Stock Code:4915

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

PRIMAX ELECTRONICS LTD.
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015
(With Independent Auditors' Report Thereon)

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Representation Letter

The entities that are required to be included in the combined financial statements of PRIMAX ELECTRONICS LTD. as of and for the year ended December 31, 2016 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated and Spearate Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, PRIMAX ELECTRONICS LTD. and its Subsidiaries do not prepare a separate set of combined financial statments.

Company name: PRIMAX ELECTRONICS LTD.
Chairman: LIANG LI SHENG
Date: March 7, 2017

Independent Auditors' Report

To the Board of Directors of PRIMAX ELECTRONICS LTD.:

Opinion

We have audited the consolidated financial statements of PRIMAX ELECTRONICS LTD. and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2016 and 2015, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2016 and 2015 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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained, inclusive of the report from other auditors, is sufficient and appropriate to provide a basis of our opinion.

Other Matter

We did not audit the financial statements of certain subsidiaries. Those financial statements were audited by other auditors. Therefore, our opinion, insofar as it relates to those subsidiaries, is based solely on the reports of the other auditors. As of December 31, 2016 and 2015, the assets of these subsidiaries constitute 14% and 17%, respectively, of the consolidated total assets. For the years ended December 31, 2016 and 2015, the operating revenue of these subsidiaries constitute 14% and 13%, respectively, of the consolidated operating revenue.

PRIMAX ELECTRONICS LTD. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2016 and 2015, on which we have issued an unmodified opinion with other matter paragraph.

Key Audit Matters

Key audit matters are those matters that, in our professional judgments, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In our professional judgments, key audit matters to be communicated in the independent auditors' report are listed below:

1. Evaluation of inventories

   Please refer to Note 4(h) "Inventories", Note 5 "Significant accounting assumptions and judgments, and major sources of estimation uncertainty", and Note 6(e) "Inventories" of the consolidated financial statements.

   Description of key audit matter:

   Inventories of the Group are measured at the lower of cost and net realizable value. Due to the fast high-tech revolution, as well as the advancement of production technologies that may lead dramatic change in customers' demand, the net realizable value of inventories requires subjective judgments of the management, which is the major source of estimation uncertainty. Therefore, evaluation of inventories is one of the key audit matters for our audit.

   How the matter was addressed in our audit:

   Our principal audit procedures included: understanding the policies of evaluating the inventories of the Group; inspecting whether existing inventory policies are applied; examine the accuracy of the aging of inventories by sampling and analyse the changes of the aging of inventories; inspecting the reasonability for allowance provided on inventory valuation in the past and compare it to the current year to ensure that the measurements and assumptions are reasonable; sampling the inventories sold in the subsequent period to assess whether the allowance for inventories are reasonable.

   In addition, the consolidated financial statements of certain subsidiaries were audited by other auditors, therefore, we issued audit instructions to their auditors as guidelines to communicate the above key audit matters with them and obtained the feedbacks required in the audit instructions.

2. Impairment assessment of intangible assets

   Please refer to Note 4(n) "Impairment－non-financial assets", Note 5 "Significant accounting assumptions and judgments, and major sources of estimation uncertainty", and Note 6(k) "Intangible assets" of the consolidated financial statements.

   Description of key audit matter:

   In 2014, the Company acquired Tymphany Worldwide Enterprises Ltd. through its subsidiary, Diamond (Cayman) Holdings Ltd., and recognized its goodwill, technologies and customer relations as intangible assets. Due to the rapid industrial transformation, the assessment of imapirment contains estimation uncertainty. Therefore, the assessment of impairment of intangible assets is one of the key audit matters for our audit.

How the matter was addressed in our audit:

The principal audit procedures on the assessment of impairment of intangible assets included: evaluating the identification of cash generating units and any indication of impairment relating to intangible assets made by the management; acquiring intangible evaluation reports from external expert engaged by the Group; appointing our internal expert to review the evaluation reports and assessing the reasonability of measurements, parameters, and assumptions; evaluating the operation outcomes and comparing them to the past forecasts; making sensitivity analysis for evaluation of impairment losses and evaluating the completeness of disclosure in the consolidated financial reports.

3. Disposal of subsidiaries

   Please refer to Note 4(c) “Basis of consolidation”, Note 4(i) “Discontinued operations”, Note 6 (g) “Loss of control of subsidiaries”, and Note 12 (b) “Discontinued operations” of the consolidated financial statements.

   Description of key audit matter:

   The Company sold parts of its shares in its subsidiary, Global TEK Fabrication Co., Ltd, and lost control over the subsidiary on October 3, 2016. This is a non-recurring transaction to the Group, wherein the trading parties are its related parties. Therefore, the disposal of subsidiaries is one of the key audit matters for our audit.

   How the matter was addressed in our audit:

   The principal audit procedures on the disposal of its subsidiary included: assessing whether the transactions complying with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies and the Regulation of Internal Control System of PRIMAX ELECTRONICS LTD.; reading the contracts to fully understand the trading parties involved, prices, and other agreements; inspecting the external materials of cash proceeds and amendment of shares register; obtaining the audit report from other auditors on the date the Group lost its control over the subsidiary to be the base to derecognize the assets and liabilities of the subsidiary and to present its operating results as discontinued operation in the consolidated statement of comprehensive income. Evaluating the completeness of the disclosure in the the consolidated financial reports.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are YUNG-HUA HUANG and CHI-LUNG YU.

KPMG

Taipei, Taiwan (Republic of China)
March 7, 2017

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated 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 consolidated financial statements are those generally accepted and applied in the Republic of China.

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

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

PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2016		December 31, 2015	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 6,359,916	17	7,623,380	18
1110	Current financial assets at fair value through profit or loss (note 6(b))	141,317	-	88,717	-
1170	Notes and accounts receivable, net (note 6(d))	13,603,873	37	14,424,622	35
1180	Accounts receivable from related parties, net (notes 6(d) and 7)	102,841	-	54,995	-
1200	Other receivables, net (note 6(d))	495,392	2	462,242	1
1310	Inventories (note 6(e))	6,670,547	18	7,350,609	18
1470	Other current assets (note 8)	425,668	1	408,596	1
		27,799,554	75	30,413,161	73
	Non-current assets:				
1523	Available-for-sale financial assets－non-current (note 6(c))	887,801	2	584,430	1
1600	Property, plant and equipment (notes 6(i) and 8)	4,717,422	13	6,284,023	15
1760	Investment property (note 6(j))	35,677	-	258,709	1
1780	Intangible assets (note 6(k))	2,673,670	7	3,322,191	8
1840	Deferred tax assets (note 6(p))	570,205	2	390,414	1
1985	Long-term prepaid rents (note 8)	264,014	1	306,125	1
1990	Other non-current assets (note 8)	173,706	-	172,680	-
		9,322,495	25	11,318,572	27
	Total assets	$ 37,122,049	100	41,731,733	100

		December 31, 2016		December 31, 2015	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (note 6(l))	$ -	-	1,350,569	3
2170	Notes and accounts payable	16,892,918	46	18,723,930	45
2120	Current financial liabilities at fair value through profit or loss (note 6(b))	150,430	-	60,105	-
2200	Other payables (note 7)	3,878,606	10	3,891,786	9
2201	Salary payable (note 6(r))	1,146,183	3	1,227,107	3
2300	Other current liabilities	350,860	1	279,120	1
2320	Long-term borrowings, current portion (note 6(m))	382,222	1	622,347	2
		22,801,219	61	26,154,964	63
	Non-Current liabilities:				
2540	Long-term borrowings (note 6(m))	218,889	1	1,055,140	2
2630	Long-term deferred revenue (note 6(i))	1,408,138	4	1,084,133	3
2600	Other non-current liabilities (notes 6(o) and (p))	449,345	1	520,911	1
		2,076,372	6	2,660,184	6
	Total liabilities	24,877,591	67	28,815,148	69
	Equity attributable to owners of parent:				
3110	Ordinary shares (note 6(q))	4,421,343	12	4,411,877	11
3140	Capital collected in advance (note 6(q))	3,024	-	15,174	-
3200	Capital surplus (note 6(q))	791,466	2	777,368	2
3310	Legal reserve (note 6(q))	788,634	2	611,322	1
3320	Special reserve (note 6(q))	97,300	-	97,300	-
3350	Unappropriated retained earnings (note 6(q))	4,779,419	13	3,951,934	10
3400	Other equity interest	118,538	-	565,406	1
36XX	**Non-controlling interests** (note 6(h))	1,244,734	4	2,486,204	6
	Total equity	12,244,458	33	12,916,585	31
	Total liabilities and equity	$ 37,122,049	100	41,731,733	100

See accompanying notes to consolidated financial statements.

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

PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2016 and 2015

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

		2016		2015 (restated)	
		Amount	%	Amount	%
4000	**Operating revenue (notes 6(t) and 7)**	$ 64,329,462	100	63,538,187	100
5000	**Operating costs (notes 6(e), (o), (q), (r), (u) and 12)**	57,062,275	89	56,794,922	89
	Gross profit	7,267,187	11	6,743,265	11
	Operating expenses (notes 6(f), (o), (q), (r), (u) and 12):				
6100	Selling expenses	1,555,372	2	1,445,224	2
6200	Administrative expenses	1,134,095	2	1,147,541	2
6300	Research and development expenses	2,204,249	3	2,043,632	3
	Total operating expenses	4,893,716	7	4,636,397	7
	Net operating income	2,373,471	4	2,106,868	4
	Non-operating income and expenses:				
7010	Other income (note 6(v))	149,924	-	173,459	-
7020	Other gains and losses (notes 6(c), (g) and (w))	331,952	-	280,153	-
7070	Share of profit of subsidiaries accounted for using equity method	-	-	3,772	-
7050	Finance costs	(90,895)	-	(146,350)	-
	Total non-operating income and expenses	390,981	-	311,034	-
	Profit from continuing operations before tax	2,764,452	4	2,417,902	4
7950	**Less: income tax expense (note 6(p))**	777,686	1	631,009	1
	Profit from continuing operations	1,986,766	3	1,786,893	3
8100	**Profit from discontinued operations, net of tax (note 12(b))**	61,896	-	30,042	-
	Profit	2,048,662	3	1,816,935	3
8300	**Other comprehensive income (loss):**				
8310	**Items that may not be reclassified subsequently to profit or loss:**				
8311	Actuarial gains (losses) on defined benefit plans	(1,340)	-	(8,540)	-
		(1,340)	-	(8,540)	-
8360	**Items that may be reclassified subsequently to profit or loss:**				
8361	Exchange differences on translation of foreign operation's financial statements	(656,445)	(1)	(60,203)	-
8362	Unrealised gains on available-for-sale financial assets (notes 6(c) and (x))	110,706	-	294,053	-
8399	Income tax expense related to items that may be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income that will be reclassified to profit or loss	(545,739)	(1)	233,850	-
8300	**Other comprehensive income after tax**	(547,079)	(1)	225,310	-
	Comprehensive income	**$ 1,501,583**	**2**	**2,042,245**	**3**
	Profit attributable to:				
8610	Owners of parent	$ 1,934,070	3	1,773,122	3
8620	Non-controlling interests	114,592	-	43,813	-
		$ 2,048,662	**3**	**1,816,935**	**3**
	Comprehensive income attributable to:				
8710	Owners of parent	$ 1,432,480	2	1,987,738	3
8720	Non-controlling interests	69,103	-	54,507	-
		$ 1,501,583	**2**	**2,042,245**	**3**
	Earnings per share (note 6(s))				
9710	**Basic earnings per share (NT dollars)**				
	Profit from continuing operations	$	4.36		4.04
	Profit from discontinued operations		0.04		0.02
	Profit per share	**$**	**4.40**		**4.06**
9810	**Diluted earnings per share (NT dollars)**				
	Profit from continuing operations	$	4.32		3.99
	Profit from discontinued operations		0.04		0.02
	Profit per share	**$**	**4.36**		**4.01**

See accompanying notes to consolidated financial statements.

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

PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent											
	Share capital			Retained earnings								
	Ordinary shares	Capital collected in advance	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign operation's financial statements	Unrealized gains (losses) on available-for-sale financial assets	Unearned employee compensation	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2015	$ 4,346,578	38,903	673,543	456,853	97,300	3,132,488	422,382	707	(18,241)	9,150,513	1,158,234	10,308,747
Profit	-	-	-	-	-	1,773,122	-	-	-	1,773,122	43,813	1,816,935
Other comprehensive income	-	-	-	-	-	(8,100)	(71,337)	294,053	-	214,616	10,694	225,310
Comprehensive income	-	-	-	-	-	1,765,022	(71,337)	294,053	-	1,987,738	54,507	2,042,245
Appropriation and distribution of retained earnings:												
Legal reserved	-	-	-	154,469	-	(154,469)	-	-	-	-	-	-
Cash dividends on ordinary share	-	-	-	-	-	(791,107)	-	-	-	(791,107)	-	(791,107)
Issuance of restricted employee stock	30,000	-	91,693	-	-	-	-	-	(121,693)	-	-	-
Retirement of restricted employee stock	(2,800)	-	(10,258)	-	-	-	-	-	13,058	-	-	-
Amortization expense of restricted employee stock	-	-	-	-	-	-	-	-	46,477	46,477	-	46,477
Compensation cost of share-based payment	-	-	4,087	-	-	-	-	-	-	4,087	653	4,740
Exercise of employee stock option	-	32,673	-	-	-	-	-	-	-	32,673	-	32,673
Issuance of ordinary shares for employee stock option and abandonment	38,099	(56,402)	18,303	-	-	-	-	-	-	-	-	-
Acquire non-controlling interests in a business combination	-	-	-	-	-	-	-	-	-	-	1,272,810	1,272,810
Balance at December 31, 2015	4,411,877	15,174	777,368	611,322	97,300	3,951,934	351,045	294,760	(80,399)	10,430,381	2,486,204	12,916,585
Profit	-	-	-	-	-	1,934,070	-	-	-	1,934,070	114,592	2,048,662
Other comprehensive income	-	-	-	-	-	(1,340)	(610,956)	110,706	-	(501,590)	(45,489)	(547,079)
Comprehensive income	-	-	-	-	-	1,932,730	(610,956)	110,706	-	1,432,480	69,103	1,501,583
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	-	177,312	-	(177,312)	-	-	-	-	-	-
Cash dividends on ordinary share	-	-	-	-	-	(927,933)	-	-	-	(927,933)	-	(927,933)
Retirement of restricted employee stock	(3,850)	-	(6,350)	-	-	-	-	-	10,200	-	-	-
Amortization expense of restricted employee stock	-	-	-	-	-	-	-	-	43,182	43,182	-	43,182
Compensation cost of share-based payment	-	-	2,517	-	-	-	-	-	-	2,517	1,079	3,596
Exercise of employee stock option	-	19,097	-	-	-	-	-	-	-	19,097	-	19,097
Issuance of ordinary shares for employee stock option and abandonment	13,316	(31,247)	17,931	-	-	-	-	-	-	-	-	-
Derecognise non-controlling interests due to dispose subsidiaries	-	-	-	-	-	-	-	-	-	-	(1,311,652)	(1,311,652)
Balance at December 31, 2016	**$ 4,421,343**	**3,024**	**791,466**	**788,634**	**97,300**	**4,779,419**	**(259,911)**	**405,466**	**(27,017)**	**10,999,724**	**1,244,734**	**12,244,458**

See accompanying notes to consolidated financial statements.

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

PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES

Consolidated 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 (used in) operating activities:			
Profit from continuing operations before tax	$	2,764,452	2,417,902
Profit from discontinued operations before tax		105,225	55,051
Profit before tax		2,869,677	2,472,953
Adjustments:			
Adjustments to reconcile profit (loss):			
Depreciation and amortization		1,650,235	1,473,215
Losses related to inventories		947,465	427,434
Provision (reversal of provision) for bad debt expense and sales returns and discounts		137,481	(409)
Gain on disposal of subsidiaries		(248,006)	-
Gain on disposal of available-for-sale financial assets		(140,969)	-
Impairment losses on property, plant and equipment		86,850	-
Interest expense		98,693	160,220
Interest income		(126,400)	(161,713)
Compensation cost of share-based payment		46,778	51,217
Other		14,814	30,339
Total adjustments to reconcile profit (loss)		2,466,941	1,980,303
Changes in operating assets and liabilities:			
Financial assets at fair value through profit or loss－current		(53,611)	8,771
Notes and accounts receivable		(1,165)	(3,355,531)
Accounts receivable from related parties		(47,846)	5,586
Other receivable－current and non-current		(117,856)	(80,280)
Inventories		(691,918)	(2,536,143)
Other current assets		(185,378)	162,065
Deferred tax assets		(223,244)	(222,248)
Other operating assets		(6,288)	47,455
Changes in operating assets		(1,327,306)	(5,970,325)
Notes and accounts payable		(1,271,222)	5,698,649
Salary payable		(80,924)	174,267
Other payables		224,411	1,121,644
Other current liabilities		104,737	122,026
Other operating liabilities		115,582	(1,732)
Changes in operating liabilities		(907,416)	7,114,854
Total changes in operating assets and liabilities		(2,234,722)	1,144,529
Total adjustments		232,219	3,124,832
Cash inflow generated from operations		3,101,896	5,597,785
Interest received		126,400	161,713
Interest paid		(98,448)	(160,105)
Income taxes paid		(846,899)	(577,042)
Net cash flows from operating activities		2,282,949	5,022,351
Cash flows from (used in) investing activities:			
Net cash flow from acquisition of subsidiaries		-	(39,041)
Proceeds from disposal of subsidiaries (minus subsidiaries' cash)		108,980	-
Acquisition of property, plant and equipment		(1,107,108)	(1,964,248)
Proceeds from disposal of property, plant and equipment		72,617	66,055
Acquisition of unamortized expense		(50,813)	(50,646)
Proceeds from disposal of available-for-sale financial assets		220,270	-
Other investint activities		24,063	13,276
Net cash flows used in investing activities		(731,991)	(1,974,604)
Cash flows from (used in) financing activities:			
Decrease in short-term borrowings		(974,439)	(1,100,639)
Decrease in long-term borrowings		(759,456)	(261,402)
Increase (decrease) in guarantee deposits		27,566	(46,069)
Increase in other payables to related parties		-	(61,350)
Cash dividends		(927,933)	(791,107)
Exercise of employee share options		19,097	32,673
Net cash flows used in financing activities		(2,615,165)	(2,227,894)
Effect of exchange rate changes on cash and cash equivalents		(199,257)	(10,496)
Net increase (decrease) in cash and cash equivalents		(1,263,464)	809,357
Cash and cash equivalents at beginning of period		7,623,380	6,814,023
Cash and cash equivalents at end of period	$	**6,359,916**	**7,623,380**

See accompanying notes to consolidated financial statements.

