TATUNG CO., LTD.
PARENT COMPANY ONLY FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2016 AND 2015

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

Independent Auditors' Report

English Translation of a Report Originally Issued in Chinese

The Board of Directors and Shareholders
Tatung Co., Ltd. ("the Company")

Opinion

We have audited the accompanying parent company only balance sheets of the Company as of December 31, 2016 and 2015, the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2016 and 2015, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of the other auditors (please refer to the Other Matters section), the parent company only financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2016 and 2015, and the financial performance and its cash flows for the years ended December 31, 2016 and 2015, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

1. Revenue Recognition

Net sales recognized by the Company amounted to NT$17,259,632 thousand for the year of 2016 as revenue in 2016. The Company operated in various industries and their various products were sold to local as well as foreign markets. The sales terms varied, the sales amount was relatively large and the transactions were highly complicated. Therefore, we considered this a key audit matter.

Our audit procedures included, but not limited to, assessing the appropriateness of the accounting policy of revenue recognition; evaluating and testing the design and operating effectiveness of internal controls around revenue recognition; selecting samples to perform tests of details and vouching them to transaction records, examining contracts, sales orders or supporting documents; reviewing significant terms and condition of contracts; performing cut-off testing by selecting a set of samples of transactions from either side of year-end and vouching them to supporting evidences to ensure the reasonableness of revenue cut-off; performing analytical procedures on gross margin and sales from major customers; reviewing significant subsequent sales returns and discounts to verify the occurrence of sales transactions and reasonableness of the timing of revenue recognition.

We also assessed the adequacy of disclosures of operating revenues. Please refer to Note 4, Note 5, and Note 6 to the parent company only financial statements.

2. Investments accounted for under the equity method

As of December 31, 2016, the investment accounted for under the equity method amounted to NT$ 46,190,327 thousand, which accounted for 65% of the total assets, which is deemed significant to the parent company only financial statements. We reviewed whether the Company had substantive control over its investees. For those investees that the Company had substantive control over, we then reviewed if the investee had been deemed as a consolidated entity. For the long-term equity investments that the Company made significant impact on such investees, we reviewed if the investment was accounted for under the equity method. The appropriateness of the accounting treatment mentioned above had significant impact to the parent company only financial statements, and thus we considered this a key audit matter.

Our audit procedures included, but not limited to, obtaining the most recent group investment structure chart of the Company; reviewing the changes in group structure and understanding the recognition basis and classification of investments accounted for under the equity method; analyzing the composition of the board of directors and management and the investment contracts to determine whether the investments of the Company were accounted for according to IFRS; verifying whether the Company had obtained audited financial statements when recognizing investment income and other comprehensive income under the equity method. In addition to understanding the impact the investees' significant events made on the Company's individual financial statements, we further evaluated whether the measurement of the investment accounted for under the equity method complied with IFRS and IAS. Meanwhile, we verified the existence and ownership of the investment by confirmation or physical count procedures.

We also assessed the adequacy of disclosures of investments accounted for under the equity method. Please refer to Note 6 to the parent company only financial statements.

3. Non-financial Assets Impairment

The Company had operating loss in 2016, which indicated a possibility of impairment. As of December 31, 2016, the net value of property, plant and equipment accounted for 5% of the total asset of the Company, which is deemed significant to the parent company only financial statements. In addition, the assessment process of impairment of aforementioned non-financial assets highly relies on assumption and estimation. Therefore, we considered this a key audit matter.

Our audit procedures included, but not limited to, inspecting the impairment possibility and the cash-generating unit of the property, plant and equipment; obtaining the data and assumption regarding the evaluation of recoverable amount from the Company. In addition to considering the historical and external financial information to evaluate the appropriateness of the related assumption, we adopted the evaluation report provided by the internal expert for assessing the appropriateness of the impairment testing data or the fair value report of the cash-generating unit, the method of evaluation and the key evaluation parameters, such as discount rate.

Please refer to Note 5 and Note 6 to the parent company only financial statements for the disclosure of property, plant and equipment.

Other Matters-Referring to Other Auditors

We did not audit the financial statements of certain associates, which statements reflect investments accounted for under the equity method of NT$5,147,543 thousand and NT$5,610,127 thousand, representing 7% and 8% of the total assets as of December 31, 2016 and 2015, respectively. The related shares of (losses) profits from the associates and joint ventures under the equity method amounted to NT$(235,052) thousand and NT$207,718 thousand, representing 10% and (7)% of the net loss before income tax for the years ended December 31, 2016 and 2015, respectively, and the related shares of other comprehensive income from the associates and joint ventures under the equity method amounted to NT$(114,986) thousand and NT$565 thousand, representing 27% and 0% of the comprehensive loss for the years ended December 31, 2016 and 2015, respectively. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the audit reports of the other auditors.

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

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

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

Those charged with governance (inclusive of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

6. Obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit.

We communicated 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 identified during our audit.

We also provided those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicated 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 determined those matters that were of most significance in the audit of the parent company only 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.

Su-Wen Lin

Hsuan-Hsuan Wang

Ernst & Young, Taiwan
March 29, 2017

Notice to Readers

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

English Translations of Financial Statements Originally Issued in Chinese

TATUNG CO., LTD.

PARENT COMPANY ONLY BALANCE SHEETS

December 31, 2016 and December 31, 2015

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2016		December 31, 2015	
Contents	Notes	Amount	%	Amount	%
Current assets					
Cash and cash equivalents	4,6	$2,096,040	3	$2,205,980	3
Financial assets at fair value through profit or loss, current	4,6	23,930	-	24,200	-
Available-for-sale financial assets, current	4,5,6	381,470	1	382,528	1
Financial assets in held-to-maturity, current	4,6	826,250	1	20,000	-
Financial assets carried at cost, current	4,6	29,238	-	29,238	-
Debt instrument investments for which no active market exists, current	4,6,8	3,655,814	5	3,170,899	4
Notes receivable, net	4,6	256,817	-	296,180	-
Notes receivable - related parties, net	4,6,7	-	-	1,775	-
Accounts receivable, net	4,6	2,220,381	3	2,448,480	4
Accounts receivable - related parties, net	4,6,7	1,955,661	3	1,996,509	3
Construction receivables	4,6,7	238,944	-	853,901	1
Other receivables	4	21,876	-	29,605	-
Other receivables - related parties	4,7	1,124,516	2	1,224,455	2
Current tax assets	4	14,320	-	12,942	-
Inventories	4,6	3,854,691	6	4,042,959	6
Prepayments	7	230,482	-	349,352	1
Total current assets		16,930,430	24	17,089,003	25
Non-current assets					
Available-for-sale financial assets, non-current	4,5,6	12,787	-	12,284	-
Financial assets carried at cost, non-current	4,6	2,300	-	300	-
Debt instrument investments for which no active market exists, non-current	4,6	126,554	-	30,770	-
Investments accounted for under the equity method	4,6,8	46,190,327	65	44,776,579	66
Property, plant and equipment	4,5,6,7,8	3,626,622	5	3,060,707	4
Intangible assets	4,6,7	59,083	-	72,033	-
Deferred tax assets	4,5,6	502,294	1	510,064	1
Other non-current assets	6	295,865	1	228,983	-
Deposit-out		259,107	-	219,228	-
Long-term receivables	4,6	231,024	-	124,000	-
Long-term receivables - related parties	4,6,7	2,728,002	4	3,007,680	4
Total non-current assets		54,033,965	76	52,042,628	75
Total assets		$70,964,395	100	$69,131,631	100

English Translations of Financial Statements Originally Issued in Chinese

TATUNG CO., LTD.

PARENT COMPANY ONLY BALANCE SHEETS

December 31, 2016 and December 31, 2015

(Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity		December 31, 2016		December 31, 2015	
Contents	Notes	Amount	%	Amount	%
Current liabilities					
Short-term loans	6,8	$3,968,758	6	$5,524,603	8
Short-term notes and bills payable	6	199,923	-	549,759	1
Financial liabilities at fair value through profit or loss, current	4,6	260	-	807	-
Notes payable		52,000	-	-	-
Accounts payable		2,470,625	3	2,986,747	5
Accounts payable - related parties	7	234,580	-	285,616	-
Other payables		3,469,227	5	1,366,453	2
Other payables - related parties	7	44,942	-	49,205	-
Provision, current	4,6	47,551	-	45,146	-
Advanced receipts		117,036	-	187,293	-
Current portion of long-term loans	6,8	1,109,420	2	3,321,520	5
Other current liabilities - others		27,332	-	27,378	-
Total current liabilities		11,741,654	16	14,344,527	21
Non-current liabilities					
Long-term loans	6,8	24,405,838	34	17,932,259	26
Deferred tax liabilities	4,5,6	300,977	1	288,748	-
Long-term notes payables		79,970	-	-	-
Long-term deferred revenues	4	-	-	85,000	-
Net defined benefit liability	4,5,6	1,831,351	3	2,592,851	4
Deposits in		4,390	-	4,270	-
Deferred credit for investments accounted for under the equity method	4,6	2,795,395	4	3,284,820	5
Other non-current liabilities, others		164,516	-	-	-
Total non-current libilities		29,582,437	42	24,187,948	35
Total liabilities		41,324,091	58	38,532,475	56
Equity					
Capital stock					
Common stock	6	23,395,367	33	23,395,367	34
Capital reserve	6	2,864,841	4	785,376	1
Retained earnings	6				
Legal reserve		36,354	-	36,354	-
Special reserve		6,946,785	10	10,047,053	14
Accumulated deficits		(2,175,074)	(3)	(3,100,268)	(4)
Total retained earnings		4,808,065	7	6,983,139	10
Other equities	4				
Exchange differences on translation of foreign operation		(709,739)	(1)	8,114	-
Unrealized gain or loss on available-for-sale financial assets		365,333	-	235,469	-
Equity related to non-current assets classified as held for sale		(26,698)	-	(1,439)	-
Total other equities		(371,104)	(1)	242,144	-
Treasury stock	4,6	(1,056,865)	(1)	(806,870)	(1)
Total equity		29,640,304	42	30,599,156	44
Total liabilities and equity		$70,964,395	100	$69,131,631	100

English Translations of Financial Statements Originally Issued in Chinese

TATUNG CO., LTD.

PARENT COMPANY ONLY 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)

Contents	Note	2016		2015	
		Amount	%	Amount	%
Operating revenues	4,6,7	$17,391,781	100	$18,355,686	101
Less: Sales returns	5,6	(66,576)	-	(153,989)	(1)
Less: Sales allowances	5,6	(65,573)	-	(50,593)	-
Net operating revenues		17,259,632	100	18,151,104	100
Operating costs	6,7	(14,855,256)	(86)	(16,569,601)	(91)
Gross profit		2,404,376	14	1,581,503	9
Unrealized gross profit		(73,561)	-	(66,148)	-
Realized gross profit		49,658	-	38,551	-
Net gross profit		2,380,473	14	1,553,906	9
Operating expenses	6,7				
Sales and marketing		(1,286,126)	(7)	(1,434,998)	(8)
General and administrative		(532,193)	(3)	(451,091)	(2)
Research and development		(613,616)	(4)	(634,151)	(4)
Total operating expense		(2,431,935)	(14)	(2,520,240)	(14)
Operating loss		(51,462)	-	(966,334)	(5)
Non-operating income and expense					
Other income	4,6,7	467,406	3	470,957	3
Other gains and (losses)	6,	(460,283)	(3)	(545,607)	(3)
Finance costs	4,6	(696,028)	(4)	(600,275)	(4)
Share of losses of subsidiaries, associates and joint ventures	6	(1,674,408)	(10)	(1,432,357)	(8)
Total non-operating income and expense		(2,363,313)	(14)	(2,107,282)	(12)
Loss before income tax		(2,414,775)	(14)	(3,073,616)	(17)
Income tax benefit (expense)	4,5,6	70,830	-	(1,399)	-
Net loss		(2,343,945)	(14)	(3,075,015)	(17)
Other comprehensive (loss) income	4,6				
Not to be reclassified to profit or loss in subsequent periods:					
Gains on remeasurements of defined benefit plans		95,823	1	23,479	-
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method, not to be reclassified to profit or loss		96,246	1	(49,459)	-
To be reclassified to profit or loss in subsequent periods:					
Unrealized loss from available-for-sale financial assets		(555)	-	(143,924)	(1)
Share of other comprehensive loss of subsidiaries, associates and joint ventures accounted for using the equity method, to be reclassified to profit or loss		(612,693)	(4)	(506,039)	(3)
Total of other comprehensive income, net of income tax		(421,179)	(2)	(675,943)	(4)
Total comprehensive (loss) income		$(2,765,124)	(16)	$(3,750,958)	(21)
Loss per share (NT$)	6				
Basic loss per share		$(1.03)		$(1.35)	
Diluted loss per share		$(1.03)		$(1.35)	

English Translations of Financial Statements Originally Issued in Chinese

TATUNG CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

			Retained Earnings			Other Capital Reserves				
Contents	Capital Stock	Capital Reserve	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operation	Unrealized Gain or Loss on Financial Assets	Equity Related to Non-current Assets Classified as Held for Sale	Treasury Stock	Total
Balance as of January 1, 2015	$23,395,367	$750,641	$-	$9,975,000	$160,587	$329,756	$562,106	$-	$(806,870)	$34,366,587
Legal reserve	-	-	36,354	-	(36,354)	-	-	-	-	-
Special reserve	-	-	-	124,233	(124,233)	-	-	-	-	-
Reversal of special reserve	-	-	-	(52,180)	52,180	-	-	-	-	-
Change in share of other associates and joint ventures accounted for using the equity method	-	(747)	-	-	(49,175)	-	-	-	-	(49,922)
Net loss in 2015	-	-	-	-	(3,075,015)	-	-	-	-	(3,075,015)
Other comprehensive income (loss) in 2015	-	-	-	-	(25,980)	(321,665)	(326,859)	(1,439)	-	(675,943)
Total comprehensive income (loss)	-	-	-	-	(3,100,995)	(321,665)	(326,859)	(1,439)	-	(3,750,958)
Acquisition or disposal on subsidiaries' shares	-	-	-	-	(3,005)	23	222	-	-	(2,760)
Change in subsidiaries' ownership	-	35,482	-	-	727	-	-	-	-	36,209
Balance as of December 31, 2015	$23,395,367	$785,376	$36,354	$10,047,053	$(3,100,268)	$8,114	$235,469	$(1,439)	$(806,870)	$30,599,156
Balance as of January 1, 2016	$23,395,367	$785,376	$36,354	$10,047,053	$(3,100,268)	$8,114	$235,469	$(1,439)	$(806,870)	$30,599,156
Special reserve used to cover accumulated deficits	-	-	-	(3,100,268)	3,100,268	-	-	-	-	-
Net loss in 2016	-	-	-	-	(2,343,945)	-	-	-	-	(2,343,945)
Other comprehensive income (loss) in 2016	-	-	-	-	192,069	(717,853)	129,864	(25,259)	-	(421,179)
Total comprehensive income (loss)	-	-	-	-	(2,151,876)	(717,853)	129,864	(25,259)	-	(2,765,124)
Aquisition of treasury share	-	-	-	-	-	-	-	-	(249,995)	(249,995)
Acquisition or disposal on subsidiaries' shares	-	(258,816)	-	-	(21,565)	-	-	-	-	(280,381)
Change in subsidiaries' ownership	-	2,338,281	-	-	(1,633)	-	-	-	-	2,336,648
Balance as of December 31, 2016	$23,395,367	$2,864,841	$36,354	$6,946,785	$(2,175,074)	$(709,739)	$365,333	$(26,698)	$(1,056,865)	$29,640,304

