	**1,536,773**	**177,990**	**-**	**1,311,958**

The Compay does not expect that the cash flows included in the maturity analysis could occur significantly earlier or in significantly different amounts.

3.Currency risk

1) Currency risk exposure

The Compay's significant exposure to foreign currency risk was as follows:

	2016.12.31			2015.12.31		
	Foreign currency (thousands of dollars)	Exchange rate	TWD	Foreign currency (thousands of dollars)	Exchange rate	TWD
Financial assets						
Monetary items						
USD	$ 41,845	32.25	1,349,506	39,090	32.83	1,283,129
JPY	83,997	0.28	23,150	-	-	-
Financial liabilities						
Monetary items						
USD	32,319	32.25	1,042,284	30,291	32.83	994,335
JPY	83,360	0.28	22,974	347,020	0.27	94,632

2) Sensitivity analysis

The Compay's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, bank loans, accounts payable and other payable that are denominated in foreign currency.

A 1% appreciation or depreciation of the TWD against the USD as at December 31, 2016 and 2015, would have increased or decreased net income by $2,552 and $1,612, respectively. This analysis assumes that all other variables remain constant.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

3) Foreign exchange gain and loss on monetary items

The foreign exchange gains (losses) of Company monetary items converted into the functional currency amount and converted to parent Company's functional currency Taiwan Dollar exchange rate information were as follows:

	2016		2015	
	Foreign exchange losses	**Average exhange rate**	**Foreign exchange losses**	**Average exhange rate**
TWD	$ (18,452)	-	25,261	-

4.Interest analysis

The interest rate exposure of the Company's financial assets and liabilities is described in Note (6)(r)3. on liquidity risk management.

The following sensitivity analysis is based on the exposure to interest rate risk of the financial assets and liabilities on the reporting date.

For variable rate instruments, the sensitivity analysis assumes the variable rate liabilities are outstanding for the whole year on the reporting date. The Compay's internal management reported the increases or decreases in the interest rates and the exposure to changes in interest rates of 0.5% is considered by management to be a reasonable change of interest rate.

If the interest rate increases or decreases by 0.5%, the Company's net income will decrease /increase by $11,942 and $19,067 for the years ended December 31, 2016 and 2015, respectively, assuming all other variable factors remain constant. This is mainly due to the Company's variable rate borrowing and the financial assets evaluation of risk-free interest rate changes on corporate bonds.

5. Fair value

1) The kinds of financial instruments and fair value

Financial assets and liabilities at fair value through profit or loss, derivative financial instruments used for hedging, and available for sale financial assets are measured on a recurring basis. The fair value of financial assets and liabilities were as follows (including information on fair value hierarchy, but excluding measurements that have similarities to fair value but are not fair value and those fair value cannot be reliably measured or inputs are unobservable in active markets):

	2016.12.31				
		Fair Value			
	Book Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities at fair value through profit and loss					
Non derivative held for trading financial liabilities	$ 1,968	-	1,968	-	1,968

2) Valuation techniques for financial instruments measured at fair value

A.Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market. The major exchange and the Over-the-Counter of Central Government's bonds is the basis to the fair value of listing equity instruments and liability instruments in active market.

If quoted price of a financial instrument can be obtained in time and often from exchanges, brokers, underwriters, industrial union, pricing institute, or authorities and such price can reflect those actual trading and frequently happen in the market, then the financial instrument is considered to have quoted price in active market. If a financial instrument does not accord with the definition aforementioned, then it is considered to be without quoted price in active market. In general, market with low trading volume or high bid-ask spreads is an indication of non-active market.

Measurements of fair value of financial instruments without an active market are disclosed the categories and attributions as follows ：

Equity instrument that has no quoted prices: The net asset value method is used to estimate the fair values. The main assumption for the model is to use the net asset value per share as the measuring basis.

(t) Financial risk management

1.Overview

The nature and the extent of the Company's risks arising from financial instruments, which include credit risk, liquidity risk and market risk, are discussed below. Also, the Company's objectives, policies and procedures of measuring and managing risks are discussed below.

For more quantitative information about the financial instruments, please refer to the other related notes of the notes to the financial statements.

2.Risk management framework

The financial management department, which provides intra-company services, is responsible for coordinating domestic and international financial market operations, as well as monitoring and managing operation-related financial risks through the internal risk report. The internal risk report analyzes risk exposure of the Company through range and depth. The Company uses derivative financial instruments to hedge risks and to alleviate their impacts. Usage of derivative financial instruments is subject to regulations approved of by the Board of Directors. The regulation is a written document pertaining the usage of exchange risk, interest risk, credit risk, derivative and non-derivative financial instruments, as well as the investment of the remaining working capital. The internal auditors review the policy compliance and risk exposure on a regular basis. The Company does not engage in opportunistic operations of financial instruments (including derivative financial instruments). The financial management department reports to The Company Risk management Committee quarterly. The Company Risk Management Committee is an independent organization that is responsible for monitoring risk management and enforcing policies to reduce risk exposure.