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

PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

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

(1) Company history

PRIMAX ELECTRONICS LTD. (the "Company"), formerly known as Hong Chuan Investments Ltd., was incorporated on March 20, 2006, and registered under the Ministry of Economic Affairs, ROC. The Company changed its name to Hong Chuan Electronics Ltd. and Primax Electronics Ltd. in October 2007 and February 2008, respectively. The address of the Company's registered office is No. 669, Ruey Kuang Road, Neihu, Taipei.

Primax Electronics Holdings, Ltd. (Primax Holdings, formerly known as Apple Holdings Ltd.) acquired all shares of the Company from YWAN PANG Management Limited on April 2, 2007. The investment was approved by the Investment Commission, Ministry of Economic Affairs. However, all shares of the Company were sold by Primax Holdings to its stockholders in October 2009.

Based on the resolution approved by the Company's board of directors on November 5, 2007, the Company resolved to acquire and merge with Primax Electronics Ltd. ("Primax", a listed company) on December 28, 2007. The Company is the surviving company, and Primax was dissolved upon completion of the merger.

The consolidated financial statements of the Company as at and for the year ended December 31, 2015, comprised the Company and subsidiaries (together referred to as "the Group"). The major business activities of the Group were the manufacture and sale of multi-function printers, scanners, digital camera modules, computer mice, keyboards, track pads, mobile phone accessories, consumer electronics products, shredders, amplifiers, speakers, audio systems and industrial automation parts. Please refer to note 14 for further information.

The Company's common shares were registered with the Financial Supervisory Commission, ROC ("FSC") on June 22, 2012, and listed on the Taiwan Stock Exchange ("TWSE") on October 5, 2012.

(2) Approval date and procedures of the consolidated financial statements:

The consolidated financial statements were authorized for issuance by the board of directors on March 7, 2017.

(3) New standards, amendments and interpretations adopted

(a) Impact of the International Financial Reporting Standards ("IFRSs") endorsed by the 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:

PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

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
Amendments to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual improvements cycles 2010-2012 and 2011-2013	July 1, 2014
Annual improvements cycle 2012-2014	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

The Group assessed that the initial application of the above IFRSs would not have any material impact on the consolidated 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. is listed below. As of the date the Group’s financial statements were issued, except for IFRS 9 and IFRS 15, which should be applied starting January 1, 2018, the FSC has yet to announce the effective dates of the other IFRSs.

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

(Continued)

PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

New, Revised or Amended Standards and Interpretations	Effective date per IASB
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"	January 1, 2018
Annual Improvements to IFRSs 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
IAS 40 "Transfers of Investment Property"	January 1, 2018

Those standards that possibly impact the Company’s financial statements are 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.

PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

Issuance / Release Dates	Standards or Interpretations	Content of amendment
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.
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.
January 29, 2016	Amendments to IAS 7 "Disclosure Initiative"	The amendments will require entities to provide disclosures that enable investors to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes.

(Continued)

Issuance / Release Dates	Standards or Interpretations	Content of amendment
2016.6.20	Amendments to IFRS 2 "Clarifications of Classification and Measurement of Share based Payment Transactions"	The amendments, which were developed through the IFRS Interpretations Committee, provide requirements on the accounting for: • the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; • share-based payment transactions with a net settlement feature for withholding tax obligations; and • a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.
December 8, 2016	IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	The IFRIC 22 clarifies the transaction date used to determine the exchange rate. The transaction date is the date on which the Company initially recognizes the prepayment or deferred income arising from the advance consideration.

The Group 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 Group completes its evaluation.

(4) Summary of significant accounting policies:

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated annual financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (“the IFRSs endorsed by the FSC”).

(Continued)

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

1) Derivative financial instruments at fair value through profit or loss are measured at fair value;

2) Available-for-sale financial assets are measured at fair value;

3) Liabilities for cash-settled share-based payment are measured at fair value; and

4) The defined benefit liabilities are recognized as plan assets less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated 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) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its control over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Accounting policies of subsidiaries have been adjusted to ensure consistency with the policies adopted by the Group.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any differences between the Group's share of net assets before and after the change and any consideration received or paid are adjusted to equity attributable to stockholders of the Company.

PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

When the Group loses control of a subsidiary, it shall derecognize assets (including goodwill), liabilities and non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost; and shall remeasure the investment retained in the former subsidiary at its fair value at the date when control is lost. The gain or loss arising from derecognition is the difference between: (1) the total amounts of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost; and (2) the total amounts of the assets (including goodwill), liabilities and non-controlling interests of the subsidiary at their carrying amounts at the date when control is lost. The Group shall account for all amounts previously recognized in other comprehensive income, in relation to that subsidiary, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

(ii) List of subsidiaries in the consolidated financial statements

The details of the subsidiaries included in the consolidated financial statements are as follows:

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding December 31, 2016	Percentage of shareholding December 31, 2015	Description
The Company	Primax Industries (Cayman Holding) Ltd. (Primax Cayman)	Holding company	100.00 %	100.00 %	
The Company	Primax Technology (Cayman Holding) Ltd. (Primax Tech.)	Holding company	100.00 %	100.00 %	
The Company	Destiny Technology Holding Co., Ltd. (Destiny BVI.)	Holding company	100.00 %	100.00 %	
The Company	Primax Destiny Co., Ltd. (Destiny Japan)	Market development and customer service	100.00 %	100.00 %	
The Company	Primax Electronics Korea Co., Ltd. (Primax Korea)	Market development and customer service	- %	100.00 %	Primax Korea was closed and finished the liquidation process in March 2016
The Company	Diamond (Cayman) Holdings Ltd. (Diamond)	Holding company	100.00 %	100.00 %	
The Company	Gratus Technology Corp. (Gratus Tech.)	Market development and customer service	100.00 %	100.00 %	
The Company	Global TEK Fabrication Co., Ltd. (Global TEK)	Manufacture and sale of sophisticated machinery components, automotive parts, industrial automation parts, communication parts and aerospace components	- %	30.00 %	(notes 2 & 3)
Primax Cayman	Primax Industries (Hong Kong) Ltd. (Primax HK)	Export and import trading	100.00 %	100.00 %	
Diamond	Tymphany Worldwide Enterprises Ltd. (TWEL)	Holding company	70.00 %	70.00 %	(note 1)
Global TEK	Global TEK Co., Ltd. (GT)	Manufacture of sophisticated machinery components and automotive parts	- %	100.00 %	(notes 2 & 3)
Global TEK	Global TEK Fabrication Co., Ltd. (Samoa) (GTF-S)	Holding company	- %	100.00 %	(notes 2 & 3)

(Continued)

PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding December 31, 2016	Percentage of shareholding December 31, 2015	Description
Primax HK and Primax Tech.	Dongguan Primax Electronic & Telecommunication Products Ltd. (PCH2)	Manufacture of multifunctional peripherals, computer mice, mobile phone accessories, consumer electronics products, and shredders	100.00 %	100.00 %	
Primax HK	Primax Electronics (KS) Corp., Ltd. (PKS1)	Manufacture of computer, peripherals and keyboards	100.00 %	100.00 %	
Primax HK	Primax Electronics (Chongqing) Corp., Ltd. (PCQ1)	Manufacture of computer peripherals and keyboards	100.00 %	100.00 %	
Primax Tech.	Polaris Electronics Inc. (Polaris)	Sale of multi-function printers and computer peripheral devices	100.00 %	100.00 %	
Destiny BVI.	Destiny Electronic Corp. (Destiny Beijing)	Research and development of computer peripheral devices and software	100.00 %	100.00 %	
TWEL	Tymphany HK Ltd. (TYM HK)	Sale of audio accessories, amplifiers and their components	100.00 %	100.00 %	(note 1)
TWEL	TYP Enterprises, Inc. (TYP)	Market development and customer service of amplifiers and their components	100.00 %	100.00 %	(note 1)
TYM HK	Premium Loudspeakers (Hui Zhou) Co., Ltd. (Premium Hui Zhou)	Manufacture, research and development, design, and sale of audio accessories, amplifiers and their components	100.00 %	100.00 %	(note 1)
TYM HK	TYMPHANY LOGISITCS, INC. (TYML)	Sale of audio accessories, amplifiers and their components	100.00 %	100.00 %	TYML was incorporated in May 2015
TYM HK	Dongguan Tymphany Acoustic Technology Co., Ltd. (Tymphany Dongguan)	Manufacture, research and development, design, and sale of audio accessories, amplifiers and their components	100.00 %	100.00 %	Tymphany Dongguan was incorporated in September 2015
Tymphann Dongguan	Dong Guan Dong Cheng Tymphany Acoustic Technology Co., Ltd. (TYDC)	Research and development, design, and sale of audio accessories, amplifiers and their components	100.00 %	- %	TYDC was incorporated in October 2016
GT	GP Tech, Inc. (GP)	Sale of automotive parts, industrial automation parts, communication parts and aerospace components	- %	100.00 %	(notes 2 & 3)
GTF-S	Global TEK Fabrication Co., Ltd. (HK) (GTF-HK)	Holding company	- %	100.00 %	(notes 2 & 3)
GTF-S	Global TEK Co., Ltd. (Samoa) (GTS)	Holding company	- %	100.00 %	(notes 2 & 3)

(Continued)

PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding December 31, 2016	Percentage of shareholding December 31, 2015	Description
GTF-HK	WUXI GLOBAL TEK FABRICATION CO., LTD. (WUXI GLOBAL TEK)	Manufacture of sophisticated machinery components	- %	100.00 %	(notes 2 & 3)
GTS	GLOBAL TEK (XI' AN) CO., LTD. (GLOBAL TEK XI' AN)	Manufacture of industrial automation parts, communication parts and aerospace components	- %	100.00 %	(notes 2 & 3)
GTS and WUXI GLOBAL TEK	GLOBAL TEK CO. (WUXI), LTD. (GLOBAL TEK WUXI)	Manufacture of sophisticated machinery components and automotive parts	- %	100.00 %	(notes 2 & 3)

Note 1: TWEL was incorporated in October 2013, acquiring all shares of TYM HK by issuing new ordinary shares. The Company acquired 70% of the shares of TWEL by cash through its subsidiary Diamond on January 10, 2014. Therefore, the Company indirectly acquired all shares of TWEL's subsidiaries, and included them in the consolidated financial statements from the same date.

Note 2: The Company acquired 30% of the shares of Global TEK by cash on January 5, 2015. Therefore, the Company indirectly acquired all shares of Global TEK's subsidiaries. The Company has control over its relevant activities by acquiring more than 50% of the board of directors' voting rights based on the resolution of its interim meeting of shareholders held on February 13, 2015. The Company included all Global TEK's subsidiaries in the consolidated financial statements from the same date. Before the Company has control, investments in subsidiaries are accounted for using the equity method.

Note 3: The Board resolved to dispose 20% of the shares of Global TEK on June 21 and September 21, 2016. The disposal transaction has been settled on October 3, 2016, and the Company lost control over Global TEK on the same date.

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the exchange rates at the dates of the transactions. Monetary items 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 the 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 the foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and 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.

Foreign currency differences arising on retranslation are recognized in profit or loss except for the differences relating to available-for-sale equity investment which are recognized in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Group'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 Group's functional currency at the average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve in equity.

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 Group 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 Group disposes of only part of its investment in an associate or joint venture including a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

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

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) 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 issuing equity instruments do not affect its classification.

(f) 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.

(Continued)

Time deposits with maturities within three months or less 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.

(g) Financial instruments

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

(i) Financial assets

The Group classifies financial assets into the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets, 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 they are acquired principally for the purpose of selling in the short term.

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 are included in non-operating income and expenses. A regular way purchase or sale of financial assets shall be recognized and derecognized as applicable using trade-date accounting.

2) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value, plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses and dividend income, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and is included in other gains and losses under non-operating income and expenses. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Such dividend income is included in other income under non-operating income and expenses.

3) 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 notes and accounts receivable 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.

4) 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 Group on terms that the Group 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 grouping together assets with similar risk characteristics. In assessing collective impairment, the Group 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 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 trade receivables, 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. Any subsequent recovery of a receivable written off is recorded in 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.

(Continued)

If, in a subsequent period, the amount of the impairment loss of 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.

Impairment losses and recoveries of accounts receivable are recognized in operating expense; impairment losses and recoveries of other financial assets are recognized in other gains and losses under non-operating income and expenses.

5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the asset are terminated, or when the Group 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 is recognized in profit or loss, and it is included in other gains and losses under non-operating income and expenses.

The Group 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, and it is included in other gains and losses under non-operating income and expenses. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Group 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.

(Continued)

2) Other financial liabilities

Financial liabilities not classified as held for trading or designated as at fair value through profit or loss, which comprise notes and accounts payable, salary payable, other payables, and loans and borrowings 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 finance costs under non-operating income and expenses.

3) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired. 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 other gains and losses under non-operating income and expenses.

4) Offsetting of financial assets and liabilities

The Group presents financial assets and liabilities on a net basis when the Group 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.

(iii) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency exposure. 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 are included in other gains and losses under non-operating income and expenses. 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.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average-costing method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

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

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(i) Discontinued operations

A discontinued operation is a component, which is a single operating line or area, disposed or available for sale of the Group or a subsidiary acquired for resale. An operation will be classified as a discontinued operation upon disposal or when the operation meets the criteria to be classified as held for sale or held for distribution to owners, whichever comes first. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the beginning of the comparative year.

(j) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, for use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

When the use of an investment property changes such that it is reclassified as property, plant and equipment, its book value at the date of reclassification becomes its cost for subsequent accounting.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in non-operating income and expenses and it is included in other gains and losses.

(k) Property, plant and equipment

(i) 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 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.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds and the carrying amount of the item, and it shall be recognized as other gains and losses under non-operating income and expense.

(ii) Reclassification to investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied investment use.

(iii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure which can be reliably measured will flow to the Group. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(iv) Depreciation

Depreciation is calculated on the cost of an asset less its residual value on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge 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, leasehold improvement, and additional equipment: 1 ~ 51 years

2) Machinery and equipment: 1 ~10 years

3) Office and other equipment: 1 ~5 years

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

(l) Lease

(i) Lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term.

(ii) Lessee

Payments made under an operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease.

Contingent rent is recognized as expense in the periods in which it is incurred.

(m) Intangible assets

(i) Goodwill

1) Recognition

Goodwill arising from a business combination is recognized as intangible assets.

Goodwill is measured as the aggregation of the consideration transferred (which generally is measured at fair value at the acquisition date) and the amount of any non-controlling interest in the acquiree, net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed (generally at fair value).

2) Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group are measured at cost, less accumulated amortization and any accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iv) Amortization

The amortizable amount is the cost of an asset less its residual value.

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

1)	Customer relationships	10 years
2)	Technology	10 years
3)	Trademarks	10 years
4)	Patents	2.5~10 years
5)	Copyrights	15 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 change shall be accounted for as a change in accounting estimate.

(Continued)

(n) Impairment of non-financial assets

Non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. If it is not possible to determine the recoverable amount for the individual asset, then the Group will have to determine the recoverable amount for the asset's cash-generating unit.

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value, less costs to sell, or its value in use. If the recoverable amount of an individual asset or a cash-generating unit is less than its carrying amount, the carrying amount of the individual asset or cash-generating unit shall be reduced to its recoverable amount; and that reduction is accounted for as an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset may no longer exist or may have decreased. An impairment loss recognized in prior periods for an individual asset or a cash-generating unit shall be reversed if there has been a change in the estimates used to determine the 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 but should not exceed the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods.

Notwithstanding whether indicators exist, recoverability of goodwill is tested at least annually.