English Translations of Financial Statements Originally Issued in Chinese

TATUNG CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

Contents	For the Year Ended December 31, 2016 Amount	For the Year Ended December 31, 2015 Amount
Cash flows from operating activities:		
Net loss before income tax	$(2,414,775)	$(3,073,616)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation expense	559,980	489,343
Amortization expense	53,045	62,351
Allowance for long-term receivables	11,827	200,108
Loss from financial asset or financial liability at fair value through profit or loss	19,874	10,449
Interest expenses	696,028	600,275
Interest income	(80,219)	(42,669)
Dividends income	(35,994)	(26,864)
Share of loss of subsidiaries, associates and joint ventures	1,674,407	1,432,357
Loss (gain) on disposal of property, plant and equipment	1,900	(12,783)
Gain on disposal of investments	(194)	(105,070)
Unrealized gains or losses	(14,201)	27,597
Changes in assets and liabilities from operating activities:		
Notes receivable	39,363	59,861
Notes receivable - related parties	1,775	26,366
Accounts receivable	228,099	370,570
Accounts receivable - related parties	40,848	(115,379)
Construction receivables	507,933	1,152,067
Other receivables	7,729	6,514
Other receivables - related parties	99,939	(272,280)
Inventory	188,268	298,032
Prepayments	118,870	172,805
Financial assets at fair value through profit or loss	(19,957)	19,153
Transfer of inventory into property, plant and equipment	(370,582)	1,582
Other non-current assets	(66,882)	(70,936)
Long-term receivables	-	(41,604)
Long-term receivables - related parties	267,851	(14,098)
Notes Payable	52,000	-
Accounts payable	(516,122)	(1,293,211)
Accounts payable - related parties	(51,036)	(116,328)
Other payables	(154,065)	259,371
Other payables - related parties	(4,263)	(93,443)
Provision	2,405	(46,770)
Advanced receipts	(70,257)	(162,072)
Other current liabilities - others	(46)	(5,412)
Net defined benefit liability	(665,677)	(276,003)
Long-term deferred revenues	79,516	85,000
Long-term payables	79,970	-
Cash generated from (used in) operations	267,357	(494,737)
Interest received	80,219	42,669
Dividend received	1,200,038	2,408,790
Interest paid	(724,711)	(607,346)
Income taxes return	89,451	1,830
Net cash provided by operating activities	912,354	1,351,206

Contents	For the Year Ended December 31, 2016 Amount	For the Year Ended December 31, 2015 Amount
Cash flows from investing activities：		
Disposal of available-for-sale financial assets	-	9,693
Acquisition of investment in debt instrument without active market	(484,915)	(3,107,406)
Disposal of investment in debt instrument without active market	(95,784)	-
Acquisition of financial assets in held-to-maturity	(806,250)	-
Disposal of financial assets carried at cost	(2,000)	23
Acquisition of investments accounted for using equity method	(1,152,857)	(137,034)
Disposal of investments accounted for using equity method	-	16,156
Cash returns from capital reduction of investments accounted for under the equity method	781	-
Acquisition of property, plant and equipment	(775,654)	(909,285)
Disposal of property, plant and equipment	18,441	72,194
Increase in deposit-out	(39,879)	(13,202)
Deacrease in other receivables-related parties	-	30,576
Acquisition of intangible assets	(40,095)	(33,014)
Net cash used in investing activities	(3,378,212)	(4,071,299)
Cash flows from financing astivities ：		
Decrease in short-term loans	(1,555,845)	(1,015,102)
Increase in short-term notes and bills payable	200,164	550,015
Decrease in short-term notes and bills payable	(550,000)	(600,000)
Proceeds from long-term loans	27,218,754	7,319,822
Repayment of long-term loans	(22,957,275)	(4,135,719)
Increase in deposits-in	120	1,816
Net cash generated from financing astivities	2,355,918	2,120,832
Effects of exchange rate changes on cash and cash equivalents	-	-
Net decrease in cash and cash equivalents	(109,940)	(599,261)
Cash and cash equivalents at the beginning of periods	2,205,980	2,805,241
Cash and cash equivalents at the end of periods	$2,096,040	$2,205,980

TATUNG CO., LTD.
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars unless otherwise specified)

1. Organization operations

Established in 1918, Tatung Company (the "Company") was incorporated under the Company Act of the Republic of China ("R.O.C.") and underwent reorganization in 1939. The total capital at that time was Taiwan Yuan $180,000, later increased to Taiwan Yuan $20,000,000 after several capital injections. After the reformation of monetary system in 1949, the total capital was converted to the equivalent of New Taiwan dollars ("NTD") 200,000. As of December 31, 2016, the issued capital and registered was NTD23,395,367 thousand. The main activities of the Company are as follows:

(1) The design, manufacture, sale, installation, network system, automation system, lease, maintenance service, import, export and agency of the following products:

① Steel manufacturing machinery
② Industrial appliances
③ Household appliances
④ Refrigerator
⑤ Air conditioners
⑥ Metal processing machinery
⑦ Electronic products
⑧ Wire and cable
⑨ Chemical industry
⑩ Cookware
⑪ Wood-made products
⑫ Plastic products
⑬ Office equipment
⑭ Audio products
⑮ Precision meter
⑯ Transmission equipment
⑰ Transportation facilities
⑱ Healthcare products
⑲ Microbe fermentation
⑳ Construction
㉑ Furniture
㉒ Solar wafers
㉓ Water treatment engineering
㉔ Telecommunication equipment
㉕ Parking facilities
㉖ Automation machinery
㉗ Semiconductor
㉘ Real estate development and leasing

(2) Magazine publishing

(3) Customs brokerage

(4) General import/export (excluding permitted business)

(5) Development and leasing (excluding construction industry) of industrial parks on behalf of the competent authority.

The investment plans should be resolved by the Board of Directors, but the total amount of investment is not limited to the amount provided by Article 13 of Company Act, which states that the total amount of investment shall not exceed 40% of the amount of its own paid-in capital.

The Company's common shares were publicly listed on the Taiwan Stock Exchange (TWSE) on February 9, 1962. The Company's registered office and the main business location is at No. 22, Zhongshan North Road, Section 3, Taipei, Republic of China (R.O.C.).

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

The parent company only financial statements of the Company for the years ended December 31, 2016 and 2015 were authorized for issue in accordance with a resolution of the Board of Directors' meeting on March 29, 2017.

3. Newly issued or revised standards and interpretations

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

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

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

(b) *IFRIC 21 "Levies"*

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

(c) *IAS 39 "Financial Instruments: Recognition and Measurement" (Amendment)*

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

(d) *IAS 19 "Employee Benefits" (Defined benefit plans: employee contributions)*

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

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

IFRS 2 "Share-based Payment"

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

IFRS 3 "Business Combinations"

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

IFRS 8 "Operating Segments"

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

IFRS 13 "Fair Value Measurement"

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

IAS 16 "Property, Plant and Equipment"

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

IAS 24 "Related Party Disclosures"

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

IAS 38 "Intangible Assets"

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

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

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

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

IFRS 3 "Business Combinations"

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

IFRS 13 "Fair Value Measurement"

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

IAS 40 "Investment Property"

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

(g) *IFRS 14 "Regulatory Deferral Accounts"*

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

(h) *IFRS 11 "Joint Arrangements" (Accounting for Acquisitions of Interests in Joint Operations)*

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

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

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

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

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

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

The IASB restored the option to use the equity method under IAS 28 for an entity to account for investments in subsidiaries and associates in the entity's separate financial statements. In 2003, the equity method was removed from the options. This amendments remove the only difference between the separate financial statements prepared in accordance with IFRS and those prepared in accordance with the local regulations in certain jurisdictions.

The amendments are effective for annual periods beginning on or after 1 January 2016.

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

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

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

IFRS 7 "Financial Instruments: Disclosures"

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

IAS 19 "Employee Benefits"

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

IAS 34 "Interim Financial Reporting"

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

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

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

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

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

The above mentioned standards and interpretations issued by IASB and endorsed by FSC effective starting January 1, 2017. As the Company is still currently determining the potential impact of the standards and interpretations listed under (e), (f), and (l). All other standards and interpretations have no material impact on the Company.

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

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

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

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

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

(b) *IFRS 9"Financial Instruments"*

The IASB has issued the final version of IFRS 9, which combines classification and measurement, the expected credit loss impairment model and hedge accounting. The standard will replace IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9 *Financial Instruments* (which include standards issued on classification and measurement of financial assets and liabilities and hedge accounting).
Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore there is requirement that 'own credit risk' adjustments are not recognized in profit or loss.

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

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

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

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

The amendments address the inconsistency between the requirements in IFRS 10 "Consolidated Financial Statements" (IFRS 10) and IAS 28 "Investments in Associates and Joint Ventures" (IAS 28), in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full. IFRS 10 was also amended so that the gain or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture. The effective date of the amendments has been postponed indefinitely, but early adoption is allowed.

(d) *IFRS 16"Leases"*

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

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

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

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

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

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

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

(h) *IFRS 2 "Shared-Based Payment" - Amendments to IFRS 2*

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

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

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

(j) *Transfers of Investment Property - Amendments to IAS 40*

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

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

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

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

IFRS 12 "Disclosure of Interests in Other Entities"

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

IAS 28"Investments in Associates and Joint Ventures"

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

(l) IFRIC 22 "*Foreign Currency Transactions and Advance Consideration*"

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

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

4. Summary of significant accounting policies

(1) Statement of compliance

The parent company only financial statements of the Company for the years ended December 31, 2016 and 2015 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").

(2) Basis of preparation

The Company prepared parent company only financial statements in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent company only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent company only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments.

The parent company only financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value. The parent company only financial statements are expressed in thousands of New Taiwan Dollars (“NTD”) unless otherwise stated.

(3) Foreign currency transactions

The Company’s parent company only financial statements are presented in its functional currency, New Taiwan Dollars (NTD).

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

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

(a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset. If the differences are regarded as an adjustment to interest costs, which will be capitalized and take as part of the cost of the borrowing.

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

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

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

(4) Translation of financial statements in foreign currency

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

The following are accounted for as disposals even if an interest in the foreign operation is retained by the Company: the loss of control over a foreign operation, the loss of significant influence over a foreign operation, or the loss of joint control over a foreign operation.

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

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

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

An asset is classified as current when:

A. The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
B. The Company holds the asset primarily for the purpose of trading;
C. The Company expects to realize the asset within twelve months after the reporting period;
D. The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

(6) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 12 months) investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(7) Financial instruments

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

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

A. Financial assets

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

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

Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

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

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

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

Financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss (including those received during the period of initial investment). If financial assets do not have quoted prices in an active market and their far value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as of the reporting date.

Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets that are designated as available-for-sale or those not classified as financial assets at fair value through profit or loss, held-to-maturity financial assets, or loans and receivables.

Foreign exchange gains and losses and interest calculated using the effective interest method relating to monetary available-for-sale financial assets, or dividends on an available-for-sale equity instrument, are recognized in profit or loss. Subsequent measurement of available-for-sale financial assets at fair value is recognized in equity until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss.

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

Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold it to maturity, other than those that are designated as available-for-sale, classified as financial assets at fair value through profit or loss, or meet the definition of loans and receivables.

After initial measurement held-to-maturity financial assets are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

Loans and receivables

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

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

Impairment of financial assets

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

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

Other loss events include:

(a) significant financial difficulty of the issuer or obligor; or
(b) a breach of contract, such as a default or delinquency in interest or principal payments; or
(c) it becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
(d) the disappearance of an active market for that financial asset because of financial difficulties.

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

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

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

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

Derecognition of financial assets

A financial asset is derecognized when:

(a) The rights to receive cash flows from the asset have expired;
(b) The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred;
(c) The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Once the financial asset, are derecognized entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

B. Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

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

Compound instruments

The Company evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Company assesses if the economic characteristics and risks of the put and call options contained in the convertible bonds are closely related to the economic characteristics and risk of the host contract before separating the equity element.

For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled.

For the embedded derivative that is not closely related to the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal on each exercise date to the amortized cost of the host debt instrument), it is classified as a liability component and subsequently measured at fair value through profit or loss unless it qualifies for an equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Its carrying amount is not remeasured in the subsequent accounting periods. If the convertible bond issued does not have an equity component, it is accounted for as a hybrid instrument in accordance with the requirements under IAS 39 Financial Instruments: Recognition and Measurement.

Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

On conversion of a convertible bond before maturity, the carrying amount of the liability component being the amortized cost at the date of conversion is transferred to equity.

Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

A financial liability is classified as held for trading if:

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

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

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

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

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

<u>Financial liabilities at amortized cost</u>

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

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

Derecognition of financial liabilities

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

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

C. Offsetting of financial instruments

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

(8) Derivative financial instrument

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

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

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

(9) Fair value measurement

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

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

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

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

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

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

(10) Inventories

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

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

Raw materials - purchase cost on weighted average cost formula

Work in progress and finished goods - cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

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

(11) Construction contract

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract shall be recognized as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period. The recognition of revenue and expenses by reference to the stage of completion of a contract is often referred to as the percentage of completion method. Under this method, contract revenue is matched with the contract costs incurred in reaching the stage of completion, resulting in the reporting of revenue, expenses and profit which can be attributed to the proportion of work completed.