3.Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment.

1) Accounts receivable and other receivables

The Compay's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry in which customers operate, as these factors may have an influence on credit risk.

The management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment terms are offered. The Compay's review includes external ratings, when available, and in some cases bank references. Credit limits are established for each customer, which represent the maximum open amount without requiring approval from the General Manager's office; these limits are reviewed quarterly. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a cash basis.

In monitoring customer credit risk, customers are Companyed according to their credit characteristics, including whether they are an individual or a legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. Customers that are graded as "high risk" are placed on a restricted customer list and monitored by the General Manager's office. If customers default, the Company will stop transactions with those customers or trade on a cash basis.

The Compay established an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss incurred but not yet identified. The collective loss allowance is determined based on historical data on payment statistics for similar financial assets.

2) Bank deposit and transaction contract of foreign derivative instruments

The credit risk exposure in the bank deposits and transaction contract of foreign derivation instruments is measured and monitored by the General Manager's office. The Compay only deals with financial institutions; therefore, there are no significant doubts regarding default on the above financial instruments, and as a result, there is no significant credit risk.

4.Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Compay's approach to managing liquidity is to ensure, as far as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Compay uses activity-based costing to cost its products, which assists it in monitoring cash flow requirements. The Company aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash flows on financial liabilities over the succeeding 90 days. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. As of December 31, 2016 and 2015, the Company's unused credit line were amounted to $2,201,134 and $2,362,494, respectively.

5.Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Compay buys and sells derivatives, and also incurs financial liabilities, in order to manage market risk. All such transactions are carried out within the guidelines set by the Risk Management Committee.

1) Currency risk

The Compay is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Company's entities, primarily the New Taiwan Dollar (TWD), US Dollar (USD), and China Yuan (CNY). Besides, the Company uses natural hedging principle to hedge by controlling the net amount of each currency of the Company in accordance with the condition of the exchange rate market. The Company hedges the currency risk with forward foreign currency whose mature date is in a year from report date and currency swap contract.

The interest is denominated in the currency used in the borrowings. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Company, primarily the TWD, USD , and CNY. This provides an economic hedge without derivatives being entered into, and therefore, hedge accounting is not applied in these circumstances.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

2) Interest risk

The Compay's borrowings were on the basis of floating interest rate. The Compay is not involved in the situation of changing floating interest rate into fixed rate with interest rate swap agreement. The Compay periodically assessed the borrowing rates of the banks and every currency to make provisions for interest-changed rate risk. In addition, the Company creates favorable relationship with banks to get lower financial costs from borrowings in order for it to strengthen its working capital to lower its dependency on bank borrowings, as well as situation of changing floating interest rate and scatter interest-changed rate risk.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

3) Other market price risk

The Compay does not enter into any commodity contracts other than to meet the Company's expected usage and sales requirements; such contracts are not settled on a net basis.

(u) Capital management

The Board's policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, non-redeemable preference shares, retained earnings and non-controlling interests of the Company. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Compay's debt to equity ratios at the balance sheet date were as follows:

	2016.12.31	2015.12.31
Total liabilities	$ 4,193,750	4,128,089
Less: cash and cash equivalents	(644,037)	(653,223)
Net debt	$ 3,549,713	3,474,866
Total capital	$ 10,500,913	9,680,618
Debt to equity ratio	33.80 %	35.90 %

Management believes that there were no changes in the Company's approach to capital management for the year ended December 31, 2016.

(7) Related-Party Transactions

(a) Relationships between Parents and Subsidiaries

A detailed list of the Company's subsidiaries is as follows:

		Ownership interest (shareholding %)	
	Country of incorporation	2016.12.31	2015.12.31
EMC OVERSEAS HOLDING INCORPORATED	British Virgin Islands	100 %	100 %
Grand Zhuhai Incorporated	Cayman Islands	100 %	100 %
Grand Shanghai Incorporated	British Virgin Islands	99.79 %	99.79 %
Elite Electronic Material (Kunshan) Co., Ltd.	Mainland China	100 %	100 %
Grand Zhongshan Incorporated	British Virgin Islands	100 %	100 %
Elite Electronic Material (Zhongshan) Co., Ltd.	Mainland China	100 %	100 %

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(b) Parent company and ultimate controlling company

The Compay is the ultimate controlling party of the Company and its subsidiaries.