For the purpose of impairment testing, goodwill acquired in a business combination shall be allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination. If the carrying amount of each of the cash-generating units exceeds the recoverable amount of the unit, impairment loss is recognized, and is allocated to reduce the carrying amount of each asset in the unit. Reversal of an impairment loss for goodwill is prohibited.

(o) Revenue

(i) Goods sold

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 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 a discount 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. Transfer usually occurs when the goods is received at the customer's warehouse.

(ii) Services

The Group provides services, such as model research, development, and design, to customers. Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction, agreed by both sides, at the reporting date.

(p) Deferred grant revenue

Deferred grant revenue with additional conditions shall be recognized if the Group fulfills the conditions and the grant revenue becomes receivable.

Deferred grant revenue shall be recognized in profit or loss on a systematic basis in the periods in which the expenses it is to compensate are recognized. Grant revenue with conditions to compensate for the acquisition cost of an asset shall be deferred and recognized in profit or loss on a systematic basis over the useful life of the asset.

If the deferred grant revenue is to compensate for the Group's expenses that have been incurred or to supply immediate financial support to the Group and there is no related cost in the future, it shall be recognized in profit or loss when the grant revenue becomes receivable.

(q) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, based on the discounted present value of the said defined benefit obligation. The fair value of any plan assets are deducted for purposes of determining the Group's net defined benefit obligation. The discount rate used in calculating the present value is the market yield at the reporting date of government bonds that have maturity dates approximating the terms of the Group'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 Group, 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 Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

(Continued)

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

Remeasurements 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 and recognized in retained earnings in a subsequent period.

(iii) 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 Group 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.

(r) Share-based payment

The grant-date fair value of share-based payment awards granted to employees is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards whose related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences between the expected and the actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities over the period that the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and settlement date. Any changes in the fair value of the liability are recognized as personnel expenses in profit or loss.

(s) 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.

(Continued)

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 are recognized except for the following exceptions:

(i) Assets and liabilities that are initially recognized but are not related to a business combination and have no effect on profit or taxable gains (losses) at the time of the transaction.

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

(iii) Initial recognition of goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, which are normally the 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:

(i) The entity has the legal right to settle tax assets and liabilities on a net basis; and

(ii) The taxing of deferred tax assets and liabilities fulfills one of the scenarios below:

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 they shall be adjusted based on the probability that future taxable profit that will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(t) Business combination

Goodwill is measured as the aggregation of the consideration transferred (which generally is measured at fair value at the acquisition date) and the amount of any non-controlling interest in the acquiree, net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed (generally at fair value).

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, provisional amounts for the items for which the accounting is incomplete are reported in the Group's financial statements. During the measurement period, the provisional amounts recognized are retrospectively adjusted at the acquisition date, or additional assets or liabilities are recognized to reflect the new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period shall not exceed one year from the acquisition date.

All the transaction costs incurred for the business combination are recognized immediately as the Group's expenses when incurred, except for the issuance of debt or equity instruments.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or other basis endorsed by the FSC.

(u) Earnings per share

The Group discloses the basic and diluted earnings per share attributable to ordinary stockholders of the Company. Basic earnings per share is calculated as the profit attributable to the ordinary stockholders of the Company divided by the weighted-average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary stockholders of the Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. Dilutive potential ordinary shares comprise employee stock options, employee remuneration, and restricted stock.

(v) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the consolidated financial statements in conformity with the Regulations and 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 assumptions, estimates and judgments. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

(Continued)

There are no critical judgments made in applying the accounting policies that have significant effects on the amounts recognized in the consolidated financial statements.

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) Valuation of inventories

As inventories are measured at the lower of cost or net realizable value, the Group estimates the amount due to inventories' obsolescence and unmarketable items at the reporting date 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.

(b) Assessment of impairment of intangible assets (including goodwill)

The assessment of impairment of intangible assets required the Group to make subjective judgments on cash-generating units, allocate the intangible assets to relevant cash-generating units, and estimate the recoverable amount of relevant cash-generating units. Changes in economic conditions or changes in assessment caused by business strategies could result in significant impairment charges or reversal in future years.

The Group's accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit and loss. The Group has established an internal control framework with respect to the measurement of fair value and regularly reviews significant unobservable inputs and valuation adjustments. If third-party information, such as broker quotes or pricing services, is used to measure fair value, then the Group assessed the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRSs, including the level in the fair value hierarchy in which such valuations should be classified.

The Group strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).

Level 3: inputs for the assets or liability that are not based on observable market data.

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date. Please refer to Note 6(y) for assumptions used in measuring fair value.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2016	December 31, 2015
Cash on hand	$ 2,946	4,097
Checking accounts and demand deposits	1,761,981	2,939,622
Time deposits	4,594,989	4,679,661
	$ 6,359,916	**7,623,380**

Please refer to note 6(y) for the currency risk and the interest rate risk of the Group's cash and cash equivalents.

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

(i) Details of financial instruments were as follows:

	December 31, 2016	December 31, 2015
Financial assets at fair value through profit or loss – current:		
Non-derivative financial assets:		
Mutual funds	**$ -**	**969**
Derivative financial assets:		
Forward exchange contracts	$ 141,317	87,748
Foreign exchange swap contracts	-	-
	$ 141,317	**87,748**
Financial liabilities at fair value through profit or loss – current:		
Derivative financial liabilities:		
Forward exchange contracts	$ (72,909)	(60,105)
Foreign exchange swap contracts	(77,521)	-
	$ (150,430)	**(60,105)**

(ii) The Group held the following derivative financial instruments not designated as hedging instruments presented as held-for-trading financial assets as of December 31, 2016 and 2015:

December 31, 2016

Derivative financial instruments	Nominal amount	Maturity date	Predetermined rate
Forward exchange contracts －buy USD / sell TWD	USD 252,000 thousand	January 5, 2017~ March 27, 2017	31.157~32.015
Forward exchange contracts －buy TWD / sell USD	USD 189,500 thousand	January 5, 2017~ March 27, 2017	31.765~32.290
Foreign exchange swap contracts －swap in TWD / swap out USD	USD 81,000 thousand	January 5, 2017~ January 19, 2017	31.245~31.920

December 31, 2015

Derivative financial instruments	Nominal amount	Maturity date	Predetermined rate
Forward exchange contracts －buy USD / sell TWD	USD 205,000 thousand	January 7, 2016~ February 26, 2016	32.754~32.892
Forward exchange contracts －buy TWD / sell USD	USD 205,000 thousand	January 7, 2016~ February 26, 2016	32.802~33.010
Forward exchange contracts －buy USD / sell CNY	USD 63,500 thousand	January 4, 2016~ January 19, 2016	6.4115~6.5934
Forward exchange contracts －buy CNY / sell USD	USD 40,000 thousand	January 19, 2016	6.6380
Forward exchange contracts －buy JPY / sell USD	USD 516 thousand	January 25, 2016	120.75~122.40

(iii) Please refer to note 6(y) for the liquidity risk of the Group's financial instruments.

(iv) The Group did not provide any of the aforementioned financial assets at fair value through profit or loss – current as collateral.

(c) Available-for-sale financial assets – non-current

	December 31, 2016	December 31, 2015
Stocks listed in domestic markets	$ 586,404	551,600
Stocks unlisted in domestic markets	287,517	16,297
Stocks unlisted in foreign markets	13,880	16,533
	$ 887,801	**584,430**

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(i) WK Technology Fund IV Ltd. refunded $1,600 and $1,280 to the Group due to capital reduction in July 2015 and April 2016, respectively.

(ii) WK Global Investment III Ltd. refunded $2,254 to the Group due to capital reduction in April 2016。

(iii) Titan 1 Venture Capital Co., Ltd. and Neosonica Technologies Inc. were closed and finished the liquidation process in August and March 2015, respectively. The Group received $175 due to the liquidation and recorded it as other gains and losses.

(iv) The impairment loss was $939 for the year ended December 31, 2015 and was recognized as other gains and loss.

(v) The Group held 30% share of Global TEK's shares and sold 20% shares of them at $50 per share on October 3, 2016. The Group reclassified the remaining amounted to $275,500 to available-for-sale financial assets－non-current. Please refer to note 6(g) for further information about disposal of Global TEK's shares.

(vi) In the second quarter of 2016, the Group sold 841 thousand shares of Nien Made Enterprise Co., Ltd. for $220,270. The gain on disposal which was recognized as other gains and losses, amounted to $140,969, deducting the cost of $79,301.

(vii) The unrealized gains were $110,706 and $294,053 for the years ended December 31, 2016 and 2015, respectively, and were recognized as unrealized gains on available-for-sale financial assets.

(viii) The Group did not provide any of the aforementioned available-for-sale financial assets as collateral.

(d) Notes and accounts receivable, and other receivables (including related parties)

	December 31, 2016	December 31, 2015
Notes receivable	$ 3,761	134,860
Accounts receivable	13,798,350	14,353,936
Accounts receivable – related parties	102,841	54,995
Other receivables	495,392	462,242
Less: allowance for doubtful accounts	(99,936)	(29,247)
allowance for sales returns and discounts	(98,302)	(34,927)
Total	$ **14,202,106**	**14,941,859**

(i) The Group did not provide any of the aforementioned notes and accounts receivable, and other receivables (including related parties) as collateral.

(ii) Please refer to note 6(y) for the movements in the allowance for doubtful accounts and the credit risk and currency risk for the years ended December 31, 2016 and 2015.

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PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
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(iii) The Company entered into agreements with banks to sell its accounts receivable without recourse. According to the agreements, within the limit of its credit facilities, the Company does not need to guarantee the capability of its customers to pay for reasons other than commercial disputes when transferring its accounts receivable. The Company receives partial advances upon sales of accounts receivable and pays interest calculated based on the interest rates agreed for the period through the collection of the accounts receivable. The remaining amounts are received upon the collection of the accounts receivable, and are recorded as other receivables. In addition, the Company shall pay handling charges based on a fixed rate. As of December 31, 2016 and 2015, the details of transferred accounts receivable which conformed to the criteria for derecognition were as follows:

December 31, 2016

Buyer	Amount sold	Credit facilities	Cash received in advance	Interest rate	Guarantee (promissory note)	Amount derecognized	Amount not received
	NT$	US$ (expressed in thousand)	NT$		expressed in thousands	NT$	NT$
Mega International Commercial Bank	$ 374,057	20,000	336,651	1.75 %	US$ 5,000	336,651	37,406
HSBC Bank	592,397	64,400	533,157	1.42 %	US$ 58,000	533,157	59,240
Bank of Taiwan	449,051	26,000	404,146	2.10 %	NT$ 772,200	404,146	44,905
	$ 1,415,505	110,400	1,273,954			1,273,954	141,551

December 31, 2015

Buyer	Amount sold	Credit facilities	Cash received in advance	Interest rate	Guarantee (promissory note)	Amount derecognized	Amount not received
	NT$	US$ (expressed in thousand)	NT$		expressed in thousands	NT$	NT$
Mega International Commercial Bank	$ -	25,000	-		US$ 7,000	-	-
HSBC Bank	-	64,400	-		US$ 58,000	-	-
Bank of Taiwan	-	26,000	-		NT$ 725,400	-	-
	$ -	115,400	-			-	-

(iv) Please refer to note 9 for guarantee notes provided by the Company to sell its accounts receivable.

(e) Inventories

	December 31, 2016	December 31, 2015
Raw materials	$ 1,618,227	1,465,472
Semi-finished goods and work in process	1,485,837	1,488,325
Finished goods and merchandise	3,566,483	4,396,812
	$ 6,670,547	7,350,609

The Group did not provide any of the aforementioned inventories as collateral.

For the years ended December 31, 2016 and 2015, the Group recognized the following items as cost of goods sold:

		2016	2015
Losses on inventory valuation	$	(792,757)	(140,387)
Unallocated manufacturing overhead resulting from the actual production being lower than the normal capacity		(135,888)	(92,214)
Loss on disposal of inventories		(19,737)	(184,276)
Gain on physical inventories		7,126	1,033
	$	**(941,256)**	**(415,844)**

(f) Business combination

(i) Global TEK Group

Based on the resolution approved by the board of directors' meeting held on October 15, 2014, the Company signed a share subscription agreement and a share purchase agreement with Global TEK and its primary stockholders, respectively, and acquired 30% of Global TEK's shares.

Global TEK is a manufacturer of sophisticated machinery components. By obtaining control of Global TEK and its subsidiaries, the Company will integrate Global TEK's experience in sophisticated machinery components with the Company's own technology related to audio systems and camera modules to provide the ultimate vehicle digital system to consumers. The acquisition will allow the Group to take part in the vehicle component supply chain, driving the growth of its revenue and profit in the foreseeable future.

1) Consideration transferred

According to the share subscription agreement and share purchase agreement, the consideration transferred was $545,490 without contingent cost or other equity instruments. The settlement date was January 5, 2015.

2) Obtaining control

The Company holds only 30% of Global TEK's shares. However, the Company has control power over its relevant activities by acquiring more than 50% of the board of directors' voting rights based on the resolution of its interim meeting of stockholders held on February 13, 2015. The Company will include the Global TEK Group in the consolidated financial statements from the same date in accordance with IFRS 10.

3) According to IFRSs, the fair value of net assets acquired should be measured on the acquisition date. Therefore, the Company evaluated the fair value and useful lives of intangible assets at the time of acquisition. The Company engaged experts to evaluate its identifiable net assets. According to the result, identifiable intangible assets comprised customer relationships amounting to $109,000, technology amounting to $100,0000, and goodwill amounting to $340,999.

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4) Details of consideration transferred, assets acquired, and liabilities assumed at the date of acquisition were as follows:

Items	Amount
Cash	$ 545,490
Fair value of non-controlling interest	1,272,810
Fair value	**$ 1,818,300**

Items	Amount
Fair value of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	$ 506,449
Current financial assets at fair value through profit or loss	1,203
Notes and accounts receivable, net	615,534
Other receivables	11,703
Inventories	430,922
Other current assets	67,166
Property, plant and equipment	1,095,093
Deferred tax assets	13,475
Long-term prepaid rents	102,359
Other non-current assets	25,724
Short-term and long-term borrowings	(741,297)
Notes and accounts payable	(412,070)
Salary payable and other payables	(309,387)
Other current liabilities	(28,679)
Deferred tax liabilities	(103,855)
Other non-current liabilities	(6,039)
	1,268,301
Intangible assets recognized from purchase price allocation:	
Customer relationships	109,000
Techniques	100,000
Goodwill	340,999
	549,999
	$ 1,818,300

5) Intangible assets

a) Goodwill

Goodwill mainly came from the reputation, profitability, and value of employees which have been established by Global TEK and its subsidiaries in the automotive, instrument, aerospace and sophisticated machinery components market. There was no tax effect attributable to goodwill recognized from the acquisition.

b) Customer relationships

Customer relationships mainly came from continuous cooperation with clients for which the relationships are expected to be beneficial in the future.

c) Technology

Global TEK owned the manufacturing technology for the automotive parts, industrial automation parts, communication parts, aerospace components, medical equipment and sophisticated machinery components. The technology is expected to be beneficial in the future.

6) The cost of acquisition

The valuation fees and on-site examination expenses of $824 due to the acquisition transaction were recognized as administrative expenses in the statement of comprehensive income in the year ended December 31, 2015.

7) Simulated operating results

Operating results of Global TEK and its subsidiaries were merged into the Company's consolidated comprehensive income statement since the date of obtaining control, contributing operating revenue of $2,051,106 and profit of $30,042. If the acquisition had occurred on January 1, 2015, the simulated operating revenue and profit would have been $65,746,063 and $1,825,736, respectively.

(g) Loss of control of subsidiaries

The Group held 30% shares of Global TEK's shares and sold 20% of them at $50 per share on October 3, 2016. The total proceeds were received. The Group recorded the total gain of $248,004 under other gains or losses, including the amount of $83,219 from the remaining shares measured at fair value due to losing its control over Global TEK. The Group reclassified the carrying amounts of the remaining shares to available-for-sale financial asset－non-current.

The carrying amount of assets and liabilities of Global TEK and its subsidiaries on September 30, 2016 were as follow:

Cash and cash equivalents	$	450,518
Current financial assets at fair value through profit or loss		1,011
Notes and accounts receivable, net		684,433
Other receivables		84,738
Inventories		424,515
Other current assets		91,601
Property, plant and equipment		1,141,947
Intangible assets		509,072
Deferred tax assets－non-current		43,453
Long-term prepaid rents		97,068
Other non-current assets		13,474
Short-term borrowings		(693,050)
Notes and accounts payable		(559,790)
Other payables		(256,220)
Other current liabilities		(32,997)
Deferred tax liabilities－non-current		(119,909)
Other non-current liabilities		(6,075)
Book value of net assets	**$**	**1,873,789**

(h) Material non-controlling interests of subsidiaries

The Material non-controlling interests of subsidiaries were as follows:

		Proportion of Ownership and Voting Rights Held by Non-controlling Interests	
Name of subsidiaries	**Main operation place Business/Registered Country**	**December 31, 2016**	**December 31, 2015**
TWEL and its subsidiaries	Hong Kong and China/Cayman Is.	30 %	30 %
Global TEK and its subsidiaries	Taiwan and China/Taiwan	- %	70 %

PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
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The following information on the aforementioned subsidiaries have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Included in these information are the fair value adjustment made during the acquisition and relevant difference in accounting principles between the Group as at the acquisition date. Intra-group transactions were not eliminated in this information.