When the outcome of a construction contract cannot be estimated reliably, revenue shall be recognized only to the extent of contract costs.

When it is probable that total contract costs will exceed total contract revenue, the expected loss shall be recognized as an expense immediately.

(12) Investments accounted for using the equity method

The Company's investment in its subsidiaries is presented as investments accounted for using the equity method and adjusted by necessary measurements in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent company only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent company only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements.

These adjustments resulted from considering the different treatments of investments in subsidiaries under IFRS 10 Consolidated Financial Statements and under IFRS applied to different entity level. These investments may be debited or credited using the equity method, as share of profits (losses) of subsidiaries, associates and joint ventures, or share of other comprehensive income (loss) of subsidiaries, associates and joint ventures.

The Company's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence.

Under the equity method, the investment in the associate is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate. After the interest in the associate is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the Company's related interest in the associate.

When changes in the net assets of an associate occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Company's percentage of ownership interests in the associate, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate on a pro-rata basis.

When the associate issues new stock, and the Company's interest in an associate is reduced or increased as the Company fails to acquire shares newly issued in the associate proportionately to its original ownership interest, the increase or decrease in the interest in the associate is recognized in additional paid in capital and investment in associate. When the interest in the associate is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate.

The financial statements of the associate are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired in accordance with IAS 39 Financial Instruments: Recognition and Measurement. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Company estimates:

A. Its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment
B. The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal

Because goodwill that forms part of the carrying amount of an investment in an associate is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets.

Upon loss of significant influence over the associate, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

(13) Property, plant and equipment

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

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

Buildings	3～50 year
Machinery and equipment	3～20 year
Transportation equipment	3～10 year
Office equipment	3～10 year
Leased assets	3～50 year
Leasehold improvements	The shorter of lease terms or economic useful lives
Other equipment	2～10 year

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

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

(14) Leases

Company as a lessee

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

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

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

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Rental revenue generated from operating lease is recognized over the lease term using the straight line method. Contingent rents are recognized as revenue in the period in which they are earned.

(15) Intangible assets

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

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

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

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

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

Research and development costs

Research costs are expensed as incurred. Development expenditures, on an individual project, are recognized as an intangible asset when the Company can demonstrate:

A. The technical feasibility of completing the intangible asset so that it will be available for use or sale
B. Its intention to complete and its ability to use or sell the asset
C. How the asset will generate future economic benefits
D. The availability of resources to complete the asset
E. The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. During the period of development, the asset is tested for impairment annually. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (3 years).

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

	Computer software
Useful lives	Finite
Amortization method used	Amortized on a straight- line basis over the estimated useful life
Internally generated or acquired	Acquired

(16) Impairment of non-financial assets

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

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

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

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

(17) Provisions

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

Maintenance warranties

A provision is recognized for expected warranty claims on products sold, based on past experience, management’s judgment and other known factors.

(18) Treasury shares

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

(19) Revenue recognition

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

Sale of goods

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

A. the significant risks and rewards of ownership of the goods have passed to the buyer;
B. neither continuing managerial involvement nor effective control over the goods sold have been retained;
C. the amount of revenue can be measured reliably;
D. it is probable that the economic benefits associated with the transaction will flow to the entity;
E. the costs incurred in respect of the transaction can be measured reliably.

Rendering of Services

Revenue from Information systems integration services is recognized by reference to the stage of completion. Stage of completion is measured by reference to the proportion that contract cost incurred for work performed to date bear to the estimated total contract costs. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered.

Interest income

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

Dividends

Revenue is recognized when the Company’s right to receive the payment is established.

Rent Income

Rental income from operating lease is accounted by straight-line basis on the period of lease.

(20) Borrowing costs

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

(21) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the Company receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the statement of comprehensive income over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as additional government grant.

(22) Post-employment benefits

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

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognized expenses for the defined contribution plan in the period in which the contribution becomes due.

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

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

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

The post-employment benefit plan cost in interim periods adopts the post-employment benefit plan cost ratio of the previous year. The base of the calculation starts from the beginning of the year to and ends at the period end. In addition, the effect of significant market fluctuations, significant deductions, payback or other significant one-time events is adjusted and disclosed.

(23) Income taxes

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

Current income tax

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

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

Deferred tax

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

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

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

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

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

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

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

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

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

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

The income tax expense in interim periods is accrued and disclosed using the tax rate applicable to the total income in the corresponding year. Namely, the estimated effective interest rate is applied to the interim pre-tax income.

5. Significant accounting judgements, estimates and assumptions

The preparation of the Company’s parent only financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at balance sheet date. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

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

(1) Fair value of financial instruments

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

(2) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs that would be directly attributable to the disposal of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

(3) Pension benefits

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

(4) Revenue recognition - sales returns and allowance

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

(Expressed in Thousands of New Taiwan Dollars unless otherwise specified)

(5) Income tax

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

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

6. Contents of significant accounts

(1) Cash and cash equivalents

	As of December 31,	
	2016	2015
Cash on hand & demand deposits	$51,691	$47,099
Cash in banks	2,003,192	2,153,193
Time deposits	23,268	-
Cash in transit	17,889	5,688
Total	$2,096,040	$2,205,980

(Expressed in Thousands of New Taiwan Dollars unless otherwise specified)

(2) Financial assets at fair value through profit or loss, current

	As of December 31,	
	2016	2015
Held for trading:		
Derivatives not designated as hedging instruments		
Forward foreign exchange contracts	$5,071	$4,479
Non-derivative financial assets		
Open-end funds	18,859	19,721
Total	$23,930	$24,200

Held for trading financial assets were not pledged.

(3) Available-for-sale financial assets

	As of December 31,	
	2016	2015
Stocks	$394,257	$394,812
Current	$381,470	$382,528
Non-current	12,787	12,284
Total	$394,257	$394,812

Financial assets available-for-sale were not pledged.

(4) Held-to-maturity financial assets

	As of December 31,	
	2016	2015
Bonds	$20,000	$20,000
Corporate bonds	806,250	-
Total	$826,250	$20,000
Current	$826,250	$20,000
Non-current	-	-
Total	$826,250	$20,000

Financial assets held-to-maturity were not pledged.

On March 23, 2016, the board of directors of the Company resolved to purchase secured bonds of Chunghwa Pictures Tubes (Bermuda) Ltd. (“CPTB”) amounting to USD 25,000 thousand. The issuance period was a year and the principal is paid upon maturity.

(Expressed in Thousands of New Taiwan Dollars unless otherwise specified)

(5) Financial assets measured at cost

	As of December 31,	
	2016	2015
Stocks	$31,538	$29,538

Current	$29,238	$29,238
Non-current	2,300	300
Total	$31,538	$29,538

The above investments in the equity instruments of unlisted entities are measured at cost as the fair value of these investments are not reliably measurable due to the fact that the variability in the range of reasonable fair value measurements is significant for that investment and that the probabilities of the various estimates within the range cannot be reasonably assessed and used when measuring fair value.

Financial assets measured at cost were not pledged.

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

	As of December 31,	
	2016	2015
Cash in banks	$114,046	$20,000
Time deposits	3,668,322	3,181,669
Total	$3,782,368	$3,201,669

	As of December 31,	
	2016	2015
Current	$3,655,814	$3,170,899
Non-current	126,554	30,770
Total	$3,782,368	$3,201,669

Please refer to Note 8 for more details on debt instrument investments for which no active market exists that were pledged as collateral.

(Expressed in Thousands of New Taiwan Dollars unless otherwise specified)

(7) Notes receivable and notes receivable-related parties

	As of December 31, 2016	As of December 31, 2015
Notes receivables arising from operating activities	$256,817	$296,180
Less: allowance for doubtful debts	-	-
Subtotal	256,817	296,180
Notes receivables-related parties	-	1,775
Less: allowance for doubtful debts	-	-
Subtotal	-	1,775
Total	$256,817	$297,955

Notes receivables were not pledged.

(8) Accounts receivable and accounts receivable-related parties

	As of December 31, 2016	As of December 31, 2015
Accounts receivable	$1,815,867	$1,990,697
Less: allowance for doubtful debts	(92,132)	(85,577)
Net	1,723,735	1,905,120
Installment accounts receivable	497,239	544,311
Less: unrealized interest revenue – trade receivables from installment sales	(593)	(951)
Less：allowance for doubtful debts	-	-
Net	496,646	543,360
Subtotal	2,220,381	2,448,480
Accounts receivable-related parties	1,956,831	2,000,244
Less: allowance for doubtful debts	(315)	(129)
Less: unrealized interest revenue – trade receivables from installment sales	(855)	(3,606)
Net	1,955,661	1,996,509
Total	$4,176,042	$4,444,989

(Expressed in Thousands of New Taiwan Dollars unless otherwise specified)

The expected recovery of the accounts receivables from installment sales is as follows:

	As of December 31, 2016	As of December 31, 2015
Not later than one year	$252,549	$189,385
Later than one year and not later than two years	181,161	182,871
Later than two years	63,529	172,055
	$497,239	$544,311

Accounts receivables were not pledged.

The Company's credit term are generally 30-180 day terms. The movements in the provision for impairment of accounts receivable and accounts receivable-related parties are as follows:

	Individually impaired	Collectively impaired	Total
As of January 1, 2016	$20,135	$65,571	$85,706
Charge (reversal) for the current period	-	6,741	6,741
As of December 31, 2016	$20,135	$72,312	$92,447
As of January 1, 2015	$20,135	$142,661	$162,796
Charge (reversal) for the current period	-	(77,090)	(77,090)
As of December 31, 2015	$20,135	$65,571	$85,706

Impairment loss that was individually determined for the years ended December 31, 2016 and 2015 arose due to the fact that the counterparty was in financial difficulties. The amount of impairment loss recognized was the difference between the carrying amount of the trade receivable and the present value of its expected recoverable amount. The Company did not hold any collateral for such trade receivables.

Aging analysis of account receivables and account receivables-related parties that were past due as of the balance sheet date but not impaired is as follows:

		Past due but not impaired			
As of	Neither past due nor impaired	1 to 6 months	6 months to 1 year	More than 1 year	Total
December 31, 2016	$3,687,794	$456,883	$21,230	$10,135	$4,176,042
December 31, 2015	$4,038,859	$395,926	$211	$9,993	$4,444,989

(Expressed in Thousands of New Taiwan Dollars unless otherwise specified)

(9) Construction receivables (including from related parties)

	As of December 31, 2016	As of December 31, 2015
Accumulated cost incurred	$3,640,841	$4,801,735
Accumulated recognized project profit (loss)	195,462	320,775
Accumulated amount of construction progress	(3,597,359)	(4,268,609)
Construction receivables	$238,944	$853,901

As of December 31, 2016

Items (Note 1)	Contract proceeds	Contract costs incurred	Accumulated recognized total project profit(loss)	Percentage of completion (Note 2)	Amounts billed based on construction progress	Construction contracts receivable
Percentage of completion method						
Category A	$44,443	$36,233	$5,967	91%~100%	$34,141	$8,059
Category B	96,855	79,563	8,386	0%~100%	48,974	38,975
Category C	4,817,260	3,479,257	179,157	1%~100%	3,471,752	186,662
Category D	1,036,738	45,788	1,952	1%~28%	42,492	5,248
Total	$5,995,296	$3,640,841	$195,462		$3,597,359	$238,944

As of December 31, 2015

Items (Note 1)	Contract proceeds	Contract costs incurred	Accumulated recognized total project profit(loss)	Percentage of completion (Note 2)	Amounts billed based on construction progress	Construction contracts receivable
Percentage of completion method						
Category A	$82,700	$67,012	$7,045	25%~100%	$52,703	$21,354
Category B	174,979	136,933	9,905	0%~100%	42,760	104,078
Category C	6,512,992	4,597,790	303,825	0%~100%	4,173,146	728,469
Total	$6,770,671	$4,801,735	$320,775		$4,268,609	$853,901

(Note 1: Projects involving similar products have been combined as a single item.)
(Note 2: The percentage of completion varied in each project, it is therefore presented as a range)

As of December 31, 2016 and 2015, the above construction projects had not generated construction retainage of construction contracts.

(Expressed in Thousands of New Taiwan Dollars unless otherwise specified)

(10) Inventory

The details of inventories are as follows:

	As of December 31, 2016	As of December 31, 2015
Raw materials	$632,237	$715,286
Work in progress	1,507,533	1,445,113
Finished good	1,300,761	1,421,222
Inventories in transit	51,772	33,469
Construction in progress	362,388	427,869
Total	$3,854,691	$4,042,959

The cost of inventories recognized in expenses amounted to NTD 14,622,504 thousand and NTD 16,450,446 thousand, including gain from price recovery of inventory of NTD 107,749 thousand and loss on allowance for inventory valuation of NTD 246,508 thousand for the years ended December 31, 2016 and 2015, respectively.

The gain from price recovery of inventory resulted from selling inferior inventories, therefore the cause for the net realizable value of inventory to be lower than the cost no longer existed.

Inventories were not pledged.