(c) Significant transactions with related parties

1.Sales

The amounts of significant sales by the Company to related parties were as follows:

	For the years ended December 31, 2016	2015
Subsidaries	$ 62,360	61,603

The selling price for related parties approximated the market price. The credit terms ranged from 90 to 120 days, which approximated those for routine sales transactions. Amounts receivable from related parties were uncollateralized, and no provisions for doubtful debt were required after the assessment by the management.

2.Purchases

The amounts of significant purchases by the Company from related parties were as follows:

	For the years ended December 31, 2016	2015
Subsidaries	$ 123,453	137,574

The terms and pricing of purchase transactions with related parties were not significantly different from those offered by other vendors. The payment terms ranged from 90 to 120 days, which were no different from the payment terms given by other vendors.

3.Receivables from related parties

The receivables from related parties were as follows:

Account	Relationship	2016.12.31	2015.12.31
Accounts receivable	Subsidaries	$ 32,481	16,878
Other receivables	Subsidaries	2,970	14,154
		$ 35,451	31,032

4.Payables to related parties

Account	Relationship	2016.12.31	2015.12.31
Accounts payable	Subsidaries	$ 36,180	76,218

5.Guarantee

As of December 31, 2016, the Company had provided a guarantee for loans taken out by its subordinates, please refer to Note 13(a) for further explanations.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(d) Key management personal compensation

Key management personnel compensation comprised:

	For the years ended December 31, 2016	2015
Short-term employee benefits	$ 104,935	61,964
Post-employment benefits	15,812	638
Share-based payments	1	395
	$ 120,748	62,997

Please refer to Notes 6(n) for further explanations related to share-based payment transactions.

(8) Pledged Assets

The carrying values of pledged assets were as follows:

Assets	Purpose of Pledge	2016.12.31	2015.12.31
Property, plant, and equipment			
Land	Bank loans guarantee	$ 332,873	470,621
Buildings	〃	170,069	312,229
Guarantee deposit	Staff dormitory	5,449	5,429
		$ 508,391	788,279

(9) Significant Contingencies and Commitments

(a) Major Commitments and contingencies were as follows:

1.Unused standby letters of credit

	2016.12.31	2015.12.31
Unused standby letters of credit		
TWD	$ 80,606	85,272
USD	7,239	1,036
JPY	156,075	236,769

2.The significant contracts for engineering construction and purchase of properties in order to extend factories and machineries by the Company, were as follows:

	2016.12.31	2015.12.31
Total contract price	$ 304,476	-
Unpaid contract price	$ 117,443	-

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

3.The royalties of eco-material technic treament with Japanese Company H, the paid royalties were as follows:

2016	2015
$ 48,711	49,913

4.As of December 31, 2016 and 2015, the amounts of Performance Letter of Guarantee issued by Mega International Commercial Bank-Zhongli Branch for the purpose of Customs for guaranty of domestic tariff and for guaranty of hiring foreigners to be employed were NT$5,000 and NT$4,000.

(10) Significant Catastrophic Losses: None.

(11) Significant Subsequent Events: None.

(12) Others

Employee benefits, depreciation, and amortization expenses, categorized as operating cost or expense, were as follows:

Categorized as / Nature	For the year ended December 31, 2016			For the year ended December 31, 2015		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits						
Salary	477,847	319,639	797,486	494,178	194,595	688,773
Labor and health insurance	37,214	11,376	48,590	33,868	10,302	44,170
Pension	18,532	5,991	24,523	17,241	5,467	22,708
Others employee benefits	29,031	5,070	34,101	22,864	4,116	26,980
Depreciation	140,104	9,558	149,662	156,963	8,792	165,755
Amortization	-	1,537	1,537	136	1,203	1,339

As of December 31, 2016 and 2015, the Company had 799 and 804 employees, respectively.

(13) Additional Disclosures

(a) Information on significant transactions

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company for the year ended December 31, 2016:

1. Fund financing to other parties: None.
2. Guarantees and endorsements for other parties:

(Expressed in thousands of New Taiwan dollars, unless otherwise specified)

No. (Note 1)	Name of company	Counter-party		Limitation on amount of guarantees and endorsements for a specific enterprise (Note 2)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged on guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 2)	Parent Company endorsement/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsement/ guarantees to third parties on behalf of parent company	Endorsements/guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	Grand Shanghai Incorporated	3	5,250,456	655,850	645,500	-	-	6 %	10,500,913	Y		
0	〃	Grand Zhongshan Incorporated	3	5,250,456	640,088	467,625	-	-	4 %	10,500,913	Y		
0	〃	Elite Electronic Material (Zhongshan) Co., Ltd.	3	5,250,456	459,550	451,500	-	-	4 %	10,500,913	Y		Y
0	〃	"Elite Electronic Material (Kunshan) Co.Ltd."	3	5,250,456	98,475	96,750	-	-	1 %	10,500,913	Y		Y

Note 1: 0 is the Company.