(i) TWEL and its subsidiaries:

		December 31, 2016	December 31, 2015
Current assets	$	4,510,885	4,380,696
Non-current assets		3,377,729	3,126,982
Current liabilities		(3,496,113)	(3,440,368)
Non-current liabilities		(243,387)	(97,340)
Net assets	**$**	**4,149,114**	**3,969,970**
Non-controlling interests	**$**	**1,244,734**	**1,190,991**

		2016	2015
Operating revenue	**$**	**8,902,027**	**6,683,250**
Profit	$	237,550	75,945
Other comprehensive income		(62,004)	31,069
Comprehensive income	**$**	**175,546**	**107,014**
Profit attributable to non-controlling interests	**$**	**71,265**	**22,784**
Comprehensive income attributable to non-controlling interests	**$**	**52,664**	**32,104**

		2016	2015
Cash flows from operating activities	$	(572,724)	499,900
Cash flows from investing activities		(221,015)	(129,569)
Cash flows from financing activities		(607)	9,852
Effect of foreign currency exchange translation		(22,145)	32,610
Net increase (decrease) in cash and cash equivalents	**$**	**(816,491)**	**412,793**
Dividends paid to non-controlling interests	**$**	**-**	**-**

PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
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(ii) Global TEK and its subsidiaries

	December 31, 2016	December 31, 2015
Current assets	$ -	$ 1,447,425
Non-current assets	-	1,805,801
Current liabilities	-	(994,338)
Non-current liabilities	-	(408,586)
Net assets	**$ -**	**$ 1,850,302**
Non-controlling interests	**$ -**	**$ 1,295,213**

	January to September, 2016	February to December, 2015
Operating revenue	**$ 1,929,626**	**2,051,106**
Profit	$ 61,896	30,042
Other comprehensive income	(38,410)	1,961
Comprehensive income	**$ 23,486**	**32,003**
Profit attributable to non-controlling interests	**$ 43,327**	**21,029**
Comprehensive income attributable to non-controlling interests	**$ 16,439**	**22,403**

	January to September, 2016	February to December, 2015
Cash flows from operating activities	$ 321,226	184,499
Cash flows from investing activities	(161,102)	(194,508)
Cash flows from financing activities	38,022	(211,459)
Effect of foreign currency exchange translation	(26,190)	(6,419)
Net increase (decrease) in cash and cash equivalents	**$ 171,956**	**(227,887)**
Dividends paid to non-controlling interests	**$ -**	**-**

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(i) Property, plant and equipment

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

	Land	Buildings, leasehold improvement, and additional equipment	Machinery and equipment	Office and other equipment	Construction in progress and testing equipment	Government grants	Total
Cost or deemed cost:							
Balance on January 1, 2016	$ 284,973	4,145,565	6,578,407	680,211	503,242	(12,731)	12,179,667
Additions	-	49,514	396,263	41,155	988,516	-	1,475,448
Disposals	-	(94,696)	(696,426)	(83,133)	(63)	-	(874,318)
Reclassifications	111,822	381,033	425,506	(12,851)	(977,213)	(4,813)	(76,516)
Disposal of subsidiaries	(262,094)	(340,019)	(461,910)	(58,963)	(133,277)	-	(1,256,263)
Effect of movements in exchange rates	-	(338,639)	(569,536)	(55,962)	(33,527)	1,258	(996,406)
Balance on December 31, 2016	**$ 134,701**	**3,802,758**	**5,672,304**	**510,457**	**347,678**	**(16,286)**	**10,451,612**
Balance on January 1, 2015	$ 22,879	3,062,153	4,741,057	578,964	779,029	(12,911)	9,171,171
Additions	-	22,316	740,599	58,719	1,910,503	-	2,732,137
Disposals	-	(146,771)	(392,772)	(42,442)	(263)	-	(582,248)
Acquisition from business combination	262,094	305,927	328,301	74,644	124,127	-	1,095,093
Reclassifications	-	935,689	1,218,445	19,211	(2,293,135)	-	(119,790)
Effect of movements in exchange rates	-	(33,749)	(57,223)	(8,885)	(17,019)	180	(116,696)
Balance on December 31, 2015	**$ 284,973**	**4,145,565**	**6,578,407**	**680,211**	**503,242**	**(12,731)**	**12,179,667**
Depreciation and impairments loss:							
Balance on January 1, 2016	$ -	1,737,377	3,718,475	449,371	-	(9,579)	5,895,644
Depreciation	-	245,594	1,126,355	79,501	-	(4,622)	1,446,828
Impairment loss	-	-	74,584	384	11,882	-	86,850
Disposals	-	(90,910)	(619,931)	(76,609)	-	-	(787,450)
Reclassifications	-	35,827	(249,717)	(29,572)	-	-	(243,462)
Disposal of subsidiaries	-	(47,041)	(58,972)	3,579	(11,882)	-	(114,316)
Effect of movements in exchange rates	-	(149,736)	(358,412)	(42,720)	-	964	(549,904)
Balance on December 31, 2016	**$ -**	**1,731,111**	**3,632,382**	**383,934**	**-**	**(13,237)**	**5,734,190**
Balance on January 1, 2015	$ -	1,643,871	3,214,184	384,695	-	(6,724)	5,236,026
Depreciation	-	250,280	927,402	97,889	-	(2,929)	1,272,642
Disposals	-	(140,657)	(306,801)	(37,535)	-	-	(484,993)
Reclassifications	-	5,146	(72,971)	10,459	-	-	(57,366)
Effect of movements in exchange rates	-	(21,263)	(43,339)	(6,137)	-	74	(70,665)
Balance on December 31, 2015	**$ -**	**1,737,377**	**3,718,475**	**449,371**	**-**	**(9,579)**	**5,895,644**
Carrying amounts:							
Balance on December 31, 2016	**$ 134,701**	**2,071,647**	**2,039,922**	**126,523**	**347,678**	**(3,049)**	**4,717,422**
Balance on December 31, 2015	**$ 284,973**	**2,408,188**	**2,859,932**	**230,840**	**503,242**	**(3,152)**	**6,284,023**
Balance on January 1, 2015	**$ 22,879**	**1,418,282**	**1,526,873**	**194,269**	**779,029**	**(6,187)**	**3,935,145**

(Continued)

PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
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(i) The unamortized deferred revenue of equipment subsidy amounted to $1,310,945 and $1,018,732 for the years ended December 31, 2016 and 2015, respectively.

(ii) Please refer to note 8 for further information on property, plant and equipment provided as collateral.

(j) Investment property

	Land	Buildings and other equipment	Total
Cost or deemed cost:			
Balance on January 1, 2016	$ 162,012	172,167	334,179
Additions	-	-	-
Reclassifications	(111,822)	(140,432)	(252,254)
Balance on December 31, 2016	**$ 50,190**	**31,735**	**81,925**
Balance on January 1, 2015	$ 162,012	172,167	334,179
Additions	-	-	-
Balance on December 31, 2015	**$ 162,012**	**172,167**	**334,179**
Depreciation and impairment losses:			
Balance on January 1, 2016	$ 33,941	41,529	75,470
Depreciation	-	3,560	3,560
Reclassifications	-	(32,782)	(32,782)
Balance on December 31, 2016	**$ 33,941**	**12,307**	**46,248**
Balance on January 1, 2015	$ 33,941	37,969	71,910
Depreciation	-	3,560	3,560
Balance on December 31, 2015	**$ 33,941**	**41,529**	**75,470**
Carrying amounts:			
Balance on December 31, 2016	**$ 16,249**	**19,428**	**35,677**
Balance on December 31, 2015	**$ 128,071**	**130,638**	**258,709**
Balance on January 1, 2015	**$ 128,071**	**134,198**	**262,269**
Fair value:			
Balance on December 31, 2016			**$ 84,490**
Balance on December 31, 2015			**$ 592,092**
Balance on January 1, 2015			**$ 561,338**

PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
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(i) The fair value of investment property is based on the quotation from third parties, which is categorized within Level 3.

(ii) Investment property comprises a number of commercial properties which are leased to third parties. Each of the leases contains an initial non-cancellable period between 1 and 2 years. Subsequent renewals are negotiated with the lessee, and no contingent rents are charged. Please refer to note 6(n) for further information.

(iii) The Group reclassified $219,472 as property, plant and equipment from investment property due to the change of the use of such property in 2016.

(iv) The Group did not provide any of the aforementioned investment property as collateral.

(k) Intangible assets

The cost and amortization of the intangible assets of the Group for the years ended December 31, 2016 and 2015, were as follows:

		Goodwill	Customer Relationships	Technology	Trademarks, Patents and Copyrights	Total
Cost or deemed cost:						
Balance at January 1, 2016	$	2,191,382	827,800	519,300	122,128	3,660,610
Acquisition		-	-	-	9	9
Disposal of subsidiary		(340,999)	(109,000)	(100,000)	-	(549,999)
Effect of movements in exchange rates		-	-	-	(93)	(93)
Balance at December 31, 2016	$	1,850,383	718,800	419,300	122,044	3,110,527
Balance at January 1, 2015	$	1,850,383	718,800	419,300	122,079	3,110,562
Acquisition		-	-	-	17	17
Acquisition from business combination		340,999	109,000	100,000	-	549,999
Effect of movements in exchange rates		-	-	-	32	32
Balance at December 31, 2015	$	2,191,382	827,800	519,300	122,128	3,660,610

PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
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	Goodwill	Customer Relationships	Technology	Trademarks, Patents and Copyrights	Total
Amortization and impairment loss:					
Balance at January 1, 2016	$ -	151,559	95,346	91,514	338,419
Amortization	-	80,055	52,644	6,708	139,407
Disposal of subsidiary	-	(17,713)	(23,214)	-	(40,927)
Effect of movements in exchange rates	-	-	-	(42)	(42)
Balance at December 31, 2016	$ -	213,901	124,776	98,180	436,857
Balance at January 1, 2015	$ -	70,141	40,916	82,861	193,918
Amortization	-	81,418	54,430	8,642	144,490
Effect of movements in exchange rates	-	-	-	11	11
Balance at December 31, 2015	$ -	151,559	95,346	91,514	338,419
Carrying amounts:					
Balance at December 31, 2016	$ 1,850,383	504,899	294,524	23,864	2,673,670
Balance at December 31, 2015	$ 2,191,382	676,241	423,954	30,614	3,322,191
Balance at January 1, 2015	$ 1,850,383	648,659	378,384	39,218	2,916,644

(i) Intangible assets were transferred out due to the resolution to dispose parts of shares of Global TEK which were approved during the board of directors' meeting in 2016. Please refer to note 6(g) for further detail.

(ii) For intangible assets obtained from having control over Global TEK and its subsidiaries on January 5, 2015, please refer to note 6(f) for further detail.

(iii) The Group did not provide any of the aforementioned intangible assets as collateral.

(l) Short-term borrowings

The details were as follows:

	December 31, 2016	December 31, 2015
Unsecured bank loans	$ -	1,130,518
Secured bank loans	-	220,051
Short-term borrowings	$ -	1,350,569
Unused credit lines	$ 13,301,651	10,729,002
Annual interest rates	0.93%~1.27%	0.85%~5.89%

Please refer to note 8 for further information on assets provided as collateral.

(m) Long-term borrowings

	December 31, 2016			
	Currency	**Annual interest rate**	**Maturity year**	**Amount**
Unsecured bank loans	TWD	0.95~1.56%	2017~2020	$ 601,111
Less: current portion				(382,222)
Total				**$ 218,889**
Unused credit lines				**$ -**

	December 31, 2015			
	Currency	**Annual interest rate**	**Maturity year**	**Amount**
Unsecured bank loans	TWD	0.95~2.78%	2016~2020	$ 1,374,282
〃	USD	2.66%	2018	41,037
Secured bank loans	TWD	1.73%~2.13%	2016~2026	215,963
〃	USD	3.2404%~3.3%	2018~2030	46,205
Less: current portion				(622,347)
Total				**$ 1,055,140**
Unused credit lines				**$ 228,086**

(i) Pursuant to the loan agreements with Industrial Bank of Taiwan, The Export-Import Bank of the ROC and CTBC Bank, the Company has to maintain the following financial ratios calculated based on the Company's semi-annual audited (reviewed) consolidated financial statements. As of December 31, 2016, the Company had not violated the financial covenants. The financial covenants include (1) a current ratio of not less than 100%; (2) a financial debt ratio of not greater than 75%; (3) an interest coverage ratio of not less than 400%; and (4) stockholders' equity of not less than $4,000,000. If the Company violates the financial covenants, the banks have the right to charge a default penalty or to require the Company to improve its financial ratios.

(ii) Please refer to note 9 for the details of the outstanding guarantee notes.

(iii) Please refer to note 8 for further information on assets provided as collateral.

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(n) Operating lease

(i) Lessee

Non-cancellable operating lease rentals are payable as follows:

	December 31, 2016	December 31, 2015
Less than one year	$ 234,469	251,403
Between one and five years	327,873	508,595
More than five years	12,989	7,203
	$ **575,331**	**767,201**

The Group leases a number of offices and warehouses and pieces of equipment under operating leases. The lease terms are between 1 and 15 years.

(ii) Lessor

The Group leases out its investment property under operating leases. Please refer to note 6(j) for further information. Non-cancellable operating leases are receivable as follows:

	December 31, 2016	December 31, 2015
Less than one year	$ **1,060**	**1,060**

(o) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

	December 31, 2016	December 31, 2015
Present value of defined benefit obligations	$ 160,593	180,297
Fair value of plan assets	96,865	113,587
Deficit in the plan	63,728	66,710
Asset ceiling	-	-
Net defined benefit liability	$ **63,728**	**66,710**

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

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to $96,865 at the end of the reporting period. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of defined benefit obligations

The movements in present value of defined benefit obligations for the Group for the years ended December 31, 2016 and 2015, were as follows:

	2016	2015
Defined benefit obligation at January 1	$ 180,297	162,598
Business combinations	-	18,522
Disposal of subsidiary	(3,105)	-
Discontinued operations	(16,279)	-
Benefits paid	(4,995)	(15,239)
Current service costs and interest cost	3,417	5,000
Remeasurement of net defined liabilities	1,258	9,416
Defined benefit obligation at December 31	**$ 160,593**	**180,297**

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3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Group for the years ended December 31, 2016 and 2015, were as follows:

		2016	2015
Fair value of plan assets at January 1	$	113,587	104,919
Business combinations		-	15,299
Disposal of subsidiary		(15,904)	-
Remeasurement of net defined liabilities		(271)	748
Contributions paid		3,506	5,432
Interest income		942	2,428
Benefits paid		(4,995)	(15,239)
Fair value of plan assets at December 31	**$**	**96,865**	**113,587**

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group for the years ended December 31, 2016 and 2015, were as follows:

		2016	2015
Current service costs	$	1,401	1,322
Net interest of net liabilities for defined benefit		1,074	1,196
Expenses	**$**	**2,475**	**2,518**

5) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	December 31, 2016	December 31, 2015
Discount rate	1.375 %	1.375%~1.750%
Future salary increase rate	3.250 %	2%~3.250%

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date was $3,336. The weighted-average duration of the defined benefit plans is 12 years.

6) Sensitivity analysis

When computing the present value of the defined benefit obligations, the Group uses judgments and estimations to determine the actuarial assumptions, including discount rates and future salary changes, as of the financial statement date. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

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	$	(3,586)	3,708
Future salary increase rate	$	3,545	(3,447)
December 31, 2015			
Discount rate	$	(4,354)	4,513
Future salary increase rate	$	4,342	(4,213)

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

There were no changes in the method and assumptions used in the preparation of the sensitivity analysis for 2016 and 2015.

(ii) Defined contribution plans

The continuing operations allocate 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Group contribute a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The Company's foreign subsidiaries have defined contribution plans. These plans are funded in accordance with the regulations of their respective countries. Contributions to these plans are expensed as incurred without additional legal or constructive obligation.

The Group recognized pension costs under the defined contribution method amounting to $370,871 and $379,653 for the years ended December 31, 2016 and 2015, respectively, recorded as operating cost and operating expenses in the statement of comprehensive income.

(Continued)

(p) Income taxes from continuing operations

(i) The components of income tax expenses for the years ended December 31, 2016 and 2015, were as follows:

		2016	2015
Current tax expense	$	970,336	823,113
Deferred tax expense (benefit)		(192,650)	(192,104)
Income tax expense	$	**777,686**	**631,009**

(ii) Reconciliation of income tax expenses and profit before tax for the years ended December 31, 2016 and 2015, were as follows:

		2016	2015
Income tax calculated based on the Company's domestic tax rate	$	606,212	710,249
Overseas investment gains recognized under the equity method		(47,655)	(105,331)
Non-taxable income		(96,547)	(104,317)
Prior year's income tax adjustment		3,501	225
10% surtax on unappropriated earnings		65,978	60,246
Investment tax credits accrued		(41,196)	(83,224)
Other		287,393	153,161
Income tax expense	$	**777,686**	**631,009**

(iii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The Company is able to control the timing of the reversal of the temporary differences associated with subsidiaries' earnings. Also, the management considered it probable that the temporary differences will not be reversed in the foreseeable future. Hence, such temporary differences were not recognized under deferred tax liabilities. Details were as follows:

		December 31, 2016	December 31, 2015
Aggregate amount of temporary differences related to investments in subsidiaries	$	**422,133**	**475,399**

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2) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2016	December 31, 2015
Deductible temporary differences	$ 109,500	73,829
Tax losses	-	73,004
	$ 109,500	**146,833**

The deductible temporary differences and losses cannot be realized, or there may not be sufficient taxable profit to utilize after the Group's evaluation. Therefore, they were not recognized as deferred tax assets.