(11) Investments accounted for using the equity method

A. The following table lists the investments accounted for using the equity method of the Company:

	As of December 31,			
	2016		2015	
Name of investee company	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Investment in subsidiaries:				
Listed companies				
Chunghwa Picture Tubes, Ltd. (Note 1)	$2,116,018	25.49	$(644,343)	8.46
Tatung System Technologies Inc.	499,791	53.60	493,761	53.60
Forward Electronics Co., Ltd.	(107,307)	12.05	122,290	12.05
San Chih Semiconductor Co., Ltd.	932,455	43.18	1,218,386	43.18
Tatung Fine Chemicals Co.	167,816	48.27	243,270	48.27
Subtotal	3,608,773		1,433,364	

(Expressed in Thousands of New Taiwan Dollars unless otherwise specified)

	December 31, 2016		December 31, 2015	
Name of investee company	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Non-public companies				
Taiwan Telecommunication Industry Co., Ltd.	$(774,672)	100.00	$(765,665)	100.00
Central Research Technology Co.	54,938	100.00	60,001	100.00
Tatung Consumer Products (Taiwan) Co., Ltd.	(843,320)	99.10	(677,127)	99.10
Tatung Sm-Cycle Co., Ltd.	165,688	85.33	171,759	85.33
Shang-Chih Asset Development Co.	30,986,043	100.00	31,350,588	100.00
Chunghwa Electronic Investment Co., Ltd.	994,288	93.27	697,193	93.27
Tatung Die Casting Co.	47,752	51.00	41,867	51.00
Tatung (Thailand) Co., Ltd.	353,723	92.23	344,002	100.00
Tatung Company of Japan, Inc.	626,519	100.00	594,834	100.00
Tatung Electronics(S) Pte. Ltd.	106,158	90.00	58,849	90.00
Tatung Wire & Cable (Thailand) Co., Ltd.	73,439	100.00	74,218	100.00
Tatung Singapore Information Co., Ltd.	(22,959)	100.00	71,499	100.00
Tatung Electric (Singapore) Pte. Ltd.	859,137	100.00	865,023	100.00
Tatung Co. of America Inc.	136,528	50.00	139,447	50.00
Tatung Mexico S.A de C.V.	236,785	100.00	272,135	100.00
Tatung Science and Technology Inc.	8,130	100.00	8,371	100.00
Tatung Electric Company of America, Inc.	184,545	100.00	196,587	100.00
Tatung Netherlands B.V.	(125,852)	100.00	(125,852)	100.00
TATUNG CZECH s.r.o	21,593	100.00	33,342	100.00
Tatung Medical Healthcare Technologies Co., Ltd. (Note 2)	205,761	95.08	197,160	95.02
Toes Opto-Mechatronics Co.	63,481	85.00	106,848	85.00
Tatung Vietnam Co. Ltd.	(243,822)	100.00	(207,910)	100.00
Tatung Electric Technology (Vietnam) Co., Ltd.	40,257	100.00	53,034	100.00
Shang Chih Investment Co., Ltd.	499,474	95.83	461,971	95.83
Chih Sheng Investment Co., Ltd.	704,151	100.00	824,686	100.00
Taipei Industry Corporation	14	0.0026	19	0.0026
Tatung Forever Energy Co., Ltd. (Note 3)	194,564	98.12	99,841	100.00
Chunghwa Picture Tubes (Labuan) Ltd. (Note 4)	806,760	41.03	-	-
Tatung Global Strategy Investment And Trading (BVI) Inc.	(677,463)	100.00	(863,923)	100.00
Absolute Alpha Limited	20,090	100.00	20,573	100.00
Leap High Limited (Note 5)	6,289	65.00	-	-
Subtotal	34,708,019		34,103,370	

(Expressed in Thousands of New Taiwan Dollars unless otherwise specified)

	December 31, 2016		December 31, 2015	
Name of investee company	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Investment in associates:				
Listed companies				
Elitegroup Computer System Co., Ltd.	$3,846,228	27.35	$4,543,168	27.35
Non-public companies				
Tatung-Okuma Co., Ltd.	1,074,358	49.00	956,486	49.00
Kuender & Co., Ltd.	142,461	50.00	439,824	50.00
Hsieh Chih Industrial Library Publishing Co.	931	6.91	901	6.91
Chung-Tai Technology Development Engineering Co.	14,162	22.00	14,646	22.00
Lansong International Co., Ltd.	-	98.33	-	98.33
Subtotal	5,078,140		5,955,025	
The balance of the investment accounted for using equity method	43,394,932		41,491,759	
Add: the credit balance of the investment accounted for using equity method	2,795,395		3,284,820	
Total	$46,190,327		$44,776,579	

B. Investments in subsidiaries:

Investments in subsidiaries were presented as investments accounted for using the equity method and adjusted by necessary measurements.

Note 1: The prepayment for investments, totaling NTD 2,285,522 thousand is included so the shareholding percentage rose to 25.49%. The amount derived from the litigation dispute between the Company and Compal Electronics, Inc ("Compal"). On January 11, 2017, the Supreme Court refuted the appeal of Compal and finalized the ruling. Compal requested that the Company imposes the mediation result and thus the Company estimated the amount for the payment as of the balance sheet date. Please refer to Note 9.1.(5) for information regarding the mediation.

Note 2: Tatung Medical Healthcare Technologies Co., Ltd. held a capital injection in August, 2016. The Company subscribed to the shares proportionately and thus its holding percentage increased to 95.08%.

Note 3: Tatung Forever Energy Co., Ltd. held a capital injection in January, 2016, but the Company did not subscribe the shares, and thus the Company's holding percentage decreased to 98.12%.

Note 4: In March, 2016, the Company signed a share purchase agreement with CPT to purchase 41.03% of the total shares of Chunghwa Picture Tubes (Labuan) Ltd., totaling 8,000 thousand shares and the transaction amounted to NTD 968,560 thousand. The settlement date was June 30, 2016. The transfer did not affect the controlling power of the Company over CPTL, and thus CPTL is still a subsidiary.

Note 5: The Company invested USD 300 thousand in November 2016 to establish Leap High Ltd., holding 65% of its shares.

For the years ended December 31, 2016 and 2015, the Company received dividends from investing in subsidiaries and associates using the equity method were amounting to NTD 1,164,044 thousand and 2,381,926 thousand, respectively.

Please refer to Note 8 on investment in subsidiaries that were pledged as collateral.

C. Investments in associates:

a. Information on the material associate of the Company:

Company name: Elitegroup Computer Systems Co., Ltd.

Nature of the relationship with the associate: Elitegroup Computer Systems Co., Ltd. is in the business of manufacturing and selling related products in the Company's industry chain. The Company invested in Elitegroup Computer Systems Co., Ltd. for the purpose of upstream/downstream integration.

Principal place of business (country of incorporation): Taiwan

Fair value of the investment in the associate when there is a quoted market price for the investment: Elitegroup Computer Systems Co., Ltd. is a listed entity on the Taiwan Stock Exchange (TWSE). The fair value of the investment in Elitegroup Computer Systems Co., Ltd. was NTD2,378,616 thousand and NTD3,087,627 thousand, as of December 31, 2016 and 2015, respectively.

Reconciliation of the associate's summarized financial information presented to the carrying amount of the Company's interest in the associate:

(Expressed in Thousands of New Taiwan Dollars unless otherwise specified)

The summarized financial information of the associate is as follows:

	As of December 31,	
	2016	2015
Current assets	$16,383,504	$19,240,314
Non-current assets	7,001,020	7,003,961
Current liabilities	(10,710,784)	(11,158,840)
Non-current liabilities	(698,150)	(631,634)
Equity	11,975,590	14,453,801
Proportion of the Company's ownership	27.35%	27.35%
Subtotal	3,275,324	3,953,115
Goodwill	614,638	614,638
Other adjustments	(43,724)	(24,585)
Carrying amount of the investment	$3,846,238	$4,543,168

	For the years ended December 31,	
	2016	2015
Operating revenue	$29,495,931	$48,386,567
Profit from continuing operations	(878,808)	1,111,205
Other comprehensive income	(484,597)	(95,198)
Total comprehensive income	(1,363,405)	1,016,007

b. Except the associate mentioned above, other associates were not individually material. The aggregate financial information based on Company's share of other associates was as follows:

	For the years ended December 31,	
	2016	2015
Profit from continuing operations	$51,568	$24,046
Other comprehensive income, net of income tax	2,173	-
Total comprehensive income	53,741	24,046

c. The associates had no contingent liabilities or capital commitments as of December 31, 2016 and 2015, nor did the associates provide collaterals.

d. Please refer to Note 8 for the investments in associates pledged as collateral of the Company.

D. The balances of certain investments accounted for under the equity method that were audited by other auditors were NTD5,147,543 thousand and NTD 5,610,127 thousand as of December 31, 2016 and 2015, respectively. The balances of share of profit of associates accounted for using equity method that were audited by other auditors were NTD (235,052) thousand and NTD 207,718 thousand for the years ended December 31, 2016 and 2015, respectively. The balances of share of other comprehensive income (loss) of associates and joint ventures that were audited by other auditors were NTD (114,986) thousand and NTD 565 thousand as of December 31, 2016 and 2015, respectively.

(Expressed in Thousands of New Taiwan Dollars unless otherwise specified)

(12) Property, plant and equipment

A. The details of property, plant and equipment are as follows:

	Buildings	Machinery and equipment	Office equipment	Transportation equipment	Leasehold improvements	Other equipment	Construction in progress and equipment awaiting examination	Total
Cost:								
As of January 1, 2016	$632,484	$6,731,400	$400,863	$61,508	$413,495	$1,513,665	$571,105	$10,324,520
Additions	3,745	29,226	12,476	510	35,544	50,544	643,609	775,654
Disposals	(95,800)	(557,664)	(30,477)	(2,906)	(7,556)	(82,018)	(6,526)	(782,947)
Other changes (Note)	1,084	893,459	2,306	-	6,195	31,153	(563,615)	370,582
As of December 31, 2016	$541,513	$7,096,421	$385,168	$59,112	$447,678	$1,513,344	$644,573	$10,687,809
As of January 1, 2015	$632,051	$6,095,510	$425,545	$60,666	$351,739	$1,612,001	$537,484	$9,714,996
Additions	50	373,115	23,027	4,301	53,257	176,743	278,792	909,285
Disposals	(427)	(112,726)	(27,617)	(3,459)	(931)	(156,535)	(90)	(301,785)
Other changes (Note)	810	375,501	(20,092)	-	9,430	(118,544)	(245,081)	2,024
As of December 31, 2015	$632,484	$6,731,400	$400,863	$61,508	$413,495	$1,513,665	$571,105	$10,324,520
Depreciation and impairment:								
As of January 1, 2016	$(467,089)	$(4,887,917)	$(325,241)	$(54,088)	$(210,180)	$(1,319,298)	$-	$(7,263,813)
Depreciation	(15,527)	(342,153)	(41,581)	(2,032)	(73,051)	(85,636)	-	(559,980)
Disposals	90,805	552,834	30,445	2,873	5,889	79,760	-	762,606
Other changes (Note)	414	-	-	-	(414)	-	-	-
As of December 31, 2016	$(391,397)	$(4,677,236)	$(336,377)	$(53,247)	$(277,756)	$(1,325,174)	$-	$(7,061,187)
As of January 1, 2015	$(450,895)	$(4,679,832)	$(308,537)	$(55,084)	$(152,687)	$(1,366,203)	$-	$(7,013,238)
Depreciation	(16,620)	(284,998)	(55,001)	(2,435)	(58,256)	(72,033)	-	(489,343)
Disposals	426	87,676	27,534	3,431	763	122,544	-	242,374
Other changes (Note)	-	(10,763)	10,763	-	-	(3,606)	-	(3,606)
As of December 31, 2015	$(467,089)	$(4,887,917)	$(325,241)	$(54,088)	$(210,180)	$(1,319,298)	$-	$(7,263,813)
Net carrying amount as of:								
December 31, 2016	$150,116	$2,419,185	$48,791	$5,865	$169,922	$188,170	$644,573	$3,626,622
December 31, 2015	$165,395	$1,843,483	$75,622	$7,420	$203,315	$194,367	$571,105	$3,060,707

(Note: Including transfer from advance payments of equipment and reclassification.)

No borrowing costs were capitalized as property, plant and equipment for the years ended December 31, 2016 and 2015.

(Expressed in Thousands of New Taiwan Dollars unless otherwise specified)

Components of buildings, including main building structure, electronic engineering, electrical engineering, fire engineering, air conditioning units and elevators, are depreciated by their own respective useful lives.

Please refer to Note 8 for more details on property, plant and equipment that were pledged as collateral.

B. Assets related to Tatung University are described as follows:

As of December 31, 2016, the carrying amount of Hsin-She-Gong Building ("the Building") was NTD 130,840 thousand. As of the audit report date of these consolidated financial statements, the ownership registration was still in progress, however, pursuant to R.O.C. Civil Code, the ownership of the Building belongs to the Company.

Property Rights Registration and Execution of specific development plan for the Hsin-She-Gong Building Project

On May 6, 2016, Hsin-She-Gong Building has been purchased by Shan-Chih Asset Development and the transfer of the title was completed. The related development involved issues such as land usage modifications and urban planning. The long term plans still need continuing communication between Tatung University and the Education ministry and integrated planning. Hsin-She-Gong Building is still in use according to the current condition. Construction and fire safety checks were implemented to ensure safety and demonstrate maximum utility.

(13) Intangible assets

Computer software cost

	Cost	Amortization and impairment	Net book value
As of January 1, 2016	$235,483	$(163,450)	$72,033
Addition	40,095	-	40,095
Amortization	-	(53,045)	(53,045)
As of December 31, 2016	$275,578	$(216,495)	$59,083
As of January 1, 2015	$213,856	$(112,486)	$101,370
Addition	33,014	-	33,014
Disposals	(11,387)	11,387	-
Amortization	-	(62,351)	(62,351)
As of December 31, 2015	$235,483	$(163,450)	$72,033

(Expressed in Thousands of New Taiwan Dollars unless otherwise specified)

Amortization expense of intangible assets under the statement of comprehensive income:

	For the years ended December 31,	
	2016	2015
Operating costs	$2,210	$1,520
Operating expense	$50,835	$60,831

(14) Other non-current assets

	As of December 31,	
	2016	2015
Advance payments in equipment	$12,601	$42,691
Other non-current assets - other	283,264	186,292
Total	$295,865	$228,983

With respect to the above other non-current assets – other, part of the lands and land prepayment in the amount of NTD 70,073 thousand and NTD 4,669 thousand were held temporarily under third parties' name because of regulatory requirements or other reasons as of December 31, 2016 and 2015. In order to secure the Company's right over the lands, the Company has adopted relevant security measures, including having the lands pledged to the Company.

(15) Long-term receivables-net

	As of December 31,	
	2016	2015
Tatung InfoComm Co., Ltd.	$644,799	$632,972
Other	107,024	
Less: allowance for doubtful debts	(520,799)	(508,972)
Net	$231,024	$124,000

On March 30, 2012, the Company entered into a share purchase contract with Vee Telecom Multimedia Co., Ltd. Under the contract, the Company would sell all of its shares of its subsidiary, Tatung InfoComm Co., Ltd., to Vee Telecom Multimedia Co., Ltd. Moreover, the Company's financing to Tatung InfoComm Co., Ltd in the amount of NTD 557,980 thousand would be repaid by Tatung InfoComm Co., Ltd. However, Tatung InfoComm co., Ltd. was not able to repay the Company as contracted. In addition to taking measures to secure creditor rights, the Company evaluated the financial condition of Tatung InfoComm co., Ltd. and the likelihood to recover, to recognize allowance for bad debts.