Note 2:1. Entities with business relationship with the Company.

2. A subsidiary in which the Company directly holds more than 50 percent of its voting shares.
3. A investee in which the Company and subsidiary holds more than 50 percent of its voting shares.
4. A parent company in which the Company directly or Subsidiaries indirectly holds more than 50 percent of its voting shares.

Note 3: The total maximum endorsement / guarantee cannot exceed 100% of the Company's net worth in its latest financial statements, while the maximum endorsement / guarantee amount for a single company cannot exceed 50% of the Company's net worth in its latest financial statements.

3. Information regarding securities held at balance sheet date:

(Expressed in thousands of New Taiwan dollars, unless otherwise specified)

Name of holder	Category and name of security	Category and name of security	Account title	Ending balance				Note
				Number	Book value	Percentage	Market value	
EMC OVERSEAS HOLDING INCORPORARTED	PROUD STAR INTERNATIIONAL LIMITED	-	Non-current avaliable-for-sale financial assets	500,000	18,229	3.26 %	18,229	

4. Accumulated buying/selling of the same marketable securities for which the dollar amount reaches $300 million or 20% or more of paid-in capital: None.
5. Acquisition of real estate for which the dollar amount reaches $300 million or 20% or more of paid-in capital : None.
6. Disposition of real estate for which the dollar amount reaches $300 million or 20% or more of paid-in capital: None.

7. Buying/selling products with the dollar amount reaches $100 million or 20% or more of paid-in capital:

(In Thousands of New Taiwan Dollars)

Name of Company	Counter-party	Relationship	Transaction details				Reasons why and description of how the transaction conditions differ from general transactions		Account/note receivable (payable)		Notes
			Purchase /Sale	Amount	Percentage of total purchases /sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts/notes receivable (payable)	
Grand Shanghai Incorporated	"Elite Electronic Material (Kunshan) Co.Ltd."	Investee company on equity method by the Company	Sale	(495,331)	(100.00)%	Depending on the financial conditions of the subsidiary	-	-	-	- %	
"Elite Electronic Material (Kunshan) Co.Ltd."	Grand Shanghai Incorporated	〃	Purchase	495,331	8.00 %	〃	-		-	- %	
Grand Zhongshan Incorporated	Elite Electronic Material (Zhongshan) Co., Ltd.	〃	Sales	(345,052)	(100.00)%	〃	-		-	- %	
〃	〃	〃	Purchase	232,642	100.00 %	〃	-		(88,150)	100.00 %	Note 1
Elite Electronic Material (Zhongshan) Co., Ltd.	Grand Zhongshan Incorporated	〃	Sale	(232,642)	(4.00)%	〃	-		88,150	3.00 %	Note 1
〃	〃	〃	Purchase	345,052	9.00 %	〃	-		-	- %	

Note 1: The transaction was sold to customer by Grand Zhongshan Incorporated. at the same price. Related transactions of purchasing and selling were disclosed using the eliminated approach in the report of Elite Electronic Material (Zhongshan) Co., Ltd.

8. Accounts receivable from related parties for which the dollar amount reaches $100 million or 20% or more of paid-in capital: None.

9. Derivative transactions:

   For the Company's transaction information of derivative goods, please refer to Note 6(s) "financial instruments" to consolidated financial statement.

(b) Information on investees:

For the years ended December 31, 2016, the following was the information on investees (excluding investees in Mainland China) :

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

Name of investor	Name of investee	Location	Major operations	Initial investment (Amount)		Ending balance			Net income (loss) of the investee	Investment income (losses)	Note
				Ending balance	Beginning balance	Shares	Ratio of shares	Book value			
The Company	EMC OVERSEAS HOLDING INCORPORATED	Offshore Incorporations Limited P.O. Box 957, Offshore Incorporations Centre. Road Town, Tortola, British Virgin Islands	Investment business	1,160,487	1,160,487	35,656,950	100.00 %	9,481,273	2,793,523	2,793,523	Note