3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2016 and 2015, were as follows:

	Investment income recognized under the equity method (overseas)	Unrealized foreign exchange gains	Amortization of appraised value adjustment of intangible assets	Others	Total
Deferred tax liabilities:					
Balance on January 1, 2016	$ 155,486	-	152,009	9,566	317,061
Disposal of subsidiary	(43,432)	-	(63,309)	(13,168)	(119,909)
Recognized in profit or loss	24,523	-	(15,069)	21,140	30,594
Balance on December 31, 2016	**$ 136,577**	**-**	**73,631**	**17,538**	**227,746**
Balance on January 1, 2015	89,222	3,500	94,596	1,351	188,669
Acquisition from business combination	23,824	-	73,246	6,785	103,855
Recognized in profit or loss	42,440	(3,500)	(15,833)	3,479	26,586
Recognized in other comprehensive income	-	-	-	(2,049)	(2,049)
Balance on December 31, 2015	**$ 155,486**	**-**	**152,009**	**9,566**	**317,061**

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	Bad debt in excess of tax limit	Loss carryforward	Unfunded pension fund contribution	Unrealized sales returns and allowances	Loss on inventory valuation	Deferred granted revenue	Unrealized exchange losses	Others	Total
Deferred tax assets:									
Balance on January 1, 2016	$ 33,566	22,328	14,473	44,241	9,446	189,223	19,653	57,484	390,414
Disposal of subsidiary	-	(8,300)	-	-	(3,852)	-	(2,314)	(28,987)	(43,453)
Recognized in profit or loss	(1,930)	(14,028)	(175)	13,374	173,979	31,547	(17,290)	37,767	223,244
Balance on December 31, 2016	$ 31,636	-	14,298	57,615	179,573	220,770	49	66,264	570,205
Balance on January 1, 2015	$ 11,653	38,914	14,875	29,977	19,860	15,595	-	23,817	154,691
Acquisition from business combination	-	-	463	-	2,842	-	2,581	7,589	13,475
Recognized in profit or loss	21,913	(16,586)	(994)	14,264	(13,256)	173,628	17,072	26,078	222,119
Recognized in other comprehensive income	-	-	129	-	-	-	-	-	129
Balance on December 31, 2015	$ 33,566	22,328	14,473	44,241	9,446	189,223	19,653	57,484	390,414

(iv) The Company income tax returns have been examined by the tax authority through the years up to 2013. However, the Company disagreed with the examination of the income tax return for 2008 and requested an administrative remedy. The tax effect of the administrative remedy has been recognized by the Company.

(v) Information related to the unappropriated earnings and tax deduction ratio is summarized below:

	December 31, 2016	December 31, 2015
Unappropriated earnings in 1998 and after	$ 4,779,419	3,951,934
Balance of imputation credit account	$ 508,028	420,838

	2016 (estimated)	2015 (actual)
Creditable ratio for earnings distribution to ROC residents stockholders	19.06 %	13.69 %

The above information was prepared in accordance with information letter No. 10204562810 issued by the Ministry of Finance, ROC, on October 17, 2013.

(q) Capital and other equity

As of December 31, 2016 and 2015, the nominal ordinary shares amounted to $5,000,000. Face value of each share is $10 (dollars), which means in total there were 500,000 thousand authorized ordinary shares, of which 442,134 and 441,188 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

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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 on January 1	441,188	434,658
Exercise of employee stock options	1,331	3,810
Issued for restricted stock	-	3,000
Retirement of restricted stock	(385)	(280)
Balance on December 31	**442,134**	**441,188**

(i) Ordinary shares

1) The Company issued 1,331 thousand and 3,810 thousand new shares of ordinary shares for the exercise of employee stock options in 2016 and 2015, respectively. The related registration procedures were also completed.

2) Employee stock options exercised without registration procedures were recorded as capital collected in advance. The exercise price and units as of December 31, 2016 and 2015, were as follows:

	December 31, 2016	
	Exercised shares (in thousands)	**Exercise price**
Exercise price per share: $25.20	**120**	**$ 3,024**

	December 31, 2015	
	Exercised shares (in thousands)	**Exercise price**
Exercise price per share: $11.42	235	$ 2,679
Exercise price per share: $26.50	472	12,495
	707	**$ 15,174**

(ii) Capital surplus

The balances of capital surplus as of December 31, 2016 and 2015, were as follows:

	December 31, 2016	**December 31, 2015**
Additional paid-in capital	$ 508,583	447,630
Employee stock options	229,175	236,277
Restricted employee stock options	53,708	93,461
	$ 791,466	**777,368**

(Continued)

According to the ROC Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the ordinary shares or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring paid-in capital in excess of par value should not exceed 10% of the total ordinary shares outstanding.

(iii) Retained earnings

According to the articles of the Company, when allocating the earnings for each year, the Company shall first offset its losses in previous year and set aside a legal capital reserve at 10% of the earing left over, until the accumulated legal capital reserve has equaled the total capital of the Company; then set aside a special capital reserve in accordance with relevant laws, the balance of the earnings shall combined into an aggregate amount of undistributed earnings, which shall become the aggregate distributable earnings to be distributed by the directors' distribution proposals proposed the resolution at the stockholders' meeting.

The Company is at the growth stage and considers its future cash demand, long-term financial plans, benefits to stockholders, and balanced dividends. Earnings distribution is made by stock dividend and cash dividend. The cash dividend shall not be less than 10 percent of the total dividends and could be adjusted depending on the Company's operating condition.

1) Legal reserve

In accordance with the Company Act, 10 percent of the net income after tax should be set aside as legal reserve, until it is equal to share capital. If the Company experiences profit for the year, the distribution of the statutory earnings reserve, either by new shares or by cash, shall be decided at the stockholders' meeting, and the distribution amount is limited to the portion of legal reserve which exceeds 25 percent of the paid-in capital.

2) Special reserve

By choosing to apply exemptions granted under IFRS 1 "First-time Adoption of International Financial Reporting Standards" during the Company's first-time adoption of the International Financial Reporting Standards endorsed by the FSC, retained earnings increased by \$97,300 by recognizing the cumulative translation adjustments (gains) on the adoption date as deemed cost. In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, the increase in retained earnings due to the first-time adoption of IFRSs shall be reclassified as special reserve, and when the relevant asset is used, disposed of, or reclassified, this special reserve, shall be reversed as distributable earnings proportionately. The carrying amount of special reserve amounted to \$97,300 on December 31, 2016.

(Continued)

In accordance with the guidelines of the above Ruling, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of special earnings reserve resulting from the first-time adoption of IFRSs and the carrying amount of other stockholders' equity as stated above. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other stockholders' equity pertaining to prior periods due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other stockholders' equity shall qualify for additional distributions.

3) Earnings distribution

On June 20, 2016, and June 29, 2015, the stockholders' meeting resolved the distribution of earnings for 2015 and 2014, respectively. The distribution was NT$2.1 and 1.8 (dollars) per share, which amounted to $927,933 thousand and $791,107 thousand, respectively.

(r) Share-based payment

(i) Employee stock options and share-based payment

1) On December 28, 2007, the Company merged with Primax and assumed the outstanding employee stock options of Primax. Based on the swap ratio approved by Primax Holdings' board of directors, Primax Holdings issued 1,795,879 units of employee stock options in exchange for all of the employee stock options issued by Primax. According to the option plan, each unit could be converted into 1 common share of Primax Holdings. The primary terms and conditions of the employee stock options were as follows:

a) Exercise period:

From the grant dates in May 2005, June and December 2006, and February and March 2007, the options are exercisable at the following rates two years after the grant date. The term of the employee stock options is 5 years. The employee stock options and any right thereof shall not be transferred, pledged, donated, or disposed of in any way, with the exception of inherited options.

Period following the grant of options	Exercisable percentage (cumulative)
2 years	50 %
3 years	100 %

b) Procedure for fulfilling obligation: Primax Holdings fulfills its obligation by issuing new ordinary shares.

2) Based on the resolution approved in the board of directors' meeting of Primax Holdings held on December 31, 2007, Primax Holdings declared an incentive plan to grant the right to some employees of the Company to participate in the subscription of the non-voting ordinary shares of Primax Holdings. The transaction is a kind of equity-settled share-based payment agreement, and the equity instruments under this agreement were vested at the date of grant. Primax Holdings recognized the compensation cost by using the fair value method. The difference in value between the net value per share of Primax Holdings determined at the grant date and the exercise price per share was recognized as cost of long-term investment in the Company by Primax Holdings in 2007, and was recognized as compensation cost and capital surplus by the Company. Based on the resolution approved in the board of directors' meeting of Primax Holdings held in April 2008, Primax Holdings amended the share-based payment agreement mentioned above, and consequently, the non-voting ordinary shares were replaced by options to purchase them. The amendment had no impact on the accompanying consolidated financial statements.

3) In addition, Primax Holdings declared an incentive plan to grant stock options to employees of the Company in January, May and November 2008 to participate in the subscription of the non-voting ordinary shares of Primax Holdings. Some of the options are vested at the grant date; the others are vested from two years to five years after the grant date. Primax Holdings recognized the compensation cost by using the fair value method as cost of long-term investment in the Company, and the Company correspondingly recognized it as compensation cost and capital surplus.

4) Based on the resolution approved in the board of directors' meetings of Primax Holdings and the Company held in December 2008, the Company issued employee stock options in exchange for part of the unvested or unexercised employee stock options issued by Primax Holdings. Specifically, 2.94 units of employee stock options were issued by the Company in exchange for 1 unit of the employee stock options issued by Primax Holdings. Each unit of the Company's options could be converted into 1 common share of the Company. The exercise price of Primax Holdings' options is USD0.2 per unit; the exercise price of the Company's options is NT$11.42 (dollars) per unit after the modification. Meanwhile, the Company granted a certain amount of retention bonus to employees at the modification date, and the Company shall pay the retention bonus when the Company's stock options are exercised. The other terms and conditions of the employee stock options are not changed. According to the modification, the Company decreased the capital surplus by $118,089, and recognized a corresponding increase in retention bonus payable (recorded as accrued expense and other liabilities) on December 30, 2008. The incremental fair value of $55,308 resulting from the modification will be recognized as compensation cost over the remainder of the vesting period.

(Continued)

5) In accordance with the revised employee stock option plan mentioned above, the Company issued 9,545,248 units of employee stock options in November 2009. Each unit could be converted into 1 ordinary share of the Company.

6) In September 2011, the Company's board of directors resolved to issue employee stock options (Plan 3). The plan was approved by the SFB in October 2011, and the maximum number of options authorized to be granted was 5,000 units with each unit eligible to be converted into 1,000 ordinary shares of the Company when exercised. The options may be granted to qualified employees of the Company or any of its domestic or foreign subsidiaries in which the Company owns, directly or indirectly, more than fifty percent (50%) of the subsidiary's voting rights. The Company actually issued 1,500 units and 3,500 units in November 2011 and October 2012, respectively, which were evaluated at fair value. In accordance with the employee stock option plan mentioned above, the Company recognized the investment and capital surplus amounting to $2,517 and $1,523 in 2016 and 2015, respectively.

7) As of December 31, 2016, outstanding employee stock options of the Company for equity-settled share-based payment were as follows:

			Plan 3 (note 3)	
	Plan 1 (note 1)	**Plan 2 (note 2)**	**Issued in November 2011**	**Issued in October 2012**
Modification and grant date	December 30, 2008/ November 12, 2009	December 30, 2008/ November 12, 2009	November 24, 2011	October 22, 2012
Exercise price	11.42	11.42	16.20	25.2
Granted units (thousand)	30,828	7,224	1,500	3,500
Service period (from the grant date of the original stock options)	5 years (May 23, 2005~ November 11, 2014)	6~8 years (January 2, 2008~November11, 2017)	5 years (November 24, 2011~November 23, 2016)	5 years (October 22, 2012~ October 21, 2017)
Vesting period (from the grant date of the original stock options)	2 ~ 3 years	3 ~ 5 years	2 ~ 3 years	2 ~ 3 years

Note 1: Stock options under Plan 1 included those granted by Primax in May 2005, June and December 2006, and February and March 2007; those granted by Primax Holdings in January, May and November 2008; and those granted by the Company in November 2009.

Note 2: Stock options under Plan 2 included those granted by Primax Holdings in January and May 2008, and those granted by the Company in November 2009.

Note 3: Stock options under Plan 3 included those granted by the Company in November 2011 and October 2012.

The information on the outstanding employee stock options of Primax Holdings using the Black-Scholes option pricing model to measure the fair value at the grant date was as follows:

Period of stock options	Plan 1	Plan 2
Exercise price of Primax Holdings's stock options (USD)	0.20	0.20
Expected time until expiration (years)	2.37~5	6~8
Stock price per share of Primax Holding (USD)	0.91677~1	0.91677~0.92827
Expected volatility of stock price	34.78%~44.59%	38.98%~48.44%
Expected cash dividend rate	-	-
Risk-free interest rate	2.439%~2.665%	2.509%~2.538%

The Company applied the Black-Scholes option pricing model to measure the fair value of employee stock options granted in November 2009, 2011 and 2012. The information on share-based payment was as follows:

			Plan 3	
Period of stock options	Plan 1	Plan 2	Issued in November 2011	Issued in October 2012
Exercise price of stock options (NT dollars)	11.42	11.42	18.2	28.25
Expected time until expiration (years)	5	8	5	5
Stock price per share (NT dollars)	16.50	16.50	26.02	28.25
Expected volatility of stock price	45.18%	45.18%	29.12%	32.38%~34.61%
Expected cash dividend rate	-	-	6%	3.77%
Risk-free interest rate	2.26%	2.26%	1.81%	1.425%

8) The incremental fair value resulting from the modification described in section (4) above amounted to $55,308 (including the accrued retention bonus of $261,721). The measurement basis of share-based payment as of December 30, 2008 (the modification date) was as follows:

	Plan 1		Plan 2	
	Before the modification	**After the modification**	**Before the modification**	**After the modification**
	Primax Holdings	the Company	Primax Holdings	the Company
Granted units of options	7,365	21,654	2,331	6,853

(Continued)

The information on the stock options using the Black-Scholes option pricing model to measure the incremental fair value at the modification date was as follows:

	Plan 1		Plan 2	
	Before the modification	**After the modification**	**Before the modification**	**After the modification**
Exercise price	USD0.20	NT$11.42 (dollars)	USD0.20	NT$11.42 (dollars)
Expected time until expiration (years)	0.39~3.89	0.39~3.89	3.51~5.85	3.51~5.85
Stock price per share	USD1.12	NT$11.42 (dollars)	USD1.12	NT$11.42 (dollars)
Expected volatility of stock price	33.56%~45.36%	33.56%~45.36%	39.30%~45.36%	39.30%~45.36%
Expected dividend rate	-	-	-	-
Risk-free interest rate	1.005%~1.5%	1.005%~1.5%	1.5%~1.95%	1.5%~1.95%

9) The related information on compensatory employee stock option plans was as follows:

	2016		2015	
	Weighted-average exercise price	**Stock options (in thousands)**	**Weighted-average exercise price**	**Stock options (in thousands)**
Outstanding at January 1	24.66	1,728	22.66	3,724
Granted during the year	-	-	-	-
Forfeited during the year	25.20	(25)	25.66	(169)
Exercised during the year	25.62	(746)	18.67	(1,750)
Expired during the year	-	-	27.70	(77)
Outstanding at December 31	22.16	**957**	24.66	**1,728**
Exercisable at December 31	22.16	**957**	24.66	**1,728**

As of December 31, 2016 and 2015, the information on the employee stock option plans outstanding was as follows:

	December 31, 2016	**December 31, 2015**
Employee stock option plan 1	-	-
Employee stock option plan 2	211	211
Employee stock option plan 3 -Issued in November 2011	-	-
Employee stock option plan 3 -Issued in October 2012	746	1,517
Outstanding at end of year	**957**	**1,728**
Weighted-average expected time remaining until expiration (years)	**0.82**	**1.82**

(Continued)

10) TWEL issued employee stock options to its employees. As of December 31, 2016, the outstanding employee stock options of TWEL for equity-settled share-based payment were as follows:

	November 2014	July 2015
Grant date	November 18, 2014	July 1, 2015
Exercise price	$15.74	$18.82
Granted units (thousand)	700	2,750
Service period	5 years	5 years
Vesting period	3 ~4 years	3 ~5 years

The information on the outstanding stock appreciation rights of TWEL using the Black-Scholes option pricing model to measure the fair value was as follows:

	December 2014	July 2015
Exercise price	$15.74	$18.82
Expected time until expiration (years)	4~4.5	4~5
Stock price per share	$14.81	$18.23
Expected volatility of stock price	29.49%~30.14%	30.06%~30.45%
Expected dividend rate	-	-
Risk-free interest rate	1.09%~1.17%	0.96%~1.08%

The related information on the stock appreciation rights plan of TWEL was as follows:

	2016		2015	
	Weighted-average exercise price	Stock options (in thousands)	Weighted-average exercise price	Stock options (in thousands)
Outstanding at January 1	18.20	3,450	15.74	700
Granted during the year	-	-	18.82	2,750
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	16.50	(142)	-	-
Outstanding at December 31	18.27	**3,308**	18.20	**3,450**
Exercisable at December 31	-	**-**	-	**-**

(Continued)

(ii) Restricted stock

1) As of December 31, 2016, the outstanding restricted stock of the Company was as follows:

	Plan 1 (note 1)				Plan 2 (note 1)	
Grant date	October 1, 2013	November 20, 2013	February 10, 2014	July 17, 2014	February 24, 2015	August 18, 2015
Fair value on grant date (per share)	22.80	25.15	27.30	52.00	43.70	38.40
Exercise price	Free grants	Free grants	Free grants	Free grants	Free grants	Free grants
Granted units (thousand shares)	1,450	186	135	220	1,225	1,775
Vesting period	1~3 years (notes 2 and 3)	1~2 years (notes 3 and 4)	1~2 years (notes 3 and 4)	1~2 years (note 3)	1~3years (note 2 and 3)	1~3 years (note 2)

Note 1: Plan 1 –After the stockholders' meeting on June 25, 2013, the Company decided to issue shares of restricted stock to those full-time employees who meet the Company's requirements. The restricted stock has been registered with and approved by the Securities and Futures Bureau of the FSC. The board of directors' meeting resolved to issue 1,450 thousand shares, 186 thousand shares, 135 thousand shares, and 220 thousand shares on August 13 and November 12, 2013, and January 22 and June 27, 2014, respectively.