(Expressed in Thousands of New Taiwan Dollars unless otherwise specified)

(16) Short-term loans

	Interest Rates (%)	As of December 31, 2016	As of December 31, 2015
Unsecured bank loans	1.77%-2.54%	$2,027,000	$3,228,000
L/C loans	1.06%-2.94%	1,084,412	1,189,573
Short-term loans in foreign currency	1.06%-3.15%	840,892	1,088,766
Subtotal		3,952,304	5,506,339
Due to employees	0.17%	16,454	18,264
Total		$3,968,758	$5,524,603

The Company's unused short-term lines of credits amounted to NTD 2,775,357 thousand and NTD 3,679,348 thousand, as of December 31, 2016 and 2015, respectively.

(17) Short-term notes and bills payable

Guarantors	Interest Rates (%)	As of December 31, 2016	As of December 31, 2015
Unsecured domestic bills payable	0.85%-1.17%	$200,000	$550,000
Less: Unamortized discount		(77)	(241)
Net		$199,923	$549,759

(18) Financial liabilities at fair value through profit or loss - current

	As of December 31, 2016	As of December 31, 2015
Held for trading:		
Derivatives not designated as hedging Instruments		
Foreign currency option	$260	$807

(19) Long-term deferred revenue

	As of December 31, 2016	As of December 31, 2015
Non-current deferred revenue	$-	$85,000

The non-current deferred revenue is generated from unearned rent from operating lease.

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

(20) Long-term loans

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

Lenders	As of December 31, 2016	As of December 31, 2015	Interest rate (%)(Note)	Maturity date and terms of repayment
Secured Long-term loans from King's Town Bank	$-	$800,000	0.81	Effective from January 26, 2016 to January 26, 2018. The principal will be repaid upon maturity.
Secured Long-term loans from King's Town Bank	527,000	-	2.56	Medium-term secured loan (in batches), the loan amount of 600 million (non-revolving use, used in batches, each loan use up to 2 years, cannot exceed expiry date, interest payments due monthly, the grace period of 12 months, first repayment date being the end date of the grace period, quarterly repayment of the 25% of the amount of the loan agreement, balance being reduced if no principal, principal being repaid upon maturity).
Secured Long-term loans from King's Town Bank	900,000	-	2.61	Medium-term unsecured loan (in batches), the loan amount of 900 million (non-revolving use, used in batches, each loan use up to 2 years, cannot exceed expiry date, interest payments due monthly, the grace period of 12 months, first repayment date being the end date of the grace period, quarterly repayment of the 25% of the amount of the loan agreement, balance being reduced if no principal, principal being repaid upon maturity).
Secured Long-Term loans from Bank of Taiwan	-	150,000	2.30	Effective from August 4, 2011 to July 28, 2016. The first repayment date is 2 years after the date of this loan agreement effective; and interest is paid monthly. Principal is repaid in 6 semi-annually payments.
Secured Long-term loans from Bank SinoPac	84,265	96,749	2.57~2.78	Effective July 9, 2014 to July 9, 2023. Since the first use date, principal is repaid in 36 quarterly payments.
Secured Long-term loans from Bank SinoPac	289,625	317,208	2.72~2.94	Effective April 27, 2015 to April 27, 2027. Since the first use date, principal is repaid in 48 quarterly payments.
Unsecured long-term loans from Bank SinoPac	-	500,000	2.00	Effective June 27, 2016 to December 31, 2017. The principal will be repaid upon maturity.
Unsecured long-term loans from Mega International Commercial Bank	-	1,200,000	2.53	Effective January 12, 2016 to January 11, 2018. The principal will be repaid upon maturity.
Unsecured long-term loans from Taishin International Bank	-	200,000	2.68	Effective December 25, 2015 to December 25, 2017. The principal will be repaid upon maturity.

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

Lenders	As of December 31, 2016	2015	Interest rate (%)(Note)	Maturity date and terms of repayment
Unsecured long-term loans from Taishin International Bank	$-	$3,000,000	1.80	Effective December 30, 2015 to December 30, 2019. The 1st repayment of principal is in 6 months after first draw. The remaining principal is repaid in 8 semi-annual payments. The credit will be decreased by 12.5% in each repayment.
Unsecured long-term loans from Chang Hwa Bank	-	800,000	2.27~2.34	Effective December 21, 2015 to December 21, 2017. The principal will be repaid upon maturity.
Unsecured long-term loans from Hua Nan Bank	-	1,740,000	2.37	Effective May 22, 2015 to May 22, 2017. The principal will be repaid upon maturity.
Unsecured long-term loans from Taiwan Cooperative Bank	1,100,000	1,300,000	2.09~2.28	Effective August 19, 2016 to August 19, 2018. The principal will be repaid upon maturity.
Unsecured long-term loans from Far Eastern International	703,040	962,684	1.80~2.16	Effective December 10, 2015 to December 10, 2018. The principal will be repaid upon maturity.
The Export-Import Bank Of the ROC	-	60,000	2.41	Effective December 11, 2013 to May 13, 2016. The 1st repayment of principal is in 6 months after first draw. The remaining principal is repaid in 5 semi-annually payments. The last repayment is no longer than 2 year and 6 months after execution date of the loan agreement.
Unsecured long-term loans from EnTie Commercial Bank	-	200,000	2.41	Effective November 24, 2015 to November 24, 2017. Since the first use date principal is repaid in 10 quarterly payments.
Secured Syndicated loans from Taishin International Bank	-	4,400,000	2.84	Effective June 13, 2014 to June 13, 2018. The 1st repayment of principal is in 36 months after first draw. The remaining principal is repaid in 3 semi-annually payments. The 1st and 2nd repayments will be both at 20% and the remaining 60% will be repaid in the 3rd repayment.
Secured Syndicated loans from First Bank	-	2,200,000	2.63	Effective September 16, 2013 to September 16, 2018. The 1st repayment of principal is in 18 months after first draw. The remaining principal is repaid in 4 semi-annually repayments. The 1st to 3rd payments will be 10% and the remaining 70% will be repaid in the 4th repayment. The loan agreement was extended to September 16, 2018 with the agreement obtained from the banks. The original date of 4th repayment change to the first repayment date after the extension, the remaining principal is repaid in 5 semi-annually payments.

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

Lenders	As of December 31, 2016	2015	Interest rate (%)(Note)	Maturity date and terms of repayment
Secured Syndicated loans from Bank SinoPac	$-	$1,000,000	2.64	Effective September 30, 2015 to September 30, 2017. The 1st repayment of principal is in 18 months after first draw. The remaining principal is repaid in 3 quarterly payments. The 1st and 2nd repayments will decrease the credit by 30% each, and the remaining 40% will be repaid in the 3rd repayment.
Secured Syndicated loans from Bank of Taiwan	-	800,000	2.38	Effective March 31, 2014 to March 31, 2017. The 1st repayment of principal is in 24 months after first draw. The remaining principal is repaid in 2 semi-annually payments. The 1st and 2nd repayments will decrease the credit by 20% each, and the remaining 60% will be repaid in the 3rd repayment.
Secured Syndicated loans from Bank of Taiwan	-	480,000	2.38	Effective March 31, 2014 to March 31, 2017. Only one withdraw is allowed. The loan should be withdraw in the first six months of the effective period. The credit period should be twelve months after withdraw. The 1st repayment of principal is in 12 months after first draw. The remaining principal is repaid in 5 semi-annually payments.
Secured Syndicated loans from Bank of Taiwan	16,200,000	-	2.06	Effective December 23, 2016 to December 23, 2021. The 1st repayment of principal is in 3 years after first draw. The remaining principal is repaid in 5 semi-annually repayments. The 1st to 4th payments will be 5% and the remaining 80% will be repaid in the 5th repayment.
Secured Syndicated loans from Bank of Taiwan	5,840,000	-	2.06	Effective December 23, 2016 to December 23, 2021. The 1st repayment of principal is in 3 years after first draw. The remaining principal is repaid in 5 semi-annually repayments. The 1st and 4th repayments will decrease the credit by 5% each, and the remaining 80% will be repaid in the 5th repayment.
Hua Nan Bank L/C loans (USD)	19,259	197,806	1.80~3.04	Principal is repaid in 180 days after first draw. The duration of the loan is two years.
Hua Nan Bank L/C loans (RMB)	12,443	-	8.48	Principal is repaid in 180 days after first draw. The duration of the loan is two years.
Hua Nan Bank L/C loans (SEK)	-	4,184	5.40	Principal is repaid in 180 days after first draw. The duration of the loan is two years.
Chang Hwa Bank L/C loans (USD)	-	169,640	1.55~1.94	Principal is repaid in 180 days after first draw. The duration of the loan is two years.
Chang Hwa Bank L/C loans (EUR)	-	67,960	1.02~1.12	Principal is repaid in 180 days after first draw. The duration of the loan is two years.
Mega Bank L/C loans (USD)	27,913	369,378	2.11~3.41	Principal is repaid in 180 days after first draw. The duration of the loan is two years.

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

	As of December 31,		Interest rate	
Lenders	2016	2015	(%)(Note)	Maturity date and terms of repayment
Hua Nan Bank secured loans in a foreign currency (USD)	$-	$179,116	1.69~2.01	Principal is repaid in 180 days after first draw. The duration of the loan is two years.
Chang Hwa Bank secured loans in a foreign currency (USD)	-	37,339	1.94	Principal is repaid in 180 days after first draw. The duration of the loan is two years.
Mega Bank secured loans in a foreign currency (USD)	-	61,153	2.33~2.38	Principal is repaid in 180 days after first draw. The duration of the loan is two years.
Two-year loans due to stockholders and employees	17,353	17,453		
Subtotal	25,720,898	21,310,670		
Less: unamortized issuing cost	(205,640)	(56,891)		
	25,515,258	21,253,779		
Less: current portion	(1,109,420)	(3,321,520)		
Total	$24,405,838	$17,932,259		

(Note: Interest rates are rounded off to the second decimal place.)

Shan-Chih Asset Development Co. guaranteed the Company’s long-term loans. As of December 31, 2016 and 2015, the balance of guarantees was NTD 28,200,000 thousand and NTD 12,950,000 thousand, respectively; the Company’s Chairman, W.S. Lin, guaranteed some of the Company’s bank loans.

For the years ended December 31, 2016 and 2015, certain long term loans of the Company included debt covenants requiring minimum levels of liquidity ratio, liability to equity ratio, and net assets value. For the years ended December 31, 2016 and 2015, the Company did not breach any such covenants, therefore there was no immediate repayment of the loans triggered by breach of covenants.

Please refer to Note 8 for assets pledged as collateral for long-term loans.

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

(21) Post-employment benefits

Defined contribution plan

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

Expenses under the defined contribution plan for the years ended December 31, 2016 and 2015 were NTD 69,421 thousand and NTD 73,404 thousand, respectively.

Defined benefits plan

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

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandates, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute NTD 566,000 thousand to its defined benefit plan during the 12 months beginning after December 31, 2016.

As of December 31, 2016 and 2015, the maturity year of the defined benefit plan is 2016.

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

	For the years ended December 31,	
	2016	2015
Current period service costs	$14,272	$19,831
Interest income or expense	13,229	21,731
Payments from the plan	(278)	(58)
Total	$27,223	$41,504

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	As of		
	2016.12.31	2015.12.31	2015.1.1
Defined benefit obligation	$2,314,571	$2,645,880	$2,897,540
Plan assets at fair value	(485,830)	(55,639)	(7,707)
Subtotal	1,828,741	2,590,241	2,889,833
Other	2,610	2,610	2,500
Other non-current liabilities - Accrued pension liabilities recognized on the consolidated balance sheets	$1,831,351	$2,592,851	$2,892,333

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
As of January 1, 2015	$2,897,540	$(7,707)	$2,889,833
Current period service costs	19,831	-	19,831
Net interest expense (income)	21,731	(58)	21,673
Subtotal	2,939,102	(7,765)	2,931,337
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in financial assumptions	7,000	-	7,000
Experience adjustments	(28,953)	-	(28,953)
Return on plan assets	-	(1,526)	(1,526)
Subtotal	(21,953)	(1,526)	(23,479)
Payments from the plan	(271,269)	271,269	-
Contributions by employer	-	(317,617)	(317,617)
As of December 31, 2015	$2,645,880	$(55,639)	$2,590,241
Current period service costs	14,272	-	14,272
Net interest expense (income)	13,229	(278)	12,951
Subtotal	2,673,381	(55,917)	2,617,464
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in population assumptions	27,984	-	27,984
Actuarial gains and losses arising from changes in financial assumptions	144,262	-	144,262
Experience adjustments	(266,453)	-	(266,453)
Return on plan assets	-	(1,616)	(1,616)
Subtotal	(94,207)	(1,616)	(95,823)
Benefits paid	(88,705)	88,705	-
Payments from the plan	(175,898)	-	(175,898)
Contributions by employer	-	(517,002)	(517,002)
As of December 31, 2016	$2,314,571	$(485,830)	$1,828,741

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As of December 31,	
	2016	2015
Discount rate	1.125%	0.50%
Expected rate of salary increases	2.250%	1.00%

A sensitivity analysis for significant assumption as at December 31, 2016 and 2015 is, as shown below:

	Effect on the defined benefit obligation			
	2016		2015	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.25%	$-	$62,485	$-	$7,000
Discount rate decrease by 0.25%	62,550	-	7,169	-

The sensitivity analyses above are based on a change in the actuarial assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(22) Provisions, current

	Maintenance warranties
As of January 1, 2016	$45,146
Utilized	2,405
As of December 31, 2016	$47,551
As of December 31, 2016	$47,551
As of December 31, 2015	$45,146

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

Maintenance warranties

A provision is recognized for expected warranty claims on products sold, based on past experience, management's judgment and other known factors.

(23) Equities

A. Common stock

As of December 31, 2016 and 2015, the Company's authorized capital and issued capital were NTD 100,000,000 thousand and NTD 23,395,367 thousand, with a par value of NTD 10 dollar, totaling 10,000,000 thousand shares and 2,339,537 thousand shares respectively. Each share is entitled to one voting right and the right to receive dividends.