Name of investor	Name of investee	Location	Major operations	Initial investment (Amount)		Ending balance			Net income (loss) of the investee	Investment income (losses)	Note
				Ending balance	Beginning balance	Shares	Ratio of shares	Book value			
The Company	Li Cheng Tech Co., LTD.	No.11, Gongye 5th Rd., Guanyin Dist., Taoyuan City 32853, Taiwan (R.O.C.)	Electronics、Telecommunications equipment、wholesale、retails、batteries、Power generation and Distribution machinery manufacturing business	173,694	173,694	16,412,918	33.50 %	-	-	-	Note
EMC OVERSEAS HOLDING INCORPORATED	Grand Zhuhai Incorporated	Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands	Import / export business and investment business	1,090,012	1,090,012	33,798,821	100.00 %	9,439,486	2,793,403	2,793,403	〃
〃	Li Cheng Tech Co., LTD.	No.11, Gongye 5th Rd., Guanyin Dist., Taoyuan City 32853, Taiwan (R.O.C.)	Electronics、Telecommunications equipment、wholesale、retails、batteries、Power generation and Distribution machinery manufacturing business	7,311	7,311	250,000	1.53 %	-	-	-	〃
Grand Zhuhai Incorporated	Grand Zhongshan Incorporated	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	Import / export business and investment business	530,093	530,093	16,437,000	100.00 %	4,217,500	1,069,353	1,069,353	〃
〃	Grand Shanghai Incorporated	Offshore Incorporations Limited P.O. Box 957, Offshore Incorporations Centre. Road Town, Tortola, British Virgin Islands	Import / export business and investment business	1,065,268	1,065,268	18,161,515	99.79 %	5,218,840	1,727,975	1,724,321	〃

Note 1:The amounts of book value recognized using the equity method include investment income(losses) and the exchange differences on translation of foreign statements.
Note 2: The amount above is evaluated based on the independent audit report of the investee under equity method .

(c) Information on investment in Mainland China:

1. Information on investment in Mainland China:

(Amounts Expressed in Thousands of New Taiwan Dollars)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan (R.O.C.)	Investment Flows		Accumulated Outflow of Investment from Taiwan	Net income (loss) of the investee	Percentage of Ownership	Investment Income (Loss) Recognized (Note 2)	Carrying Amount	Accumulated Inward Remittance of Earnings
					Outflow	Inflow						
"Elite Electronic Material (Kunshan) Co.Ltd."	Copper clad laminate and prepreg business	586,950	(2)	650,816	-	-	650,816	1,693,714	99.79 %	1,690,133	5,248,888	1,813,318
Elite Electronic Material (Zhongshan) Co., Ltd.	〃	651,450	(2)	440,613	-	-	440,613	1,063,470	100.00 %	1,063,470	4,150,661	359,101

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

2. Limitation on investment in Mainland China:

Aggregate investment amount remitted from Taiwan to Mainland China at the end of the period	Approved investment (amount) by Ministry of Economic Affairs Investment Commission(Note 3)	Limitation on investment in Mainland China in accordance with regulations of Ministry of Economic Affairs Investment Commission (Note 4)
694,614	1,141,188	6,300,548

Note 1: There are three investment approach of categories:
(1) Direct Investment in Mainland China.
(2) Investment in Mainland China by a third party.
(3) Other approach.

Note 2: The financial statements were audited by the Certified Public Accountants of the Company.

Note 3: The difference between the paid-in capital of Elite Electronic Material (Kunshan) Co. Ltd. and the investment amount remitted from Taiwan amounted to USD$6,012, which was invested overseas by the subsidiary.

Note 4: The difference between the paid-in capital of Elite Electronic Material (Zhongshan) Co. Ltd. and the investment amount remitted from Taiwan amounted to USD$6,255, which was recognized as capital increase out of earnings.

Note 5: The difference between the paid-in capital and investment amount remitted from Taiwan amounted to USD$110, which was invested overseas by the subsidiary.

Note 6: Surplus remitted from Elite Electronic Material (Kunshan) Co. Ltd. on May 3, 2016 has not yet been approved by the Investment Commission.

Note 7: Surplus remitted from Elite Electronic Material (Zhongshan) Co. Ltd. on July 15, 2016 has not yet been approved by the Investment Commission.

Note 8: The items in the balance sheet and those in the income statements were translated at the exchange rate of $32.250 and $32.2719, respectively, for the year ended December 31, 2016.

3. Significant transactions：

Please refer to the related disclosures above captioned as “Related information on material transaction items” for direct or indirect significant transactions between the Company and its investees in Mainland China for the year ended December 31, 2016. (The transactions were eliminated in the consolidated financial statements.)

(14) Segment Information

Please refer to the consolidated financial statements of the year ended 2016.