Plan 2 –After the stockholders' meeting on June 24, 2014, the Company decided to issue shares of restricted stock to those full-time employees who meet the Company's requirements. The restricted stock has been registered with and approved by the Securities and Futures Bureau of the FSC. The board of directors' meeting resolved to issue 1,225 thousand shares and 1,775 thousand shares on January 28 and August 13, 2015, respectively.

Note 2: If the employees continue to provide service to the Company and meet the prior year's performance indicator, 30% of the restricted stock shall be vested in year 1 after the grant date, and the remaining 30% and 40% shall be vested in year 2 and year 3, respectively, after the grant date.

Note 3: If the employees continue to provide service to the Company and meet the prior year's performance indicator, 50% of the restricted stock shall be vested in year 1 after the grant date, and the remaining 50% shall be vested in year 2 after the grant date.

Note 4: If the employees continue to provide service to the Company and meet the prior year's performance indicator, the restricted stock shall be vested in year 1 after the grant date.

The restricted stock is kept by a trust, which is appointed by the Company, before it is vested. These shares shall not be sold, pledged, transferred, gifted, or, by any other means, disposed of to third parties during the custody period. The voting rights of these shares are executed by the custodian, and the custodian will act based on law and regulations. If the shares remain unvested after the vesting period, the Company will cancel the unvested shares thereafter.

2) The related information on restricted stock of the Company for 2016 and 2015 was as follows:

(Thousand shares)	**2016**	**2015**
Outstanding at January 1	3,270	1,310
Granted during the year	-	3,000
Forfeited during the year	-	-
Vesting during the year	(1,214)	(660)
Expired during the year	(285)	(380)
Outstanding at December 31	**1,771**	**3,270**

(iii) Expenses and liabilities attributable to share-based payment for 2016 and 2015 were as follows:

	2016	**2015**
Expenses attributable to employee stock options	$ 3,596	4,740
Restricted stock	43,182	46,477
Total	**$ 46,778**	**51,217**
Salary payable:		
Current	**$ 1,938**	**4,092**

(s) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share for the years ended December 31, 2016 and 2015, based on the profit attributable to owners of parent of the Company and the weighted-average number of ordinary shares outstanding was as follows:

(Continued)

		2016	2015
Profit attributable to owners of parent			
Continuing operations	$	1,915,501	1,764,109
Discontinued operations		18,569	9,013
Total	$	**1,934,070**	**1,773,122**
Weighted-average number of ordinary shares (thousand shares)		**439,169**	**436,372**
Basic earnings per share (NT dollars)			
Continuing operations	$	4.36	4.04
Discontinued operations		0.04	0.02
Total	$	**4.40**	**4.06**

Weighted-average number of ordinary shares (thousand shares)

	2016	2015
Ordinary shares at January 1	437,818	433,348
Exercise of employee stock options	760	2,818
Vesting of restricted stock	591	206
Ordinary shares at December 31	**439,169**	**436,372**

(ii) Diluted earnings per share

The calculation of diluted earnings per share for the years ended December 31, 2016 and 2015, based on the profit attributable to owners of parent of the Company and the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares was as follows:

		2016	2015
Profit attributable to owners of parent			
Continuing operations	$	1,915,501	1,764,109
Discontinued operations		18,569	9,013
Total	$	**1,934,070**	**1,773,122**
Weighted-average number of ordinary shares (diluted) (thousand shares)		**443,212**	**441,810**
Diluted earnings per share			
Continuing operations	$	4.32	3.99
Discontinued operations		0.04	0.02
Total	$	**4.36**	**4.01**

(Continued)

	2016	2015
Weighted-average number of ordinary shares at December 31 (basic)	439,169	436,372
Effect of employee stock options	745	1,707
Effect of employee stock bonuses	2,174	2,769
Effect of restricted stock	1,124	962
Weighted-average number of ordinary shares at December 31 (diluted)	**443,212**	**441,810**

(t) Operating revenue

The details of operating revenue for the years ended December 31, 2016 and 2015, were as follows:

	2016	2015
Goods sold	$ 62,973,145	61,593,884
Services rendered	1,356,317	1,944,303
Continuing operations	64,329,462	63,538,187
Discontinued operations	1,926,626	2,051,106
Total	**$ 66,256,088**	**65,589,293**

Please refer to note 12(b) for profit and loss, and cash flows from discontinued operations.

(u) Employee and directors' and supervisors' remuneration

In accordance with the Articles of incorporation, the Company should contribute 2 to 10 percent of the profit as employee remuneration and less than 2 percent as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

Details of remuneration to employees and directors for the years ended December 31, 2016 and 2015, were as follows:

	2016	2015
Employee remuneration	$ 74,000	78,269
Directors' remuneration	36,803	31,907
	$ 110,803	**110,176**

The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2016 and 2015. Any differences between the estimated amounts in the financial statements and the actual amounts approved by the Board of Directors, if any, shall be accounted for as a change in accounting estimate and recognized in the distribution year.

The differences between the amounts approved in the directors' meeting and those recognized in the financial statements for the distributions of earnings for 2015 were as follows:

	2015		
	Actual earnings Distributed	**Accrued in the financial statement**	**Difference**
Employee remunation			
Stock	$ -	-	-
Cash	78,500	78,269	(231)
Directors' remuneration	32,000	31,907	(93)

The differences were accounted for as changes in accounting estimates and recognized as profit or loss in the year 2016. Information about the remuneration to employee and directors approved in the board of directors' meetings can be accessed in the Market Observation Post System website.

(v) Other income

The other income from continuing operations for the years ended December 31, 2016 and 2015, were as follows:

	2016	**2015**
Interest revenue of cash in banks	$ 124,882	160,753
Rent revenue	5,028	9,711
Dividend income	14,692	263
Other	5,322	2,732
	$ 149,924	**173,459**

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(w) Other gains and losses

The other gains and losses from continuing operations for the years ended December 31, 2016 and 2015, were as follows:

		2016	2015
Net gains (losses) on financial assets/liabilities measured at fair value through profit or loss	$	(9,111)	27,871
Foreign currency exchange gains, net		242,423	350,762
Impairment losses on available-for-sale financial assets		-	(939)
Impairment losses on property plant and equipment		(22,677)	-
Net losses on disposal of property, plant and equipment		(19,100)	(29,678)
Net gains on disposal and liquidation of available-for-sale financial assets		140,969	175
Gains on disposal of subsidiaries		248,006	-
Compensation loss		(200,263)	(75,322)
Other		(48,295)	7,284
	$	**331,952**	**280,153**

(x) Reclassification adjustments of components of other comprehensive income

The reclassification adjustment for other comprehensive income for the year ended December 31, 2016 and 2015, were as follows:

		2016	2015
Unrealized gains and losses of available-for-sale financial assets, net of tax:			
Net change in fiar vaule	$	251,675	294,053
Net change in fair value reclassified to profit or loss		(140,969)	-
Net change in fair value recognized in other comprehensive	$	**110,706**	**294,053**

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(y) Financial instruments

(i) Credit risk

The aging analysis of notes, accounts, and other receivables (including related parties) that were past due but not impaired was as follows:

	December 31, 2016	December 31, 2015
Past due 0-30 days	$ 763,565	1,215,010
Past due 31-90 days	213,509	122,456
Past due 91-180 days	17,593	14,149
Past due 181-360 days	13,247	26,023
Past due over a year	-	-
	$ 1,007,914	**1,377,638**

The Group assesses the uncollectible amount of notes, accounts, and other receivables (including related parties) based on the aging analysis, the collection history, and the customers' current financial status, and recognizes an allowance for doubtful debts accordingly. After the Group's assessment, there is no significant change in the customers' credit quality and the collectability of related receivables.

The movements in the allowance for the years ended December 31, 2016 and 2015, were as follows:

	Individually assessed impairment	Collectively assessed impairment	Total
Balance on January 1, 2016	$ -	29,247	29,247
Impairment loss recognized	-	74,106	74,106
Amounts written off	-	-	-
Exchange differences on translation of foreign currency	-	(605)	(605)
Disposal of subsidiaries	-	(2,812)	(2,812)
Balance on December 31, 2016	**$ -**	**99,936**	**99,936**

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	Individually assessed impairment	Collectively assessed impairment	Total
Balance on January 1, 2015	$ -	26,034	26,034
Impairment loss recognized	-	4,194	4,194
Acquirition from business combination	-	469	469
Amounts written off	-	(2,217)	(2,217)
Exchange differences on translation of foreign currency	-	767	767
Balance on December 31, 2015	**$ -**	**29,247**	**29,247**

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities:

	Carrying amount	Contractual cash flows	Within 6 months	6~12 months	1~2 years	2~5 years	Over 5 years
December 31, 2016							
Non-derivative financial liabilities:							
Notes and accounts payable	$ 16,892,918	16,892,918	16,892,918	-	-	-	-
Other payables	2,713,494	2,713,494	2,713,494	-	-	-	-
Long-term borrowings	601,111	609,653	277,546	110,096	137,431	84,580	-
Guarantee deposits	143,237	143,237	-	-	-	-	143,237
Derivative financial liabilities:	150,430	-	-	-	-	-	-
Outflow	-	2,766,941	2,766,941	-	-	-	-
Inflow	-	(2,615,359)	(2,615,359)	-	-	-	-
	$ 20,501,190	**20,510,884**	**20,035,540**	**110,096**	**137,431**	**84,580**	**143,237**
December 31, 2015							
Non-derivative financial liabilities:							
Short-term borrowings	$ 1,350,569	1,350,569	1,350,569	-	-	-	-
Notes and accounts payable	18,723,930	18,723,930	18,723,930	-	-	-	-
Other payables	2,737,288	2,737,288	2,737,288	-	-	-	-
Long-term borrowings	1,677,487	1,735,887	338,378	332,881	641,587	326,777	96,264
Guarantee deposits	118,641	118,641	-	-	-	-	118,641
Derivative financial liabilities:	60,105	-	-	-	-	-	-
Outflow	-	1,217,415	1,217,415	-	-	-	-
Inflow	-	(1,157,310)	(1,157,310)	-	-	-	-
	$ 24,668,020	**24,726,420**	**23,210,270**	**332,881**	**641,587**	**326,777**	**214,905**

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

	December 31, 2016			December 31, 2015		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rat	TWD
Financial assets						
Monetary items						
USD:CNY	$ 385,629	6.937	12,447,718	472,140	6.4936	15,611,768
USD:HKD	101,376	7.755	3,272,316	403,487	7.7510	13,341,701
USD:TWD	428,216	32.279	13,822,384	430,293	33.066	14,228,077
Financial liabilities						
Monetary items						
USD:CNY	366,735	6.937	11,837,839	434,501	6.4936	14,367,209
USD:HKD	94,552	7.755	3,052,044	395,385	7.7510	13,073,812
USD:TWD	377,974	32.279	12,200,623	397,940	33.066	13,158,292

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and accounts receivable, other receivables, derivative financial instruments, loans and borrowings, notes and accounts payable, and other payables that are denominated in foreign currency.

A weakening (strengthening) of 5% of the TWD, CNY and HKD against the USD as of December 31, 2016 and 2015, would have increased or decreased the net profit after tax by $101,754 and $107,163, respectively. The analysis is performed on the same basis for both periods.

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For years 2016 and 2015, foreign exchange gain (loss) (including realized and unrealized portions) amounted to 242,423 and 350,762, respectively.

(iv) Interest rate analysis

Please refer to note 6(z) for the interest rate exposure of financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of non-derivative financial instruments on the reporting date. Regarding assets and assets and liabilities with variable interest rates, the analysis is based on the assumption that the amounts of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.25% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

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If the interest rate had increased or decreased by 0.25%, and assumed all other variables remain constant the net profit before tax would have increased or decreased by $8,287 and $3,427 for the years ended December 31, 2016 and 2015, respectively. This is mainly due to bank savings and borrowings with variable interest rates.

(v) Other price risk:

If the market price of the equity securities had changed on the reporting date, the influence on other comprehensive income are as follows (The analysis is performed on the same basis for both periods, and assumes all other variable remain constant):

Securities' price on December 31	2016 Other comprehensive income after tax	2015 Other comprehensive income after tax
10% rise	$ 58,640	55,160
10% fall	$ (58,640)	(55,160)

(vi) Fair value

1) Kinds of financial instruments and fair value

The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required :

	December 31, 2016				
		Fair Value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss – current	$ 141,317	-	-	141,317	141,317
Available-for-sale financial assets – non-current	$ 887,801	586,404	-	301,397	887,801
Loans and receivables					
Cash and cash equivalents	$ 6,359,916				
Notes and accounts receivable (including related parties)	13,706,714				
Other receivables	495,392				
Refundable deposits	44,429				
Total	$ 20,606,451				

(Continued)

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	December 31, 2016				
		Fair Value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss – current	**$ 150,430**	**-**	**-**	**150,430**	**150,430**
Financial liabilities carried at amortized cost					
Borrowings	$ 601,111				
Notes and accounts payable	16,892,918				
Other payables	3,878,606				
Salary payable	1,146,183				
Guarantee deposits	143,237				
Total	**$ 22,662,055**				

	December 31, 2015				
		Fair Value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss – current	**$ 88,717**	**969**	**-**	**87,748**	**88,717**
Available-for-sale financial assets – non-current	**$ 584,430**	**551,600**	**-**	**32,830**	**584,430**
Loans and receivables					
Cash and cash equivalents	$ 7,623,380				
Notes and accounts receivable (including related parties)	14,479,617				
Other receivables	462,242				
Refundable deposits	63,463				
Total	**$ 22,628,702**				
Financial liabilities at fair value through profit or loss – current	**$ 60,105**	**-**	**-**	**60,105**	**60,105**
Financial liabilities carried at amortized cost					
Borrowings	$ 3,028,056				
Notes and accounts payable	18,723,930				
Other payables	3,891,786				
Salary payable	1,227,107				
Guarantee deposits	118,641				
Total	**$ 26,989,520**				

(Continued)

2) Fair value valuation techniques for financial instruments measured at fair value

If a financial instrument has a quoted price in an active market, the quoted price is used as fair value. The quoted price of a financial instrument obtained from major exchanges and over-the counter markets are the basis used to determine the fair value of a listed company's stock and the quoted prices in an active market.

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. If these conditions can not be reached, then the market is non-active. In general, a market with low trading volume or high bid-ask spreads is an indication of a non-active market.

The Group uses the following methods in determining the fair value of its financial instruments without a quoted price in an active market:

a) The fair value of derivative instruments is based on quoted prices. When quoted prices are unavailable, the fair value is estimated on the basis of the contract's spot exchange rate and swap point.

b) Available-for-sale financial assets – non-current are investments in domestic or foreign non-listed stock. The fair value is based on a valuation technique. For stocks in the emerging market, the estimated fair value is adjusted for the lack of liquidity. When prices listed in the emerging market are unavailable, the fair value is estimated on the basis of unadjusted prior trade prices.

3) Tranfers between Level 1 and 3

The fair value of shares of Nien Made Enterprise Co., Ltd. amounted to \$586,404 and \$551,600 as of December 31, 2016 and 2015, respectively. The shares of Nien Made Enterprise Co., Ltd. have been listed on the TWSE since December 2015 and have quoted prices. Thus, the fair value measurement transferred from Level 3 to Level 1 for the year ended December 31, 2015.