B. Capital surplus

	As of December 31,	
	2016	2015
Share of changes in net assets of associates and joint ventures accounted for using the equity method	$2,759,706	$680,241
Other	105,135	105,135
Total	$2,864,841	$785,376

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the Company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

C. Treasury stock

As of December 31, 2016 and 2015 the Company's subsidiaries, CPT and its subsidiaries, and Chunghwa Electronics Investment Co., held 70,598 thousand shares and 333 thousand shares of the Company's stock. The stocks mentioned above were held for financing purpose before the amendments of the Company Act on November 12, 2001. In addition, FD, a subsidiary of the Company, purchased 36,236 thousand shares of the Company in 2016. As of December 31, 2016 and 2015, the carrying value of treasury shares are NTD 1,056,865 thousand and NTD 806,870 thousand, respectively.

D. Retained earnings and dividend policies:

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

(a) Payment of all taxes and dues
(b) Offset prior years' operation losses
(c) Appropriate 10% of the remaining amount after deducting items (a) and (b) as a legal reserve
(d) Appropriate or reverse special reserve in accordance with relevant laws or regulations
(e) Appropriate no more than 2% and no less than 1% of the remaining amount after deducting items (a), (b), (c) and (d) as directors' remuneration and employee's compensation, respectively
(f) After deducting items (a), (b), (c) and (d) above from the current year's earnings, the distribution of the remaining portion, if any, will be recommended by the board of directors and resolved in the stockholders' meeting. The distribution of earnings could not be less than 60% of the accumulated distributable earnings

However, according to the amended of Article 235-1 of the Company Act announced on May 20, 2015, the Company shall provide a fixed amount or percentage of the actual profit for a year to be distributed as "employees' compensation". On June 17, 2016, the Company decided on its shareholder's meeting to amend the Company's Articles of Incorporation, stating that the profit should be distributed according to the sequence below:

(a) Payment of all taxes and dues
(b) Offset prior years' operation losses
(c) Appropriate 10% of the remaining amount after deducting items (a) and (b) as a legal reserve
(d) Appropriate or reverse special reserve in accordance with relevant laws or regulations
(e) After deducting items (a), (b), (c) and (d) above from the current year's earnings, the distribution of the remaining portion, if any, will be recommended by the board of directors and resolved in the stockholders' meeting.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

Following the adoption of T-IFRS, the FSC on April 6, 2012 issued Order No. Jin-Guan-Zheng-Fa-Zi No. 1010012865, which sets out the following provisions for compliance:

On a public company's first-time adoption of the T-IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a company's adoption of the T-IFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity for the current fiscal year, provided that the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

As of January 1, 2015, special reserve set aside for the first-time adoption of T-IFRS amounted to NTD 9,975,000 thousand. The Company resolved to recover the special reserve amounted to NTD 124,233 thousand in the shareholders' meeting on June 15, 2015. In the fourth quarter of 2015, the Company disposed of related assets and reversed special reserves of NTD 52,180 thousand. The Company resolved to make up for its losses by special reserve of NTD 3,100,268 thousand in the shareholder's meeting on June 17, 2016. As of December 31, 2016 and 2015, special reserve set aside for the first-time adoption of T-IFRS amounted to NTD 6,946,785 thousand and 10,047,053 thousand, respectively. Unrecovered special reserve amounted to NTD 8,895,725 thousand.

Details of the 2016 deficits compensation as approved by the boards' meeting on March 29, 2017 is as follows:

	Appropriation of earnings
	2016
Special reserve	$2,175,074

Details of the 2015 deficits compensation as approved by the shareholders' meeting on June 17, 2016 is as follows:

	Appropriation of earnings
	2015
Special reserve	$3,100,268

Please refer to Note 6(26) for more details about provision for employees' bonuses and compensation for directors and supervisors.

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

(24) Operating revenue

	For the years ended December 31,	
	2016	2015
Sale of goods	$15,813,268	$16,132,508
Less: sales returns, discounts and allowances	(132,149)	(204,582)
Revenue arising from rendering of services	490,028	553,942
Construction contract revenue	585,661	1,032,739
Other operating revenues	502,824	636,497
Total	$17,259,632	$18,151,104

(25) Operating leases

Company as lessee

The Company entered into commercial leases on land and plants. These leases have an average life of one year with no renewal option included in the contracts. There are no restrictions placed upon the Company by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as of December 31, 2016 and 2015 are as follows:

	As of December 31,	
	2016	2015
Not later than one year	$244,299	$194,081

Operating lease expenses recognized are as follows:

	For the years ended December 31,	
	2016	2015
Minimum lease payments	$254,919	$184,545

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

(26) Summary statement of employee benefits, depreciation and amortization expenses by function during the years ended December 31, 2016 and 2015:

	For the years ended December 31,					
	2016			2015		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	$904,334	$1,169,334	$2,073,668	$1,003,231	$1,149,560	$2,152,791
Labor and health insurance	81,631	103,486	185,117	92,273	111,068	203,341
Pension	27,223	69,421	96,644	45,669	69,239	114,908
Other employee benefits expense	38,096	9,782	47,878	40,364	7,544	47,908
Depreciation	469,772	90,208	559,980	419,689	69,654	489,343
Amortization	2,210	50,835	53,045	1,520	60,831	62,351

As of December 31, 2016 and 2015, the Company employed 3,167 and 3,406 employees, respectively.

The Company resolved in its shareholder’s meeting on June 17, 2016 to amend the Article of Incorporation, stating that if there is a profit, the Company should set aside employee compensation no less than 1% of the profit and board member compensation no more than 2%. When the Company suffers an accumulated deficit, the profit should be retained to recover the deficit. The employee compensation should be paid out by shares or cash, and should be resolved in the board of directors’ meeting, with 2/3 of the board members present and over half of the present members agree. Information of the Board of Directors’ resolution regarding the employees’ compensation and remuneration to directors and supervisors can be obtained from the “Market Observation Post System” on the website of the TWSE.

The Company suffered net loss in 2016 and thus did not estimate employee compensation and remuneration for the directors and supervisors.

As of December 31, 2015, there was unrecovered special reserves. Therefore, the Company did not estimate employee compensation and remuneration for the directors and supervisors.

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

(27) Non-operating income and expenses

A. Other income

	For the years ended December 31, 2016	For the years ended December 31, 2015
Dividend income	$35,994	$26,864
Interest income	80,219	42,669
Others	351,193	401,424
Total	$467,406	$470,957

B. Other gains and losses

	For the years ended December 31, 2016	For the years ended December 31, 2015
Gains (loss) on disposal of property, plant and equipment	$(1,900)	$12,783
Gains on disposal of investments	194	105,070
Foreign exchange (losses) gains, net	(40,058)	15,412
Gains (losses) on financial assets / financial liabilities at fair value through profit or loss	(19,874)	(10,449)
Excise tax dispute loss	-	(385,188)
Other gains and losses	(398,645)	(283,235)
Total	$(460,283)	$(545,607)

C. Finance costs

	For the years ended December 31, 2016	For the years ended December 31, 2015
Interest on borrowings from bank	$695,579	$589,882
Other	449	10,393
Total finance costs	$696,028	$600,275

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

(28) Components of other comprehensive income

For the year ended December 31, 2016:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax benefit (expense) relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	$95,823	$-	$95,823	$-	$95,823
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	96,246	-	96,246	-	96,246
To be reclassified to profit or loss in subsequent periods:					
Unrealized gains (losses) from available-for-sale financial assets	(555)	-	(555)	-	(555)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(612,693)	-	(612,693)	-	(612,693)
Total of other comprehensive income	$(421,179)	$-	$(421,179)	$-	$(421,179)

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

For the year ended December 31, 2015:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	$23,479	$-	$23,479	$-	$23,479
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(49,459)	-	(49,459)	-	(49,459)
To be reclassified to profit or loss in subsequent periods:					
Unrealized gains (losses) from available-for-sale financial assets	(135,070)	(8,854)	(143,924)	-	(143,924)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(506,039)	-	(506,039)	-	(506,039)
Total of other comprehensive income	$(667,089)	$(8,854)	$(675,943)	$-	$(675,943)

The Company has accumulated a large amount of loss carry forward. Therefore, there was not significant deferred income tax effect resulted from other comprehensive income and changes in equity in 2016 and 2015, and thus the Company did not record related income tax.

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

(29) Income tax

The major components of income tax expense (income) are as follows:

Income tax expense (income) recognized in profit or loss

	For the years ended December 31, 2016	For the years ended December 31, 2015
Current income tax expense (income):		
Current income tax charge	$(90,829)	$(24,647)
Adjustments in respect of current income tax of prior periods	-	6,046
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	19,999	20,000
Total income tax (income) expense	$(70,830)	$1,399

There was not significant deferred income tax effect resulted from other comprehensive income and changes in equity in 2016 and 2015, and thus the Company did not record related income tax.

A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended December 31, 2016	For the years ended December 31, 2015
Accounting loss before tax from continuing operations	$(2,414,775)	$(3,073,616)
Tax at the domestic rates applicable to profits in the country concerned	$(410,512)	$(522,515)
Tax effect of revenues exempt from taxation	275,515	142,954
Tax effect of expenses not deductible for tax purposes	8,764	64,846
Other	6,497	8,067
Tax effect of deferred tax assets/liabilities	139,735	326,648
Adjustments in respect of current income tax of prior periods	-	6,046
Income tax benefit from consolidated return system	(90,829)	(24,647)
Total income tax expense (income) recognized in profit or loss	$(70,830)	$1,399

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2016

	Beginning balance	Deferred tax income (expense) recognized in profit or loss	Ending balance
Temporary differences			
Deferred tax assets			
Investments accounted for using the equity method	$424,698	$(10,762)	$413,936
Unrealized intragroup profits and losses	11,245	1,260	12,505
Allowance for doubtful accounts	66,446	1,323	67,769
Others	7,675	409	8,084
Subtotal	510,064	(7,770)	502,294
Deferred tax liabilities			
Investments accounted for using the equity method	(130,598)	(11,336)	(141,934)
Unrealized gain on foreign exchange	(154,733)	(893)	(155,626)
Reserve for land revaluation	(3,417)	-	(3,417)
Subtotal	(288,748)	(12,229)	(300,977)
Deferred tax (expense)/ income		$(19,999)	
Net deferred tax assets/(liabilities)	$221,316		$201,317
Reflected in balance sheet as follows:			
Deferred tax assets	$510,064		$502,294
Deferred tax liabilities	$(288,748)		$(300,977)

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

For the year ended December 31, 2015

	Beginning balance	Deferred tax income (expense) recognized in profit or loss	Ending balance
Temporary differences			
Deferred tax assets			
Investments accounted for using the equity method	$408,464	$16,234	$424,698
Unrealized intragroup profits and losses	19,322	(8,077)	11,245
Allowance for doubtful accounts	69,547	(3,101)	66,446
Others	15,626	(7,951)	7,675
Subtotal	512,959	(2,895)	510,064
Deferred tax liabilities			
Investments accounted for using the equity method	(145,918)	15,320	$(130,598)
Unrealized gain on foreign exchange	(122,308)	(32,425)	(154,733)
Reserve for land revaluation	(3,417)	-	(3,417)
Subtotal	(271,643)	(17,105)	(288,748)
Deferred tax (expense)/ income		$(20,000)	
Net deferred tax assets/(liabilities)	$241,316		$221,316
Reflected in balance sheet as follows:			
Deferred tax assets	$512,959		$510,064
Deferred tax liabilities	$(271,643)		$(288,748)

The following table contains information of the unused tax losses of the Company:

Year	Tax losses for the period	Unused tax losses as of December 31, 2016	2015	Expiration year
2016	$605,586	$-	$-	2026
2015	2,862,935	-	1,880,683	2025
2014	822,903	506,008	506,008	2024
2013	1,307,119	1,197,171	1,197,171	2023
2012	247,968	-	-	2022
2010	2,041,023	1,781,104	1,781,104	2020
2009	1,782,046	1,627,157	1,627,157	2019
2007	895,593	767,227	767,227	2017
	$10,565,173	$5,878,667	$7,759,350	

Unrecognized deferred tax assets

As of December 31, 2016 and 2015, deferred tax assets that have not been recognized as they may not be used to offset taxable profits amounted to NTD 3,699,987 thousand, and NTD 3,896,585 thousand, respectively.

Imputation credit information

	As of December 31,	
	2016	2015
Balances of imputation credit amounts	$1,457,642	$1,443,132

The actual creditable ratio for 2016 and 2015 were both 0%.

The Company's earnings generated in the year ended December 31, 1997 and prior years have been fully appropriated.

The assessment of income tax returns

As of December 31, 2016, the R.O.C. income tax authorities have assessed the income tax returns of the Company through 2012.

(30) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the Company (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the years ended December 31,	
	2016	2015
Basic and diluted earnings (loss) per share:		
Net loss (in thousands of NTD)	$(2,343,945)	$(3,075,015)
Weighted average number of ordinary shares outstanding for basic and diluted earnings per share (in thousands)	2,259,391	$2,268,605
Basic and diluted loss per share	$(1.03)	$(1.35)

There were no other transactions involving ordinary shares or potential ordinary shares between the balance sheet date and the issuance date of the financial statements.

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

7. Related party transactions

Significant related party transactions

(1) Sales (including leasing revenue)

	For the years ended December 31, 2016	For the years ended December 31, 2015
Subsidiaries	$4,571,413	$5,667,922
Entity with joint control or significant influence over the Company	4,023	1,826
Associates	19,517	11,936
Other related parties	129	137
Total	$4,595,082	$5,681,821

The sales price to related parties was determined through mutual agreement based on market conditions. The collection terms for domestic related parties were 90 days, equivalent to those for domestic third parties; the collection terms for foreign related parties were 30-180 days, equivalent to these for foreign third parties.

(2) Purchase

	For the years ended December 31, 2016	For the years ended December 31, 2015
Subsidiaries	$1,458,905	$1,691,564
Entity with joint control or significant influence over the Company	-	239
Associates	9,494	19,701
Total	$1,468,399	$1,711,504

The purchase price from related parties was determined through mutual agreement based on market conditions. The payment terms to related parties and third parties for domestic purchases were both net 30-150 days, while the terms for overseas purchases were both net 30-120 days.

(3) Notes receivable– related parties

	As of December 31, 2016	As of December 31, 2015
Subsidiaries	$-	$1,775

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

(4) Accounts receivable – related parties

	As of December 31,	
	2016	2015
Subsidiaries	$1,952,786	$1,997,302
Entity with joint control or significant influence over the Company	1,409	33
Associates	2,635	2,909
Other	1	-
Subtotal	1,956,831	2,000,244
Less: allowance for doubtful accounts	(315)	(129)
Unrealized interest revenue – trade receivables from instalment sales	(855)	(3,606)
Net	$1,955,661	$1,996,509

(5) Construction receivables

	As of December 31,	
	2016	2015
Subsidiaries	$65,069	$469,318

(6) Others receivable – related parties (current or non-current)

	As of December 31,	
	2016	2015
Loans receivable(Note)	$1,421,009	$1,446,344
Reclassified from accounts receivable due to over-due:		
Subsidiaries	2,515,542	2,864,128
Entity with joint control or significant influence over the Company	135	5
Associates	-	9,491
Subtotal	3,936,686	4,319,968
Less: allowance for doubtful accounts	(84,168)	(87,833)
Net	3,852,518	4,232,135
Non-current portion (Reclassified as non-current assets)	(2,728,002)	(3,007,680)
Current portion	$1,124,516	$1,224,455

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

Note:

Loans receivable details are as below:

December 31, 2016

Name of related parties	2016 Maximum balance	Balance as of December 31, 2016	Interest rates	Interest revenue
Tatung Vietnam Co. Ltd.	$537,124	$537,124	2%	$10,774
Tatung Global Strategy Investment and Trading (BVI) Inc.	$883,885	$883,885	2%	$17,682

December 31, 2015

Name of related parties	2015 Maximum balance	Balance as of December 31, 2015	Interest rates	Interest revenue
Tatung Vietnam Co. Ltd.	$546,700	$546,700	2%	$10,570
Tatung Global Strategy Investment and Trading (BVI) Inc.	$899,644	$899,644	2%	$17,394

(7) Prepayments

	As of December 31, 2016	As of December 31, 2015
Subsidiaries	$17,464	$17,464

(8) Accounts payable – related parties

	As of December 31, 2016	As of December 31, 2015
Subsidiaries	$234,469	$279,157
Associates	111	6,459
Total	$234,580	$285,616

(9) Other payable– related parties

	As of December 31, 2016	As of December 31, 2015
Subsidiaries	$43,191	$43,324
Entity with joint control or significant influence over the Company	524	621
Associates	1,177	5,210
Other	50	50
Total	$44,942	$49,205

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

(10) Acquisition of property, plant and equipment and intangible assets

	Acquisition proceeds	
	2016	2015
Subsidiaries	$545,059	$339,664
Associates	3,154	5,647
Total	$548,213	$345,311

(11) Compensation of key management personnel

	For the years ended December 31,	
	2016	2015
Short-term employee benefits	$29,434	$38,370
Post-employment benefits	222	282
Total	$29,656	$38,652

(12) Operating expense－rent expenditure

	For the years ended December 31,	
	2016	2015
Subsidiaries	$130,287	$184,545
Other	30	-
	$130,317	$184,545

There were no significant differences in terms of rental between related parties and arm's length transactions. The rent was decided by the local market, location, floor, and size.

(13) Notes endorsement and guarantee

The balances of guarantees that the Company provided for related parties as of December 31, 2016, and 2015 were as follows:

Name of related parties	Purpose	December 31, 2016
Tatung Company of Japan, Inc.	Pledged for financing	NTD 1,772,400 thousand
Chunghwa Picture Tubes, Ltd.	Pledged for financing	NTD 3,000,000 thousand

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

Name of related parties	Purpose	December 31, 2015
Tatung Company of Japan, Inc.	Pledged for financing	NTD 1,772,400 thousand
Chunghwa Picture Tubes, Ltd.	Pledged for financing	NTD 3,000,000 thousand

Please refer to Note 6(20) for more details of the subsidiary's endorsement for the Company.

8. Assets pledged as collateral

The following table lists assets of the Company pledged as collateral:

	Carrying amounts as of December 31,		
	2016	2015	Purpose of pledge
Machines and other Equipment	$301,200	$458,972	Long-term loans
Investment in debt instrument investments with no active market exists	3,782,368	3,201,669	Construction security deposit, long-term loans, and guarantees for subsidiaries
Investments accounted for under the equity method	3,322,971	4,100,025	Long-term loans, commodity tax controversy, and guarantees for subsidiaries
Total	$7,406,539	$7,760,666	

9. Commitments and contingencies

(1) Legal claim contingency

A. King Pro Group ("King Pro") and Ka Hung Exhibition Co., Ltd. ("Ka Hung") contracted with the Company as subcontractors to construct part of the Talin Power Plant, for which tender the Company contracted with Kai Yuan Construction Co., Ltd. However, King Pro and Ka Hung failed to complete the construction upon deadline and both parties claimed to terminate the contract. King Pro and Ka Hung claimed that the Company had not paid construction examination fees, prepayments and advances and filed an action against the Company to claim NTD 23,610 thousand. The Court scheduled a preliminary proceeding on April 19, 2016. In addition, the Company filed for provisional seizure against King Pro and Ka Hung on March 21, 2016 and planned to claim indemnities resulted from advances and contract termination after receiving the ruling of the provisional seizure. The next trial date is May 10, 2017.

B. United Aerotech System Corporation filed a legal action against the Company on January 6, 2010, claiming payments of consultant fees amounted to NTD 1.49 million. The court of first and second instance ruled in favor of the Company but United Aerotech System Corporation appealed. United Aerotech System Corporation claimed a higher amount of NTD2 million in the oral arguments. This case is now in the remand second instance and the result of the trial is uncertain. United Aerotech System Corporation did not file an action against the remaining balance, and both courts in the first and second instance found the evidence supporting the claim in the amount of NTD 60 million to be invalid. United Aerotech System Corporation filed a legal action of third instance on March 29, 2014. The Company received remand judgment from the Supreme Court on November 5, 2014. The court ruled in favor of the Company in the remanded second instance, and thus the Company did not have to pay any fees. United Aerotech System Corporation filed a third instance, and the Company has appointed professional attorneys to handle the issue. In addition, United Aerotech System Corporation did not file a suit against the balance amounting to NTD 60,000 thousand. The court has ruled in the first and second instance that the basis of the calculation of the NTD 60,000 thousand was invalid.

C. The Company engaged in a construction project with Taiwan Railways Administration, MOTC ("Taiwan Railways"). There is still a dispute regarding the overdue fine charged by Taiwan Railways as the Company didn't complete the project in time, and the Company plans to hire an attorney to file a mediation to the Public Construction Commission

D. Yung Loong Engineering Corp. (Yung Loong) engaged in a construction project, "BI-HAI machinery installing project", with the Company, however, Yung Loong claimed that the Company's power generation set was defective and caused delay in the construction. Therefore, Yung Loong claimed payment of NTD 56,997 thousand from the Company. After failing a mediation on July 22, 2014, the action is pending at the court of first instance. Yung Loong requested for an appraisal for the items in dispute on court. The appraisal report was filed on February 21, 2017 and an application for examination has been filed to the court.

E. Compal Electronics, Inc. ("Compal") made a public announcement on March 29, 2013 to request the Company to purchase the CPT shares held by Compal and it filed for arbitration to the Arbitration Association of the Republic of China. The Company received the arbitration appeal submitted by Compal from the Association on April 3, 2013. An arbitration tribunal was formed on August 20, 2013.

The Company received the arbitration award 102-Chung-Sheng-He-Zi No. 25 Arbitration Judgment, from the Arbitration Association of the Republic of China on May 19, 2014. The main context is as follows:

j The counterparty (“the Company”) shall make a payment to the petitioner (“Compal”) for NTD 2,118,607 thousand. The first payment of NTD 718,607 thousand shall be paid within a month after the arbitration award is delivered to the counterparty. The second payment of NTD 700,000 thousand shall be paid within four months after the arbitration award is delivered to the counterparty. The third payment of NTD 700,000 thousand shall be paid within seven months after the arbitration award is delivered to the counterparty. In addition, the Company shall pay the interest at an annual rate of 5% from April 3, 2013 to full repayment day.

k Petitioner shall deliver the private shares for the corresponding payment for 374,274,704 shares, 364,583,334 shares and 364,583,333 shares.

l Other claims from Compal are dismissed

m Two thirds of the arbitration fees shall be borne by the petitioner while the rest is borne by the counterparty.

The Company issued requests to Compal for acknowledging the payments (i.e., NTD 718,607 thousand, NTD 700,000 thousand and NTD 700,000 thousand) and meanwhile delivering the corresponding numbers of shares (374,274,704 shares, 364,583,334 shares and 364,583,333 shares) on June 17, 2014, September 12, 2014 and December 14, 2014. However, Compal neither accepted the payment nor handed over the shares. In addition, Compal filed an action at Taiwan Taipei District Court to compulsory enforce the arbitration mentioned above. On July 31, 2014, the Company had received 2014 Zhong-Zhi-Zi No. 3 Civil Judgment, which granted the compulsory enforcement of the arbitration award on July 28, 2014. The Company has not received the order of the compulsory enforcement from Taiwan Taipei District Court.

On June 13, 2014, Compal filed an action at Taiwan Taipei District Court to revoke the unfavorable part of the arbitration award. The case was ruled by Taiwan Taipei District Court in 2014 Zhong-Zhi-Zi No. 4 Civil Judgment which revoked Compal’s filing and demanded Compal to pay all the litigation costs. Compal appealed and the case was handled by their attorneys. The case was ruled by Taiwan High Court and the oral arguments ended on March 8, 2016. On March 29, 2016, Taiwan High Court ruled to revoke the appeal of Compal. However, Compal appealed to the Supreme Court in May, 2016. On December 21, 2016, the Supreme Court held the oral arguments and ruled on January 11, 2017 to revoke the appeal of Compal. After this ruling, Compal cannot continue to argue against the mediation.

In addition, the Company estimated and recorded amounting to NTD 2,285,522 thousand as the payment for imposing the mediation result. The amount was recognized as a decrease of non-controlling interest and an increase of other payables. The shareholding percentage was increased by 17.03% accordingly. Both parties settled on February 9, 2017. The representatives of both parties were present to confirm accuracy of the stock transferred and payments and then signed a memorandum.

F. The Company and Toshiba Electronics Components Taiwan Corporation ("Toshiba") signed a contract regarding "the purchase and the assembly of motor and fan of the Taiwan Railways TILTING train and EMU800 train". The Company completely followed the blueprint of Toshiba, but Toshiba claims that the products were faulty and claimed damages amounted to NTD 58,125 thousand, requiring the Company to pay. On October 12, 2016, the Company has appointed an attorney to file a mediation to the ROC Mediation Association. On March 20, 2017, the first mediation was held. The second mediation will be held on April 27, 2017.

(2) Others

A. The promissory notes issued by the Company to secure bank loans, construction performance bond and tariff guarantee amounted to NTD 9,828,744 thousand.

B. The Company's unused letters of credit for importing raw materials and machinery amounted to NTD 38,010 thousand, USD 10,470 thousand, EUR 368 thousand, JPY 9,156 thousand, and RMB4,324 thousand.

C. Performance bond issued by financial institutions amounted to NTD 1,475,824 thousand, USD 663 thousand and EUR 171 thousand.

D. The Company applied to Mega International Commercial Bank and Bank of Taiwan for a credit line to be issued for Tatung Co., of Japan, Inc. The promissory notes amounted to NTD 972,400 thousand and NTD 800,000 thousand. The Company applied to Industrial Bank of Taiwan, Fubon Bank and Far Eastern Commercial Bank for a credit lines to be issued for CPT. The promissory notes of credit amounted to NTD 1,000,000 thousand, NTD 500,000 thousand and NTD 1,500,000 thousand, respectively.

10. Significant disaster loss

None.

11. Significant subsequent events

Please refer to Note 9.1.(5) for the mediation results of the Company and Compal over CPT shares.

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

12. Others

(1) Categories of financial instruments

Financial assets

	As of December 31, 2016	As of December 31, 2015
Financial assets at fair value through profit or loss:		
Held for trading	$23,930	$24,200
Available-for-sale financial assets (including $31,538 reported as financial assets measured at cost) (including the non-current portion)	425,795	424,350
Held-to-maturity financial assets	826,250	20,000
Loans and receivables:		
Cash and cash equivalents (excluding cash on hand and demand deposit)	2,044,349	2,158,881
Debt instrument investments with no active market exists	3,782,368	3,201,669
Notes receivable (including related parties)	256,817	297,955
Accounts receivable (including related parties)(including the construction receivable)	4,414,986	5,298,890
Other receivables (including related parties)(including the non - current portion)	4,105,418	4,385,740
Other non - current assets－deposits-out	259,107	219,228
Subtotal	14,863,045	15,562,363
Total	$16,139,020	$16,030,913

Financial liabilities

	As of December 31, 2016	As of December 31, 2015
Financial liabilities at amortized cost:		
Short-term loan	$3,968,758	$5,524,603
Short-term notes and bills payable	199,923	549,759
Payables (including related parties)(including non-current)	6,299,344	4,688,021
Loan (including the current portion)	25,515,258	21,253,779
Deposits in	4,390	4,270
Notes Payable	52,000	-
Subtotal	36,039,673	32,020,432
Financial liabilities at fair value through profit or loss:		
Held-for-trading	260	807
Total	$36,039,933	$32,021,239

(2) Financial risk management objectives and policies

The Company's risk management objectives are to manage market risk, credit risk and liquidity risk related to its operating activities. The Company identifies measures and manages the aforementioned risks based on policy and risk preference.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant financial activities, due approval process by the board of directors and audit committee must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks comprise of currency risk, interest rate risk, and other price risk (such as equity price risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables, there is usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries.

The Company has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Company also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Company.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rates for USD and JPY.

The information of the sensitivity analysis is as follows:

A. When NTD appreciates or depreciates against USD by 1%, the profit for the years ended December 31, 2016 and 2015 will increase (decrease) by NTD 14,788 thousand and NTD 13,875 thousand respectively.

B. When NTD appreciates or depreciates against JPY by 1%, the profit for the years ended December 31, 2016 and 2015 would will increase (decrease) by NTD 1,228 thousand and NTD 2,434 thousand respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's loans and receivables at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The Company manages its interest rate risk by having a balanced portfolio of fixed and variable loans and borrowings and entering into interest rate swaps. Hedge accounting does not apply to these swaps as they do not qualify for it.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as of the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the balance sheet date, a change of 10 basis points of interest rate could cause the profit for the years ended December 31, 2016 and 2015 to increase/decrease by NTD 13,501 thousand and NTD 14,910 thousand, respectively.