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4) Reconciliation of Level 3 fair values

	2016			2015		
	Fair value through profit or loss	Available for sale	Total	Fair value through profit or loss	Available for sale	Total
Balance on January 1	$ 27,643	32,830	60,473	15,695	292,916	308,611
Recognized in profit or loss	(9,113)	-	(9,113)	27,643	(939)	26,704
Recognized in other comprehensive income	-	(3,399)	(3,399)	-	294,053	294,053
Transfer out of Level 3	-	-	-	-	(551,600)	(551,600)
Acquisition / disposal	(27,643)	271,966	244,323	(15,695)	(1,600)	(17,295)
Balance on December 31	**$ (9,113)**	**301,397**	**292,284**	**27,643**	**32,830**	**60,473**

5) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The fair value measurements of the Group which are categorized within level 3 are classified as financial assets and liabilities at fair value through profit or loss – derivative financial instruments and available-for-sale financial assets – equity securities. The quantitative information about significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationships between significant unobservable inputs and fair value
Available-for-sale financial assets – equity securities not listed on emerging stock market	(note 1)	(note 1)	(note 1)
Financial assets and liabilities at fair value through profit or loss	(note 2)	(note 2)	(note 2)

note 1: The fair value is based on unadjusted prior trade prices, therefore there is no need to show the sensitivity analysis of unobservable inputs.

note 2: The fair value is based on the quotation of a third party, therefore there is no need to show the sensitivity analysis of unobservable inputs.

(z) Financial risk management

(i) Briefings

The Group is exposed to the following risks arising from financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

This note presents information on exposure to each of the above risks and on the objectives, policies, and processes for measuring and managing risk. For detailed information, please refer to the related notes on each risk.

(ii) Structure of risk management

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's board of directors oversees the management's monitoring of the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The board of directors is assisted in its oversight role by an internal auditor. The internal auditor undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the board of directors.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's cash and cash equivalents; notes, accounts, and other receivables; and derivative instruments.

1) Cash and cash equivalents

The Group had deposited $5,994,946 (including restricted deposits) in the DBS Bank and 9 other financial institutions, and $7,104,404 (including restricted deposits) in Postal Savings Bank of China and 8 other financial institutions, representing 16% and 17% of total assets, as of December 31, 2016 and 2015, respectively. The Group believes that there is no significant credit risk from the above-mentioned financial institutions.

2) Notes and accounts receivable

Sales to individual customers constituting over 10% of total revenue for the years ended December 31, 2016 and 2015, totaled 15% and 21%, respectively. As of December 31, 2016 and 2015, 7% and 12%, respectively, of the ending balance of notes and accounts receivable were accounted for by those customers. In order to reduce credit risk, the Group assesses the financial status of the customers and the possibility of collection of receivables on a regular basis. The above-mentioned customers are profitable and have a good credit record, and the Group did not suffer any significant credit loss from those customers during the financial reporting period.

3) Derivative instruments

The Group entered into derivative instrument contracts with reputable and creditworthy financial institutions. The Group believes that the risk that these financial institutions may default on these contracts is relatively low and anticipates no significant credit loss.

(iv) Liquidity risk

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

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group had unused bank facilities of $13,301,651 and $10,957,088 as of December 31, 2016 and 2015, respectively.

(v) 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 Group'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.

1) Currency risk

The Group is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the TWD, USD, HKD, and CNY. These transactions are denominated in USD.

The Group uses forward exchange contracts and foreign exchange swap contracts to hedge its currency risk. The Group makes performance reports and reviews operating strategy regularly, and believes that there is no significant risk because the gains or losses from exchange rate fluctuation will mostly be offset by the hedged item.

(Continued)

2) Interest rate risk

The Group's main assets and liabilities with a floating-interest-rate basis are deposits and borrowings. The Group believes that cash flow risk arising from interest rate fluctuation is insignificant.

3) Other market price risk

The Group is exposed to equity price risk due to the investments in listed equity securities. Those equity securities are strategic investments and is not held for trading.

(aa) Capital management

The board's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence, and to sustain future development of the business. Capital consists of ordinary shares, capital surplus, retained earnings, other equity, and non-controlling interests.

The Group sets its objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return to stockholders, to safeguard the interest of related parties, and to maintain an optimal capital structure to reduce the cost of capital.

The Group's debt ratio as of December 31, 2016 and 2015, was 67% and 69%, respectively.

(7) Related-party transactions:

(a) Parent company and ultimate controlling company

The Company is the ultimate controlling party of the Group.

(b) Other related-party transactions

(i) Sales

The amounts of significant sales by the Group to related parties and the outstanding balances were as follows:

	Sales		Notes and accounts receivable	
	2016	**2015**	**December 31, 2016**	**December 31, 2015**
Other related parties	$ 238,563	153,394	102,841	54,995

There were no significant differences in the selling prices and trading terms between the related parties and other customers.

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(ii) Loans from related parties

The outstanding balance of loans to the Group from its related parties was as follows:

	2015	
	Highest balance	**Ending balance**
Key management personnel of Global TEK	$ **125,344**	**63,994**

(iii) Property transaction－disposal of equity securities

Details of the Company's disposal of the shares of its subsidiary to its related parties were as follows:

		2016				2015			
Relationship	**Account**	**Trading quantities**	**Trading targets**	**Proceeds from disposal (note)**	**Gains or losses from disposal**	**Trading quantities**	**Trading target**	**Proceeds from disposal**	**Gains or losses from disposal**
Other related parties	Investment using equity method	11,020 (thousand)	shares	549,347	164,785	-	-	-	-

Note: Pricing was based on Global TEK's financial statements audited by other auditors and the opinion for reasonable transation price issued by Sosian accounting firm.

The Company had received all the proceeds as of December 31, 2016.

(c) Key management personnel compensation

	2016	2015
Short-term employee benefits	$ 183,825	174,528
Post-employment benefits	1,129	1,233
Termination benefits	-	-
Other long-term benefits	-	-
Share-based payments	17,088	15,124
	$ **202,042**	**190,885**

Please refer to note (6)(r) for information related to share-based payments.

(8) Pledged assets:

As of December 31, 2016 and 2015, assets pledged as collateral were as follows:

Pledged assets	Pledged to secure	December 31, 2016	December 31, 2015
Other current assets – restricted assets	Guarantee letters issued by bank	$ -	4,502
Other non-current assets – restricted assets	Loan collateral and guarantee letters issued by bank	$ 1,163	4,667
Property, plant and equipment	Loan collateral	$ -	699,107
Long-term prepaid rent	Loan collateral	$ -	99,832

(9) Commitments and contingencies:

(a) The Group's guarantee of purchasing materials and borrowings, please refer to note 13.

(b) The following are savings accounts provided by the Group to the bank in order for the bank to issue a guarantee letter to customs as guarantee deposits. Please refer to note 8.

	December 31, 2016	December 31, 2015
Guarantee letters	$ 198,121	39,912

(c) Guarantee notes provided as part of agreements with banks to sell accounts receivables, to acquire long-term borrowings, and to purchase materials were as follows:

	December 31, 2016	December 31, 2015
Sales of accounts receivable	$ 2,805,777	2,874,690
Long-term borrowings	$ 2,160,000	2,598,906
Purchase of material	$ -	39,732

(d) The aggregate unpaid amounts of contracts pertaining to the purchase of equipment were as follows:

	December 31, 2016	December 31, 2015
Property, plant and equipment	$ 63,890	66,482

(e) TWEL Group entered into patent license agreements with several companies in July 2015. According to the agreements, royalty to be paid in the future are as follows:

December 31, 2016	December 31, 2015
$ -	69,670

(f) The Group entered into lease agreements for its offices and warehouses. Please refer to note (6)(n) for future rent payables.

(10) Losses due to major disasters:None

(11) Subsequent events:None

(12) Other:

(a) Employee benefit, depreciation, and amortization expenses are summarized by function from continuing operations are below:

By function	2016			2015		
By item	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits						
Salaries	3,829,623	2,572,977	6,402,600	4,217,912	2,434,943	6,652,855
Labor and health insurance	105,984	107,713	213,697	111,028	98,844	209,872
Pension	272,241	101,105	373,346	284,197	97,974	382,171
Others	46,599	151,697	198,296	77,354	146,764	224,118
Depreciation	1,264,078	110,004	1,374,082	1,056,396	119,772	1,176,168
Amortization	19,708	162,226	181,934	13,264	157,646	170,910

(b) Discontinued operations

The Group sold parts of the shares of Global TEK on October 3, 2016. Since the segment of Global TEK and its subsidiaries was not a discontinued operation or classified as held for sale on December 31, 2015, the comparative statement of comprehensive income has been restated to show the discontinued operation separately from continuing operations.

Profit and loss, and cash flows from discontinued operations are summarized as follows:

	2016	2015
Operating revenue	$ 1,926,626	2,051,106
Operating cost	(1,457,401)	(1,654,033)
Gross profit	469,225	397,073
Operating expenses	(277,699)	(335,759)
Net operating income	191,526	61,314
Non-operating income and expenses	(86,301)	(6,263)
Profit before income taxes	105,225	55,051
Income tax expense	(43,329)	(25,009)
Profit from discontinued operations	$ **61,896**	**30,042**

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		2016	2015
Profit attributable to:			
Owners of Parent	$	18,569	9,013
Non-controlling interests		43,327	21,029
	$	**61,896**	**30,042**
Cash flows from discontinued operations:			
Cash flows from operating activities	$	321,226	184,499
Cash flows from investing activities		(161,102)	(194,508)
Cash flows from financing activities		38,022	(211,459)
Effect of foreign currency exchange translation		(26,190)	(6,419)
Net increase (decrease) in cash and cash in equivalents	$	**171,956**	**(227,887)**

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required to be disclosed by the Regulations for the Group:

(i) Loans to other parties:

No.	Name of lender	Name of borrower	Account name	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
												Item	Value		
1	PKSI	The Company	Other accounts receivable	781,263	781,263	781,263	-	Necessary to loan to other parties	-	Operating capital	-		-	920,598	920,598
2	Global TEK	GLOBAL TEK WUXI	Other accounts receivable	96,846	47,049	47,049	0%~2%	〃	-	〃	-		-	217,391	434,782
〃	〃	GT	Other accounts receivable	101,353	30,000	30,000	2.896%	〃	-	〃	-		-	217,391	434,782
〃	〃	GTS	Other accounts receivable	30,000	-	-	2.000%	〃	-	〃	-		-	217,391	434,782

Note 1: The Board of directors approved PKS1 to extend loan to any indiviual of the parent company or subsidiaries having 100% voting share, with the loan amount and the total amount not exceeding its net worth in the latest financial statements.
Note 2: The loan amount and the total loan amount for the Company shall not exceed 10% and 20%, respectively, of its net worth in the latest financial statements. The Company lost control over Global TEK group in October 2016. The information on Global TEK group was disclosed as of September 30, 2016.
Note 3: Related transactions have been eliminated during the preparation of the consolidated financial statements.

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(ii) Guarantees and endorsements for other parties:

No.	Name of guarantor	Counter-party of guarantee and endorsement: Name	Counter-party of guarantee and endorsement: Relationship with the Company	Limitation on amount of guarantees and endorsements for a specific enterprise	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 for 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	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
0	The Company	PCH2	The subsidiary of PHK1 and PTH2	3,299,917	390,432	338,930	20,917	-	3.08 %	8,799,779	Y	-	Y
1	PCH2	PCQ1	The same parent company	1,336,851	235,200	193,674	26,560	-	4.35 %	3,564,936	-	-	Y
〃	〃	PKS1	〃	1,336,851	100,800	96,837	56,676	-	2.17 %	3,564,936	-	-	Y
2	Global TEK	GT	The same parent company	217,391	30,000	-	-	-	- %	543,478	Y	-	-
3	GT	Global TEK	The same parent company	50,761	50,000	-	-	-	- %	91,370	-	Y	-
〃	〃	Global TEK WUXI	〃	50,761	50,400	47,049	27,445	-	46.34 %	91,370	-	-	Y

Note 1: The amount and the total amount of the guarantee to a company shall not exceed 30% and 80%, respectively, of its net worth in the latest financial statements.
Note 2: The amount and the total amount of the guarantee to a company shall not exceed 30% and 80%, respectively, of PCH2's net worth in the latest financial statements.
Note 3: The amount and the total amount of the guarantee to a company shall not exceed 20% and 50%, respectively, of Global TEK's net worth in the latest financial statements. The Company lost control over Global TEK group in October, 2016. The information for Global TEK group ended on September 30, 2016.
Note 4: The amount and the total amount of the guarantee to a company shall not exceed 50% and 90%, respectively, of GT's net worth in the latest financial statements. The Company lost control over Global TEK group in October 2016. The information on Global TEK group was disclosed as of September 30, 2016.
Note 5: The above counter-parties of guarantee and endorsement are subsidiaries included in the consolidated financial statements.

(iii) Securities held as of December 31, 2016 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance: Shares/Units (thousands)	Ending balance: Carrying value	Ending balance: Percentage of ownership (%)	Ending balance: Fair value	Highest balance during the year: Shares/Units (thousands)	Highest balance during the year: Percentage of ownership (%)	Note
The Company	Shares:									
	Green Rich Technology Co., Ltd.	-	Available-for-sale financial asset-non-current	359	4,000	3.59	4,000	1,680	3.59	
	WK Technology Fund IV LTD.	-	〃	512	3,820	0.38	3,820	640	0.38	
	Changing Information Technology Inc.	-	〃	179	2,802	1.66	2,802	179	1.72	
	Formosoft International Inc.	-	〃	53	646	0.76	646	53	1.07	
	Syntronix Corp.	-	〃	6	749	0.02	749	6	0.02	
	Ricavision International Inc.	-	〃	917	-	2.04	-	917	2.04	
	Nien Made Enterprise Co., Ltd.	-	〃	1,764	586,404	0.60	586,404	2,605	1.00	
	Global TEK	-	〃	5,510	275,500	10.00	275,500	16,530	30.00	
					873,921					
Primax Tech.	Shares:									
	Echo. Bahn.	-	Available-for-sale financial asset-non-current	400	-	11.90	-	400	11.90	
	WK Global Investment III Ltd.	-	〃	630	13,880	1.32	13,880	700	1.32	
					13,880					

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(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the Company's issued capital:

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares (thousands)	Amount	Shares (thousands)	Amount	Shares (thousands)	Price	Cost	Gain (loss) on disposal	Shares (thousands)	Amount
The Company	Shares:													
	Global TEK	Available-for-sale financial assets	Related parties	Other related parties	16,530	555,091	-	-	11,020	549,347	384,562	248,004 (note 1)	5,510	275,500
PCH2	Financial instruments of floating income and capital guaranteed	Held-for-trading financial assets	Initial offerings	None	-	-	-	7,308,498	-	7,315,451	7,308,498	6,953 (note 1)	-	-
PCH2	Money market fund of RMB	〃	〃	〃	-	-	-	667,960	-	667,774	666,565	(186) (note 1)	-	-
PCQ1	Money market fund of RMB	〃	〃	〃	-	-	-	559,312	-	558,388	557,754	(924) (note 1)	-	-
Premium Huizhou	Money market fund of RMB	〃	〃	〃	-	-	-	534,061	-	527,401	526,428	(6,660) (note 1)	-	-

Note 1: Gains of disposal include valuation and exchange differences on translation.

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the Company's issued capital:None

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the Company's issued capital:None

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the Company's issued capital:

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/ Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Primax Cayman	Subsidiary	Purchase	429,806	1 %	60 days	Price agreed by both side	The same as general purchasing	(49,873)	-%	
〃	Primax HK	The subsidiary of Primax Cayman	Purchase	16,357,886	39 %	〃	〃	〃	-	-%	
〃	PCH2	The subsidiary of Primax HK	Purchase	18,234,471	45 %	〃	〃	〃	(6,971,192)	(69)%	
〃	PKS1	The subsidiary of Primax HK	Purchase	1,012,723	2 %	〃	〃	〃	(409,294)	(4)%	
〃	PCQ1	The subsidiary of Primax HK	Purchase	5,189,828	13 %	〃	〃	〃	(1,922,281)	(19)%	

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			Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		
Name of company	Related party	Nature of relationship	Purchase/ Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	Note
The Company	Polaris	The subsidiary of Primax Tech	(Sale)	(3,804,963)	(8) %	90 days	〃	The same as general selling	226,050	3%	
〃	TYM HK	The subsidiary of TWEL	(Sale)	(400,149)	(1) %	60 days	〃	〃	165,384	2%	
〃	Tymphany Dongguan	The subsidiary of TYM HK	(Sale)	(239,956)	(1) %	〃	〃	〃	-	-%	
Primax Cayman	The Company	Parent	(Sale)	(429,806)	(100) %	〃	〃	〃	49,873	100%	
Primax HK	The Company	Parent	(Sale)	(16,357,886)	(100) %	〃	〃	〃	-	-%	
〃	PCH2	Subsidiary	Purchase	16,272,682	100 %	30 days	〃	The same as general purchasing	(305,434)	(100)%	
PCH2	Primax HK	Parent	(Sale)	(16,272,682)	(36) %	〃	〃	The same as general selling	305,434	3%	
〃	The Company	The parent of Primax Cayman	(Sale)	(18,234,471)	(40) %	60 days	〃	〃	6,971,192	65%	
PKS1	The Company	The parent of Primax Cayman	(Sale)	(1,012,723)	(100) %	〃	〃	〃	409,294	34%	
PCQ1	The Company	The parent of Primax Cayman	(Sale)	(5,189,828)	(88) %	〃	〃	〃	1,922,281	89%	
Polaris	The Company	The parent of Primax Tech	Purchase	3,804,963	99 %	90 days	〃	The same as general purchasing	(226,050)	(24)%	
TYM HK	Premium Hui Zhou	Subsidiary	Purchase	3,825,446	49 %	60 days	〃	〃	(986,123)	(40)%	
〃	The Company	The parent of Diamond	Purchase	400,149	5 %	〃	〃	〃	(165,384)	(7)%	
〃	Tymphany Dongguan	Subsidiary	Purchase	3,871,980	48 %	〃	〃	〃	(1,191,888)	(49)%	
Premium Hui Zhou	TYM HK	Parent	(Sale)	(3,825,446)	(94) %	〃	〃	The same as general selling	986,123	98%	
Tymphany Dongguan	The Company	Parent	Purchase	239,956	6 %	〃	〃	The same as general purchasing	-	-%	
〃	TYM HK	Parent	(Sale)	(3,871,980)	(100) %	〃	〃	The same as general selling	1,191,888	99%	
Global TEK	Global TEK XI'AN	The subsidiary of GTS	Purchase	122,441	32 %	〃	〃	The same as general purchasing	(35,080)	(27)%	
GT	Global TEK WUXI	The subsidiary of GTS and WUXI Global TEK	Purchase	393,728	63 %	90 days	〃	〃	(236,385)	(42)%	
Global TEK XI'AN	Global TEK	The parent of GTF-HK	(Sale)	(122,441)	(71) %	〃	〃	The same as general selling	35,080	58%	
Global TEK WUXI	GT	The subsidiary of Global TEK	(Sale)	(393,728)	(37) %	〃	〃	〃	236,385	40%	

Note 1: Accounts receivables over payment terms has been classified as other receivables-non-current.
Note 2: The Company has lost control over Global TEK in October 2016. The information on Global TEK group was disclosed as of September 30, 2016.
Note 3: Related transactions have been eliminated during the preparation of the consolidated financial statements.