Equity price risk

The Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company's listed equity securities are classified under held for trading financial assets or available-for-sale financial assets, while unlisted equity securities are classified as available-for-sale. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's board of directors reviews and approves all equity investment decisions.

At the balance sheet date, a decrease of 1% in the price of the listed equity securities classified under available-for-sale could have an impact of NTD 2,590 thousand and NTD 2,647 thousand on the Company's equity for the years ended December 31, 2016 and 2015, respectively.

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria etc. Certain customer's credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of December 31, 2016 and 2015, amounts receivables from top ten customers represented 58.19% and 55.82% of the total accounts receivables of the Company, respectively. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Company's treasury in accordance with the Company's policy. The Company only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counter parties.

(5) Liquidity risk management

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments, bank borrowings, convertible bonds and finance leases. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

Non-derivative financial instruments

	Less Than 1 Year	2-3 Years	4-5 Years	More than 5 Years	Total
December 31, 2016					
Loans (including contracted interests)	$5,210,793	$2,809,486	$22,688,715	$177,981	$30,886,975
Short-term notes and bills payable	200,000	-	-	-	200,000
Payables (including relates parties)	6,351,344	-	-	-	6,351,344
Deposit-in	4,390	-	-	-	4,390
December 31, 2015					
Loans (including contracted interests)	9,932,700	16,535,101	813,774	-	27,281,575
Short-term notes and bills payable	550,000	-	-	-	550,000
Payables (including relates parties)	4,688,021	-	-	-	4,688,021
Deposit-in	4,270	-	-	-	4,270

Derivative financial instruments

	Less Than 1 Year	2-3 Years	4-5 Years	More than 5 Years	Total
December 31, 2016					
Flow-in	$5,071	$-	$-	$-	$5,071
Flow-out	(260)	-	-	-	(260)
Net	$4,811	$-	$-	$-	$4,811
December 31, 2015					
Flow-in	$4,479	$-	$-	$-	$4,479
Flow-out	(807)	-	-	-	(807)
Net	$3,672	$-	$-	$-	$3,672

The above tables about the disclosures of derivative financial instruments used the undiscounted net cash flow.

(6) Fair value of financial instruments

A. the methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

(a) The carrying amount of cash and cash equivalents, receivables, payables and other current liabilities approximate their fair value due to their short maturities.

(b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.

(c) Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

(d) Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

(e) The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

B. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(8) for fair value measurement hierarchy for financial instruments of the Company.

(7) Derivative financial instruments

The Company's derivative financial instruments include forward currency contracts and embedded derivatives. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as at December 31, 2016 and 2015 is as follows:

Forward exchange contracts

Forward foreign exchange contracts to manage exposure part partial transactions, but not designated as hedging instruments:

December 31, 2016

	Currency	Period	Amount (thousands)
Buying currency exchange forward	Buy USD Sell NTD	2016.11~2017.03	USD9,500
Buying currency exchange forward	Buy RMB Sell USD	2016.12~2017.01	RMB16,974
Buying currency exchange forward	Buy USD Sell JPY	2016.10~2017.01	JPY500

December 31, 2015

	Currency	Period	Amount (thousands)
Buying currency exchange forward	Buy USD sell NTD	April 2015-February 2016	USD 9,300

Exchange options

December 31, 2016

The following table refers to the related conditions with regard to the Company's unamortized exchange options on December 31, 2016.

Counterparty bank	Foreign exchange rate	Foreign exchange rate on the date of settlement FX	Term of settlement (USD in thousands)
A	USD/TWD	FX > 32.90	Executing price at 32.90 to sell USD 1,000
B	USD/TWD	FX > 31.36	Executing price at 31.36 to buy USD 1,000

As of December 31, 2016, foreign exchange options contracts that had settled amounted to USD 150,000 thousand, EUR 500 thousand, and the remaining unsettled contracts amounted to USD 2,000 thousand, with a fair value of NTD 260 thousand (including royalties amounted to NTD 390 thousand and unrealized loss amounted to NTD 130 thousand), recognized as financial liabilities carried at fair value through profit or loss - current.

December 31, 2015

The following table refers to the related conditions with regard to the Company's unamortized exchange options on December 31, 2015.

(Amount: thousands)

Counterparty bank	Foreign exchange rate	Foreign exchange rate on the date of settlement FX	Term of settlement (USD in thousands)
A	USD/JPY	FX < 120.5	Executing price at 120.5 to buy USD 1,000
A	USD/JPY	FX > 124	Executing price at 124 to sell USD 1,000
A	USD/TWD	FX < 32.28	Executing price at 32.28 to buy USD 1,000
A	USD/TWD	FX < 32.4	Executing price at 32.4 to buy USD 1,000
B	USD/JPY	FX < 120.5	Executing price at 120.5 to buy USD 1,000
B	USD/JPY	FX < 120.8	Executing price at 120.8 to buy USD 1,000
B	USD/JPY	FX > 124.5	Executing price at 124.5 to sell USD 1,000
B	USD/TWD	FX < 32.39	Executing price at 32.39 to buy USD 1,000
B	USD/TWD	FX < 32.4	Executing price at 32.4 to buy USD 1,000
C	USD/TWD	FX < 32.45	Executing price at 32.45 to buy USD 1,000
D	USD/TWD	FX < 31.6	Executing price at 31.6 to buy USD 1,000
D	USD/TWD	FX < 32.47	Executing price at 32.47 to buy USD 1,000
D	USD/TWD	FX < 32.3	Executing price at 32.3 to buy USD 1,000
E	USD/TWD	FX < 31.55	Executing price at 31.55 to buy USD 1,000

As of December 31, 2015, foreign exchange options contracts that had settled amounted to USD 233,800 thousand, EUR 500 thousand, and the remaining unsettled contracts amounted to USD 14,000 thousand, with a fair value of NTD 807 thousand (including royalties amounted to NTD 1,645 thousand and unrealized loss amounted to NTD 838 thousand), recognized as financial liabilities carried at fair value through profit or loss - current.

The counterparties of the aforementioned derivative transactions are reputable financial institutions with good credit ratings, the credit risk is fairly low.

The forward foreign exchange contracts aim at hedging the exchange rate risk of net assets or net liabilities with cash inflows or outflows upon maturity. The company also has sufficient working capital so there's no significant cash flow risk.

(8) Fair value measurement hierarchy

(a) Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(b) Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss:				
Forward exchange contracts	$-	$5,071	$-	$5,071
Open-end funds	-	18,859	-	18,859
Available-for-sale financial assets:				
Stocks	259,049	-	135,208	394,257
Financial liabilities				
Financial liabilities at fair value through profit or loss:				
Forward exchange contracts	-	260	-	260

December 31, 2015

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss:				
Forward exchange contracts	$-	$4,479	$-	$4,479
Open-end funds	-	19,721	-	19,721
Available-for-sale financial assets:				
Stocks	264,747	-	130,065	394,812
Financial liabilities				
Financial liabilities at fair value through profit or loss:				
Forward exchange contracts	-	807	-	807

Transfers between Level 1 and Level 2 during the period

There were no transfers between Level 1 and 2 for the years ended December 31, 2016 and 2015.

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

	Measurement at fair value through income/loss		Available- for-sale	
	Capital-guaranteed financial product	Derivative	Share	Total
January 1, 2016	$-	$-	$130,065	$130,065
Total income (loss) recognized, 2016:				
Recognized in other comprehensive income, 2016	-	-	5,143	5,143
December 31, 2016	$-	$-	$135,208	$135,208
January 1, 2015	$-	$-	$168,954	$168,954
Total income (loss) recognized, 2015:				
Recognized in other comprehensive income, 2015	-	-	(38,889)	(38,889)
December 31, 2015	$-	$-	$130,065	$130,065

Information on significant unobservable inputs to valuation in Level 3

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As at December 31, 2016

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Available-for-sale					
Stocks	Market approach	discount for lack of marketability	25%~30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	1% increase (decrease) in the discount for lack of marketability would result in increase (decrease) in the Company’s equity by NTD 1,352 thousand

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

As at December 31, 2015

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Available-for-sale					
Stocks	Market approach	discount for lack of marketability	25%~30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	1% increase (decrease) in the discount for lack of marketability would result in increase (decrease) in the Company’s equity by NTD 1,301 thousand

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Company’s investment and accounting department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group’s accounting policies at each reporting date.

(c) Fair value measurement hierarchy of the Company’s assets and liabilities not measured at fair value but for which the fair value is disclosed

As at December 31, 2016

	Level 1	Level 2	Level 3	Total
Investments accounted for using the equity method(please refer to Note 6(11))	$2,378,616	$-	$-	$2,378,616

As at December 31, 2015

	Level 1	Level 2	Level 3	Total
Investments accounted for using the equity method(please refer to Note 6(11))	$3,087,627	$-	$-	$3,087,627

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

(9) Significant assets and liabilities denominated in foreign currencies

The exchange rates used to translate assets and liabilities denominated in foreign currencies are disclosed as follows:

Foreign currency-dollar, NTD-thousands

		As of December 31, 2016		
		Foreign currency	Exchange rate	NTD
Financial Assets -				
Monetary items				
	USD	$22,512,760	32.2500	$726,036
	JPY	224,255,614	0.27560	61,805
	EUR	281,727	33.9000	9,551
	RMB	1,346,984	4.64898	6,262
Non-Monetary items				
	USD	10,562,527	3.2500	340,642
	RMB	179,840,984	4.64898	836,078
	THB	472,079,084	0.9050	427,232
	JPY	2,273,292,089	0.27560	626,519
	SGD	4,762,600	22.90	106,158
	MXN	152,070,830	1.5571	236,785
	VND	(143,666,313,030)	0.00142	(203,565)
Financial Liabilities -				
Monetary items				
	USD	$68,366,685	32.2500	$2,204,826
	JPY	699,251,330	0.27560	184,446
	EUR	632,899	33.90000	21,455
	RMB	7,840,364	4.64898	36,450

		As of December 31, 2015		
		Foreign currency	Exchange rate	NTD
Financial Assets -				
Monetary items				
	USD	$67,359,960	32.82500	$2,211,091
	JPY	77,205,051	0.27270	21,054
	EUR	187,610	35.88000	6,731
	RMB	878,400	5.05498	4,440

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

		As of December 31, 2015		
		Foreign currency	Exchange rate	NTD
Non-Monetary items				
	USD	$10,835,357	32.82500	$355,671
	RMB	185,267,068	5.05498	936,521
	THB	457,270,741	0.91460	418,220
	JPY	2,181,277,220	0.27270	594,834
	SGD	2,531,153	23.25000	58,849
	MXN	122,769,010	1.88788	231,773
	VND	(106,079,612,416)	0.00146	(154,876)
Financial Liabilities - Monetary items				
	USD	109,629,346	32.82500	$3,598,583
	JPY	968,737,194	0.27270	264,175
	EUR	2,841,231	35.88000	101,943
	RMB	40,623	5.05498	205

(10) Capital management

The primary objective of the Company’s capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

(11) On December 7, 2015, Taiwan Supreme Court revoked the judgment made by Taiwan High Court on the Nature Worldwide Technology Co., case and remanded the case to the Taiwan High Court. Chairman Lin has appointed an attorney to assist him in the legal issues of the judgment and he hopes the court can discover the truth that he is innocent. The Company's operations, finance and business were not affected by the case and will continue as usual.

13. Other disclosure

(1) Information at significant transactions:

A. Financing provided to others: refer to Attachment 1.

B. Endorsement/Guarantee provided to others: refer to Attachment 2.

C. Securities held: refer to Attachment 3.

D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NTD300 million or 20% of the capital stock: refer to Attachment 4.

E. Acquisition of real estate in the amount exceeding the lower of NTD300 million or 20 percent of capital stock: none.

F. Disposal of real estate up to the amount exceeding the lower of NTD300 million or 20% of capital stock: none

G. Related party transactions for purchases and sales amounts exceeding the lower of NTD100 million or 20% of capital stock: refer to Attachment 7.

H. Receivables from related parties with amounts exceeding the lower of NTD100 million or 20% of capital stock: refer to Attachment 8.

I. Engaging in derivative transactions: refer to Note 6 and Note 12 in the parent company only financial statements.

J. Intercompany Relationships and Significant Intercompany Transactions: refer to Attachment 12.

(2) Information on investees:

A. Of the investee company directly or indirectly has significant influence or control over, their investee companies’ information: refer to Attachment 10.

B. Of the investee company who directly or indirectly has control, the following information is disclosed:

(a) Financing provided to others: refer to Attachment 1.

(b) Endorsement/Guarantee provided to others: refer to Attachment 2.

(c) Securities held: refer to Attachment 3.

(d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NTD 300 million or 20% of the capital stock: refer to Attachment 4.

(e) Acquisition of real estate in the amount exceeding the lower of NTD 300 million or 20% of capital stock: refer to Attachment 5.

(f) Disposal of real estate up to the amount exceeding the lower of NTD 300 million or 20% of capital stock: refer to Attachment 6.

(g) Related party transactions for purchases and sales amounts exceeding the lower of NTD 100 million or 20% of capital stock: refer to Attachment 7.

(h) Receivables from related parties with amounts exceeding the lower of NTD 100 million or 20% of capital stock: refer to Attachment 8.

(i) Engaging in derivative transactions: Attachment 9.

C. Information on investments in mainland China:

(a) The investee company name, main business, paid-in capital, investment, capital outflow, ownership, investment gains and losses, ending balance of investment, repatriation of investment income and have to go to the mainland investment limit scenario: refer to Attachment 11.

(b) With the investee companies directly or indirectly through a third country following the occurrence of significant transactions, prices, payment terms and unrealized gains and losses were as follows:

i. Ending balance and percentage, purchase amount and percentage of related payables: refer to Attachment 7.
ii. Sales amount and percentage of the balance and percentage of the related receivables: refer to Attachment 7.
iii. Gains and loss on the transaction amount of property: None.
iv. Endorsement guarantees or collateral ending balance and purpose: refer to Attachment 2.
v. The highest balance of financing, the total ending balance, and interest rate range and current total interest: refer to Attachment 1.
vi. Other transactions that have a significant impact on the profit or loss or financial position of the current period, such as the provision of services or received, etc.: refer to Attachment 7.