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PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
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(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the Company's issued capital:

Name of company	Counter-party	Nature of relationship	Ending balance (note 2)	Turnover rate	Overdue		Amounts received in subsequent period (note 1)	Allowance for bad debts
					Amount	Action taken		
The Company	Polaris	The Subsidiary of Primax Tech	226,050	12.72	-		226,050	-
〃	TYM HK	The Subsidiary of TWEL	165,384	0.43	-		86,141	-
PCH2	Primax HK	Parent	305,434	3.11	-		1,316	-
〃	The Company	The Parent of Primax Cayman	6,971,192	5.23	-		6,550,647	-
PKS1	The Company	The Parent of Primax Cayman	1,190,557	1.36	781,263	Reclassify to Long-term payable, and enhance the control of receivables	241,863	-
PCQ1	The Company	The Parent of Primax Cayman	1,922,281	3.92	-		1,241,674	-
Premium Hui Zhou	TYM HK	Parent	986,123	4.37	-		600,391	-
Tymphany Dongguan	TYM HK	Parent	1,191,888	6.50	-		426,604	-
Global TEK WUXI	GT	The Subsidiary of Global TEK	236,385	2.41	-		19,726	-

Note 1: Amounts collected as of March 7, 2017.
Note 2: The Company has lost control over Global TEK in October 2016. The information on Global TEK group was disclosed as of September 30, 2016.
Note 3: Related transactions have been eliminated during the preparation of the consolidated financial statements.

(ix) Trading in derivative instruments:Please refer to notes 6(b).

(x) Business relationships and significant intercompany transactions:

No	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions, 2016			
				Account name	Amount	Trading terms	Percentage of consolidated total operating revenues or total assets
0	The Company	PCH2	The subsidiary of Primax HK	Purchase	18,234,471	Price agreed by both side	28.35 %
〃	〃	〃	〃	Accounts Payable	6,971,192	60 days	18.78 %
〃	〃	Primax Cayman	Subsidiary	Purchase	429,806	Price agreed by both side	0.67 %
〃	〃	Primax HK	The subsidiary of Primax Cayman	Purchase	16,357,886	Price agreed by both side	25.43 %
〃	〃	PKS1	The subsidiary of Primax HK	Purchase	1,012,723	Price agreed by both side	1.57 %
〃	〃	〃	〃	Accounts Payable	409,294	60 days	1.10 %
〃	〃	PCQ1	〃	Purchase	5,189,828	Price agreed by both side	8.07 %
〃	〃	〃	〃	Accounts Payable	1,922,281	60 days	5.18 %
〃	〃	Polaris	The subsidiary of Primax Tech	Sale	3,804,963	Price agreed by both side	5.91 %
〃	〃	〃	〃	Accounts Receivable	226,050	90 days	0.61 %

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No	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions, 2016			
				Account name	Amount	Trading terms	Percentage of consolidated total operating revenues or total assets
0	The Company	TYM HK	The subsidiary of TWEL	Sale	400,149	Price agreed by both side	0.62 %
〃	〃	〃	〃	Accounts Receivable	165,384	60 days	0.45 %
〃	〃	Tymphany Dongguan	The subsidiary of TYM HK	Sale	239,956	Price agreed by both side	0.37 %
1	Primax HK	PCH2	Subsidiary	Purchase	16,272,682	Price agreed by both side	25.30 %
〃	〃	〃	〃	Accounts Payable	305,434	30 days	0.82 %
2	TYM HK	Premium Hui Zhou	Subsidiary	Purchase	3,825,446	Price agreed by both side	5.95 %
〃	〃	〃	〃	Accounts Payable	986,123	60 days	2.66 %
〃	〃	Tymphany Dongguan	Subsidiary	Purchase	3,871,980	Price agreed by both side	6.02 %
〃	〃	〃	〃	Accounts Payable	1,191,888	60 days	3.21 %
3	Global TEK	Global XI'AN	The subsidiary of GTS	Purchase	122,441	Price agreed by both side	0.19 %
4	GT	Global WUXI	The subsidiary of GTS and WUXI Global TEK	Purchase	393,728	Price agreed by both side	0.61 %
〃	〃	〃	〃	Accounts Payable	236,385	90 days	0.64 %

Note 1: Disclosure of the amounts exceeding the lower of NT$100 million.
Note 2: Related transactions have been eliminated during the preparation of the consolidated financial statements.
Note 3: The Company has lost control over Global TEK in October 2016. The information on Global TEK group was disclosed as of September 30, 2016.

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2016 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2016			Highest balance during the year		Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2016	December 31, 2015	Shares (thousands)	Percentage of ownership	Carrying value	Shares (thousands)	Percentage of ownership			
The Company	Primax Cayman	Cayman Islands	Holding company	2,540,588	2,540,588	8,147,636	100.00	4,336,069	8,147,636	100.00	211,690	251,896	
〃	Primax Tech.	Cayman Islands	Holding company	897,421	897,421	285,067	100.00	1,922,225	285,067	100.00	(24,669)	11,354	
〃	Destiny BVI.	Virgin Island	Holding company	30,939	30,939	1,050	100.00	26,320	1,050	100.00	(3,452)	(3,452)	
〃	Destiny Japan	Japan	Market development and customer service	7,032	7,032	0.50	100.00	16,146	0.5	100.00	242	242	
〃	Primax Korea	Korea	Market development and customer service	-	9,101		-	-	67	100.00	-	-	(note 3)
〃	Diamond	Cayman Islands	Holding company	2,517,298	2,517,298	84,050	100.00	3,007,259	84,050	100.00	144,863	145,891	

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Name of investor	Name of investee	Location	Main businesses and products	Original investment amount: December 31, 2016	Original investment amount: December 31, 2015	Balance as of December 31, 2016: Shares (thousands)	Balance as of December 31, 2016: Percentage of ownership	Balance as of December 31, 2016: Carrying value	Highest balance during the year: Shares (thousands)	Highest balance during the year: Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
The Company	Global TEK	Taiwan	Manufacture and sale of sophisticated machinery components, automotive parts, industrial automation parts, communication parts, and aerospace components	-	545,490		-	-	16,530	30.00	79,912	18,569	(note 4)
〃	Gratus Tech.	USA	Market development and customer service	9,330	9,330	300	100.00	9,875	300	100.00	75	75	
	Total			6,002,608	6,557,199			9,317,894			408,661	424,575	
Primax Cayman	Primax HK	Hong Kong	Sale of multi-function printers and computer peripheral devices	2,375,164	2,375,164	602,817	100.00	4,433,962	602,817	100.00	213,540	213,540	
Primax Tech.	Polaris	USA	Sale of multi-function printers and computer peripheral devices	52,680	52,680	1,600	100.00	394,322	1,600	100.00	11,071	11,071	
Diamond	TWEL	Cayman Islands	Holding company	2,515,800	2,515,800	38,501	70.00	2,904,380	38,501	70.00	349,720	166,285	
TWEL	TYM HK	Hong Kong	Holding company and sale of audio accessories, amplifiers and their components	76,280 (note 1)	76,280 (note 1)	144,395	100.00	1,540,112	144,395	100.00	337,425	337,425	
〃	TYP	USA	Market development and customer service of amplifiers and their components	15 (note 1)	15 (note 1)	0.50	100.00	4,876	0.5	100.00	2,692	2,692	
TYM HK	TYML	USA	Sales of audio accessories, amplifiers and their components	6,628	6,628	200	100.00	(10,786)	200	100.00	3,436	4,674	
Global TEK	GT	Taiwan	Manufacture of sophisticated machinery components and automotive parts	-	166,000 (note 2)		-	-	16,000	100.00	(31,844)	(31,844)	(note 4)
〃	GTF-S	Samoan Islands	Holding company	-	360,029 (note 2)		-	-	12,500	100.00	116,707	116,543	(note 4)
GT	GP	USA	Sale of automotive parts, industrial automation parts, communication parts and aerospace components	-	641 (note 2)		-	-	20	100.00	(110)	(110)	(note 4)
GTF-S	GTS	Samoan Islands	Holding company	-	330,650 (note 2)		-	-	9,200	100.00	94,849	94,849	(note 4)
〃	GTF-HK	Hong Kong	Holding company	-	123,916 (note 2)		-	-	26,200	100.00	22,001	22,001	(note 4)

Note 1: The amount is the initial investment costs from the original stockholders prior to the acquisition of the Company through Diamond.
Note 2: The amount is the initial investment costs from the original stockholders prior to the acquisition of the Company through Global TEK.
Note 3: The liquidation of Primax Korea was completed in March 2016.
Note 4: The Company has lost control over Global TEK in October 2016.
Note 5: Related transactions have been eliminated during the preparation of the consolidated financial statements.

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PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
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(c) Information on investments in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2016	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2016	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumu-lated remittance of earnings in current period
					Outflow	Inflow						
PCH2	Manufacture of multifunctional peripherals, computer mice, mobile phone accessories, consumer electronics products, and shredders	2,075,044	Indirect investment through Primax Cayman and Primax Tech.	1,817,427 (note 2)	-	-	1,773,902 (note 2)	(103,572)	100%	(103,572)	4,456,136	-
Destiny Bejing	Research and development of computer peripheral devices and software	41,105	Indirect investment through Destiny BVI.	34,719 (note 2)	-	-	33,893 (note 2)	(3,452)	100%	(3,452)	26,316	-
PKS1	Manufacture of computer, peripherals and keyboards	908,593	Indirect investment through Primax Cayman	727,452 (note 2)	-	-	710,138 (note 2)	69,114	100%	69,114	920,591	-
PCQ1	Manufacture of computer, peripherals and keyboards	583,149	Indirect investment through Primax Cayman	661,320 (note 2)	-	-	645,580 (note 2)	246,273	100%	246,273	915,196	-
Premiurn Hui Zhou	Research and development, design, and sale of audio accessories, amplifiers and their components	146,303 (note 3)	Indirect investment through Diamond	2,777,544	-	-	2,711,436	125,942	70%	88,159	410,738	-
Tymphany Dongguan	Research and development, design, and sale of audio accessories, amplifiers and their components	16,140	Indirect investment through Diamond	16,533	-	-	16,140	35,972	70%	25,180	33,904	-
TYDC	〃	93,064	〃	-	-	-	-	-	70%	-	65,144	-
WUXI Global TEK	Manufacture of sophisticated machinery components	-	Indirect investment through Global TEK	102,306 (note 4)	-	102,306	-	24,478	30%	7,343	-	-
Global TEK XI'AN	Manufacture of industrial automation parts, communication parts and aerospace components	-	Indirect investment through Global TEK	21,245 (note 4)	-	21,245	-	7,238	30%	2,171	-	-
Global TEK WUXI	Manufacture of sophisticated machinery components and automotive parts	-	Indirect investment through Global TEK	286,467 (note 4)	-	286,467	-	124,651	30%	37,395	-	-

Note 1: The above information on the exchange rate is as follows: HKD:TWD $4.1623; USD:TWD 32.279; CNY:TWD 4.6532.
Note 2: The difference between the accumulated out flow of investments and paid-in capital was derived from the currency exchange on translation, capital increase from retained earning and working capital.
Note 3: The amount is the initial investment costs from the original stockholders prior to the acquisition of the Company through Diamond.
Note 4: The amount is the initial investment costs from the original stockholders prior to the acquisition of the Company through Global TEK.
Note 5: The Company has lost control over Global TEK in October 2016.
Note 6: Related transactions have been eliminated during the preparation of the consolidated financial statements.

(ii) Limitation on investment in Mainland China:

Name of Company	Accumulated Investment in Mainland China as of December 31, 2016	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The Company	5,980,672	6,797,921	None (Note)

Note: The Company has received the Certificate issued by the Industrial Development Bureau, Ministry of Economic Affairs, allowing it to start the operating of its headquarters.

The above investment income (losses) in mainland China, except for PCH 2, Destiny Beijing, PKS 1, and PCQ 1, which were based on financial statements audited by the Company's auditors, others were based on the audited results of other auditors.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions" and "Business relationships and significant intercompany transactions."

(14) Segment information:

(a) General information

The Group's reported segments are the divisions for computer peripherals and non-computer peripherals. The division for computer peripherals specializes in the manufacture and sale of computer mice, keyboards, track pads, etc. The division for non-computer peripherals specializes in the manufacture and sale of digital camera modules, mobile phone accessories, multi-function printers, scanners, shredders, amplifiers, speakers, audio systems, automotive parts, industrial automation parts, aerospace components, etc.

The Group's reported segments consist of strategic business units which provide essentially different products and services. These units have to be separately managed as a result of the different technology and marketing strategies. Most of the business units were acquired, and the original management teams are still operating.

(b) Reportable segments' profit or loss, segment assets, segment liabilities, and their measurement and reconciliation

Income tax and extraordinary profits and losses are not allocated to the Group's reportable segments, and the amounts for the reported segments are identical with those in the report used by the chief operating decision maker.

The Group assessed the performance of the segments based on the segments' income before income taxes (excluding extraordinary profit and loss), and the accounting policies of the operating segments are the same as those described in note 4. Sales and transfers between segments are deemed to be transactions with third parties and are measured by using the market price.

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For the years ended December 31, 2016 and 2015, the Group's segment financial information was as follows:

		2016	
	Computer Peripherals	**Non-computer Peripherals**	**Total**
Revenue			
External revenue	$ 25,730,665	40,525,423	66,256,088
Intra-group revenue	-	-	-
Elimination from discontinued operations	-	(1,926,626)	(1,926,626)
Total segment revenue	**$ 25,730,665**	**38,598,797**	**64,329,462**
Profit from segments reported	$ 1,541,299	1,328,378	2,869,677
Elimination from discontinued operations	-	(105,225)	(105,225)
Total profit	**$ 1,541,299**	**1,223,153**	**2,764,452**

		2015 (restated)	
	Computer Peripherals	**Non-computer Peripherals**	**Total**
Revenue			
External revenue	$ 30,586,105	35,003,188	65,589,293
Intra-group revenue	-	-	-
Elimination from discontinued operations	-	(2,051,106)	(2,051,106)
Total segment revenue	**$ 30,586,105**	**32,952,082**	**63,538,187**
Profit from segments reported	$ 1,691,877	781,076	2,472,953
Elimination from discontinued operations	-	(55,051)	(55,051)
Total profit	**$ 1,691,877**	**726,025**	**2,417,902**

(c) Geographic information

In presenting information on the basis of geography, revenue is based on the geographical location of customers, and non-current assets are based on the geographical location of the assets. Details were as follows:

Geographic Information	**2016**	**2015 (restated)**
Revenues from external customers:		
China	$ 35,009,994	38,259,055
Americas	14,221,870	11,216,040
Other	15,097,598	14,063,092
Total	**$ 64,329,462**	**63,538,187**

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	December 31, 2016	December 31, 2015
Non-current assets:		
China	$ 4,701,807	5,825,906
Taiwan	371,047	1,624,591
Other	2,722,283	2,806,056
Total	$ 7,795,137	10,256,553

(d) Major customer information

The information on major customers that accounted for more than 10% of revenue in the consolidated statements of comprehensive income in 2016 and 2015 is as follows:

	2016		2015	
	Net sales	Percentage of net sales	Net sales	Percentage of net sales
Company A	$ 9,524,714	15 %	13,605,216	21 %